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Walmart's Sustainability Journey: Defining Sustainable Products (B)

During the July 2009 Sustainability Milestone Meeting, Walmart CEO Mike Duke announced that Walmart would be taking the lead in developing a multistakeholder consortium, which in turn would design and implement a public standard for product sustainability. He justified the announcement by noting,

Despite all the work that's been done, we see only bits of information, but not the full picture across the supply chain. We don't know the patterns, hidden costs, and impacts of the products we make and sell. Nor do we have a single source of data or a common standard for evaluating the sustainability of products. If we want to help the customer of the future live better, we need that data. We need that big picture view. So today, we're announcing that we will lead the creation of a Sustainability Index. The Index will bring about a more transparent supply chain, drive product innovation and, ultimately, provide consumers the information they need to assess the sustainability of products.¹

To develop the index, Walmart would help organize a "consortium of universities that will collaborate with suppliers, retailers, nongovernmental organizations, and government to develop a global database of information on the lifecycle of products ... from raw materials to disposal." Then Duke announced that he would provide a lead gift of \$2 million to establish The Sustainability Consortium, a contribution that would rise to \$6 million by 2012.

Despite Walmart's leading role in the consortium, Duke was clear that the ultimate goal was to develop a collective standard that could be used by multiple firms in reference to multiple products:

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It is not our goal to create or own this index; we want to spur the development of a common database that will allow the consortium to collect and analyze the knowledge of the global supply chain. We think this shared database will generate opportunities to be more innovative and to improve the sustainability of products and processes.ⁱⁱ

Once the lifecycle-based database had been created, Duke hoped it would serve as the basis by which suppliers communicated the sustainability of their products, in a standardized, comparable manner. In turn, buyers at Walmart could better evaluate the sustainability of the products they procured. Such capabilities would support progress on the third sustainability commitment the company had made in 2005, namely, to sell sustainable products. He also anticipated that a related simple tool could help consumers understand the environmental impacts of items they were purchasing.

But it turned out that developing an index that communicated to consumers, already confused by the plethora of sustainability labels, would be far more complicated than Duke anticipated.ⁱⁱⁱ

The Sustainability Consortium

Almost three years after Duke's announcement, The Sustainability Consortium (TSC) had grown to include more than 90 members from business (representing at least \$1.5 trillion in revenue), government, and nongovernmental organizations (NGOs). The Consortium's stated mission was "to design and implement credible, transparent, and scalable science-based measurement and reporting systems accessible for all producers, retailers, and users of consumer products."^{iv} (See Exhibit 1 for a listing of some TSC members as shown on the TSC Web.) Until the board of directors was named in January 2011, the Consortium had been guided by its academic codirectors, Jon Johnson of the University of Arkansas and Kevin Dooley of Arizona State University (Dooley followed Jay Golden of Arizona State University, who took a position at Duke University in August 2010). Johnson served as the chair of the board, which also included five corporate seats, four university seats, and two NGO seats. The five corporate members were elected from TSC's general membership and included Andrea Thomas, Senior Vice President for Sustainability at Walmart. Thomas was the third person to lead Walmart's sustainability efforts, after replacing her predecessor Matt Kistler in September 2010.

For businesses, TSC membership structure featured two tiers at its inception. Tier 1 membership cost \$100,000 and Tier 2 cost \$50,000, though smaller firms received reduced rates. With Tier 1

membership, firms attained select benefits, including participation in governance and access to Consortium-wide working groups (see Exhibit 2). Although Walmart remained the largest contributor, and many firms joined mainly in response to Walmart's participation, TSC's formal governance did not provide Walmart with any special role. Instead, Walmart was just one of the many companies responsible for figuring out how to collaborate and develop a system that could provide a rating score for any product's environmental impact.

To implement its strategy, the Consortium organized sector-specific and consortium-wide working groups. The latter (i.e., Consumer Science, IT Standards & Tools, and Measurement Science) aimed to address common issues, such as *how* to measure and what tools to use. The sector-specific groups (Retail; Paper; Home and Personal Care; Electronics; Packaging; Food, Beverage, and Agriculture; Clothing, Footwear, and Textiles; and Toys) instead examined sustainability issues at different levels of aggregation, such as major product categories, and thus worked to determine *what* should be measured. Overall, TSC aimed to develop sustainability metrics at the product category level, defined as groups of products that share similar attributes and functions, such as the cereal category, laundry detergent category, toy category, novel category, and so on. A large Walmart Supercenter might carry as many as 150,000 products in approximately 400 categories.^v

Seeking Common Standards

An early challenge for TSC was managing public and private interests related to the development of common environmental standards. Jon Johnson, the codirector, believed that member firms shared a common interest in working together to address “pre-competitive” issues that would enable the market for sustainable products to work more effectively:

In a pre-competitive space, companies can create conditions under which they can later compete more effectively and efficiently. Information is the raw material of markets, and truly efficient markets require perfect information, but the information they have is imperfect. If firms can collaborate in a pre-competitive way to create better information with fewer information asymmetries, more credibility, more certainty, and most importantly, more harmonization so that everyone is speaking the same language, then they can later interact more effectively in a competitive market, because they're exchanging better information, and doing so more efficiently. Developing standards is a perfect example because companies should protect proprietary information but release the kinds of information that are necessary for decisions to be made across organizational boundaries.^{vi}

Thus, the Consortium strived to accelerate the market for sustainable products by providing member companies with information that they could use to better understand, share, differentiate, and declare the environmental impact of their products.

Despite the common goal of addressing “pre-competitive” issues in market development, many firms considered the creation of any reporting label or scorecard as a competitive issue that should, at least at first, be left to individual members, rather than decided on as a whole. The development of an algorithm to evaluate the trade-offs among multiple dimensions of product sustainability (e.g., carbon, water, energy, waste) raised competitive concerns. What dimensions would be included? How should they be measured, weighted, and reported? Who gets to arbitrate if firms disagree about what the standards should be? For some firms, the failure to create any standards offered a better outcome than developing a standard that might harm their product sales or marketing.

To balance public and private interests and address such questions, Johnson recognized that TSC could not own or operate a proprietary sustainability index:

There is a fundamental difference between a system containing data sufficient to create a label and the label itself. That is to say, different stakeholders could create different labels from the same data system. Those differences would result from the different political, competitive, moral, social, and cultural beliefs emphasized by those groups. For instance, social dimensions such as working conditions might be important for one group but not another. Those kinds of judgments are just not within the purview or even expertise of the Consortium. Our work should be focused on building a science-based platform that these parties can use in their assessments of product sustainability, no matter what lens they choose.

The Consortium therefore aimed to separate itself from Walmart’s, or any other individual company’s, preferences and develop a comprehensive index that could directly evaluate a company’s product sustainability claims. As Johnson remarked at the time, “The Walmart Supplier Sustainability Assessment Tool is really not directly relevant or related to what we’re doing. What we’re doing is creating a system that would enable companies to get information on product categories or products. It’s not at the company level.”^{vii} Thus, TSC members would develop a scientific platform, and consumer products companies would use it to assess the environmental impacts over any particular product lifecycle. Helping companies lower their

environmental impact did not mean that the Consortium would participate in any product design or comparative product ranking among competitors.

Sustainability Measurement and Reporting Systems

To achieve these goals, TSC first developed a framework, the Sustainability Measurement and Reporting Systems (SMRS), to define for any particular product category what product manufacturers should measure, how to measure it, and how to report it to a common database. As initially conceived, this process would create a *market-typical* baseline model that described the environmental impacts (e.g., CO₂ emissions, water and energy use, waste) throughout the product life cycle for a particular product category (e.g., orange juice).^{viii} The baseline model would offer a starting point for comparing different products within the category (e.g., frozen orange juice); identifying the common high impact processes (“hot spots”) in production, distribution, and use phases; and, if data were available, quantifying the hot spot impacts. The next step would include validated product characteristics and processes that had been shown to improve performance. These validated tactics then would aid suppliers, retailers, and others in locating the highest impacts in product life cycles; if the data were available, they also could differentiate products from the baseline model. According to Johnson:

Taking into account the baseline carbon emissions associated with market-typical orange juice, a supplier could identify one or more performance drivers that reduce carbon, such as a different nutrient management plan known to reduce carbon emission in the orange grove. The supplier might also be able to act on other performance drivers in different high impact stages of the life cycle which would reduce carbon emissions. Then the company (or its customer) can compare their orange juice with the market-typical orange juice on the dimension of carbon emissions and see if there are real improvement opportunities. This process could be repeated for water, waste, or other environmental dimensions.

To discern the feasibility of these baseline models, through the winter of 2011 the Consortium focused on seven prototype product category baseline models in depth (orange juice, laundry detergent, laptops, wheat cereal, strawberry yogurt, televisions, and personal cleaners). The outcomes of this process would be leveraged into either an expansion of the baseline models or the pursuit of an alternative model. Johnson reflected on the issues:

We expected in the beginning that a full, LCA [life cycle assessment]–based methodology for all products and all dimensions was going to be quite difficult to achieve in the near term, but we didn’t know how far we could get with it. Many

experts told us any kind of LCA-based approach would be impossible, while others were saying that it was ready to go out of the box. Rather than engage in an endless discussion among the academics, NGOs, and corporates, we decided to just try to build an LCA-based system and see for ourselves what was possible, what was impossible in the near term, what was impossible in principle, and how we could adapt the systems to generate something usable in the short term and aspirational in the long term.

Progress on the prototypes turned out to be painstakingly slow, particularly because the data that was needed to develop a baseline for a product's full life cycle was difficult to collect, and because not all of TSC members were completely aligned with the strategy. As of the winter of 2011, some members, as well as representatives of the press and the environmental community, noted genuine concerns about the Consortium's pace in developing new product standards.

The Consortium faced issues of credibility, beyond these speed to market concerns. Other organizations were interested in providing similar services and were developing competing frameworks. The Sustainable Apparel Coalition, formed at about the same time as TSC, represented a multistakeholder effort to reduce the environmental and social impacts of footwear and apparel. Underwriter's Laboratories had made significant investments in helping companies assess the sustainability of their products, and these efforts had considerable overlap with TSC work. The Consortium also wished to be recognized by the consumer goods industry as the primary industry source for standards development. To achieve this credibility, support from the Consumer Goods Forum was critical, because the global industry group, with more than 400 members (dominated by retailers, manufacturers, and service providers), had substantial influence in the consumer goods industry. But the Consumer Goods Forum already was discussing frameworks similar to the new ideas emerging from TSC.

Then in the spring of 2011, the Consortium undertook an evaluation of its progress on the prototypes, in which it considered both stakeholder feedback and the framework developed by the Consumer Goods Forum. In response, TSC modified its original sustainability reporting framework, in an effort to move more quickly across a broader range of products. In particular, TSC ended its initial experimental effort to address the full life cycle analysis (LCA) impacts of a few products and decided instead to move more quickly to develop a simplified reporting format for environmental impacts.

To implement this new strategy, it initiated the SMRS using designated “Level 1” and “Level 2” stages. The Level 1 stage would produce a common platform for companies to share category-based environmental performance data and outcomes, on the basis of their hot spot analyses, improvement opportunities, and stakeholder concerns. A hot spot was defined as “a unit process or phase of a product life cycle that has a potentially significant environmental or social impact.”^{ix} The improvement opportunities entailed known best practices that could be employed by producers and manufacturers to address hot spots. Stakeholder concerns referred to those issues associated with the product category that important stakeholder groups (e.g., environmental NGOs) had raised but for which insufficient scientific evidence existed to make a definitive claim. They were included in the Level 1 SMRS because such issues frequently garner considerable public attention—sometimes even more so than important issues with a stronger scientific basis—and thus business decision makers must recognize and understand them.

To identify hot spots and improvement opportunities, TSC and its members could undertake an intensive scientific analysis of a product’s impact across its life cycle, or they might review published literature and experts’ opinions, especially if relevant data are lacking or product systems are particularly complex (e.g., biodiversity losses due to fisheries depletion). To achieve greater speed and scope, the Consortium chose to rely initially on published reports, expert opinion, and industry agreement to identify environmental challenges and opportunities, rather than engage in the original LCA and reporting, which would have taken more time and required greater resources and capabilities. Finally, the outcomes of the Level 1 sustainability reporting were designed to guide business-to-business (B2B) conversations, serve as the foundation for supply chain initiatives, and evaluate producers at the product category level.

In Level 2 sustainability reporting, to follow after the Level 1 goals were accomplished, TSC hoped to enable more specific, validated product declarations and B2B communication. It would deploy formal international standards, based on the ISO 14000 series, and provide category-level data to enable firms to differentiate their products from a baseline, in support of their formal product declarations.^x The Consortium also would provide companies with information that they could use to understand and share information in the first stage (Level 1), then differentiate and declare their products in the second (Level II). (Exhibit 3 offers a visual representation of the different stages and the Level 1 hot spot model outcomes.)

The Level 1 reporting system would rely on a structured, wiki-style knowledge base comprising several interrelated components for each product category:

- **Category Dossiers.** These collections of evidence would pertain to the category’s supply chain, environmental and social hotspots, improvement opportunities, and stakeholder concerns. They would include extensive compilations of literature reviews, summaries of expert panel interviews, and other evidence-based information related to the sustainability impacts of a product category. Dossiers were open to continuous commenting and revision and intended for a technical audience.
- **Category Sustainability Profiles.** Syntheses of product sustainability knowledge and improvement opportunities, the CSPs would offer two-page summaries of the information in the dossiers, with essential information about the product category’s hot spots, improvement opportunities, and stakeholder concerns. The CSPs would be published periodically—once or twice a year—and were developed for use by nontechnical business decision makers.
- **Key Performance Indicators.** Featuring key metrics and questions about product category sustainability, the KPIs were associated with the corresponding CSPs and similarly grounded in the information contained in the dossiers. They were published on the same schedule as the CSPs. Retailers and other actors could use these KPIs to evaluate the sustainability performance of their suppliers at the product category level.

Together, dossiers, CSPs, and KPIs represented an information generation and reporting system that member companies could use to standardize their communications about sustainability. A TSC Industry Reporting Platform was planned to be piloted in late 2012; with it, companies could provide information on key dimensions, as required by buyers throughout the consumer goods industry. The hope was that this innovation would obviate the need for organization-specific scorecards and reporting platforms.

Walmart’s Implementation of the Index

Walmart piloted the consortium hot spot analysis in 10 product categories (e.g., cereal, coffee, apparel, hardware, electronics, toys) and thus created category-based “Live Better Scorecards.” (See Exhibit 4.) The scorecards allowed buyers to evaluate and compare supplier performance on

the most prominent issues and opportunities in a product category. By August 2012, Walmart had implemented scorecards in more than 100 categories, reaching roughly 135 buyers in its U.S. and Canadian Sam's Club and Walmart businesses. Improvements in TSC's category identification and Level 1 SMRS methodologies then expanded the list of categories covered; Walmart anticipates that scorecards will be available for 60% of its U.S. sales volume by the end of 2013. According to Jeff Rice, Director of Sustainability, the significance of the implementation has been immense:

To make sustainability a part of Walmart's core business, we had to build sustainability into the way we buy and sell merchandise. As we roll out the Index in these initial 107 categories, and as we expand implementation of the Index across our buying organization in 2013, we are building sustainability into the decision making for one of the largest procurement organizations in the world. The suppliers who work on this with us will be the suppliers that grow with us and will become stronger, more profitable businesses that significantly reduce the impact the consumer goods economy has on our resources and environment.

A new Sustainability Value Network (SVN) also helps buyers implement the scorecards. When buyers adopt the scorecards, sustainability dimensions get added to their annual performance evaluation criteria. The process will be part of Walmart's Joint Business Planning process in 2013, including incentives and recognition for leading suppliers.^{xi} Rice thus noted the potential impact on suppliers:

We'll see some shifts in terms of sustainability. The radical shift is in how we talk to suppliers about it. We're at a really interesting point in history, where sustainability is going to impact being a supplier to Walmart.... Our goal is to improve the sustainability our suppliers and the products our customers love, so we will recognize leading suppliers both internally and externally, and we'll identify who needs to improve and work with them to get better.^{xii}

However, communicating sustainability information to consumers remained a long-term goal that would not be implemented anytime soon.^{xiii} Efforts were ongoing in other areas, such as nutrition, where a "Great for You" label that relied on the well-developed field of nutritional science was applied on some private-label food products.

Other Sustainable Product Initiatives

In the three years since Mike Duke's announcement of the index, other company initiatives also aimed to create more sustainable products; the most significant were announced at the October

10, 2010, Sustainability Milestone Meeting. They focused on sustainable agriculture, attempting to increase locally sourced food, reduce food waste, provide related training to 1 million farmers, increase opportunities for women, eliminate Brazilian-sourced beef that was contributing to Amazon deforestation, and require all private-label products to incorporate sustainably sourced palm oil by 2015. (See Exhibit 5 for excerpts from this press release.)

Stakeholder Reactions

Initially, there was notable skepticism in the business and NGO communities. In 2009, the NGO community generally took a “wait and see” approach, and only the most proactive and pro-business NGOs engaged in TSC. Others expressed more serious doubts about the credibility of the enterprise: GreenBiz CEO Joel Makover was “concerned about the optics of it all: the perception that major manufacturers are helping to create the methodologies or otherwise set the rules of rating products, presumably to their advantage.”^{xiv} He also worried about the “amorphous” nature of the goals set by TSC, which did not seem to offer a value proposition for involvement by other companies—especially if they had to pay the stiff membership dues. Nonetheless, major companies including the retail giants Kroger, Tesco, Royal Ahold, Best Buy, and Marks & Spencer had signed on to the Consortium. A 2011 *Fortune* article reported on both the slow progress and the extreme complexity of the task at hand, such that even some environmental groups were suggesting alternative, simpler approaches: “digging deeply into supply chains is so difficult, in fact, that even some environmental groups don’t have much hope that a sustainability index will push firms to invest in the staffing and expense it requires.”^{xv} A March 2012 report by the nonprofit Institute for Local Self-Reliance also accused Walmart of greenwashing in its efforts to institute the index.^{xvi}

Next Steps for Walmart and the Sustainability Consortium

At the April 18, 2012, Sustainability Milestone Meeting at Walmart’s corporate offices in Bentonville, Arkansas, Board Chair Rob Walton addressed the meeting participants via video chat, to remind them of the importance of sustainability to Walmart’s future. He rhetorically asked the group how his father, Sam Walton, would have felt about Walmart’s sustainability journey. He provided his own answer: “No one would have been prouder, and no one would have asked harder questions.” Laying out the business case, he challenged: “I want to ask you to redouble your efforts. Put sustainability even deeper into every part of the business so that every

associate drives progress. Scale up and speed up on projects on waste, energy, agriculture, *and* the sustainability index.”^{xvii} His summary emphasis on the index was not accidental. Much of the remainder of the meeting focused on selling more sustainable products and doing it more quickly. CEO Mike Duke repeatedly reminded the group that he expected an acceleration of both effort and outcomes. Then Bill Simon, President and CEO of Walmart U.S., noted in relation to the index, “we’ve really got to figure that out; it’s been more difficult to get in place than what we would have imagined when we started.”

Indeed. Only days before, at the *Fortune* Brainstorm Green conference, Rob Walton was on a panel with the magazine’s managing editor, in which he explained, “The sustainability index, one of the questions was about it not going fast enough. But *good gosh*, this is *really* complicated stuff. And, it’s giving our buyers information to inform decisions and compare products. It will be a great day when we can give consumers that information....”^{xviii}

Exhibit 1: Sample Consortium Membership, From TSC Web, July 2012^{xix}

Tier 1 Members

*Asterisk Denotes Founding Member. To learn more about Tier structure please visit our [Join](#) page

Tier 2 Members

NGOs and Government

Exhibit 2: Consortium Membership Application, July 2012

The Sustainability Consortium, jointly administered by the University of Arkansas and Arizona State University, is a partnership of researchers from around the globe working collaboratively with non-government organizations (NGOs), governmental agencies, and business partners to address some of the most pressing sustainability issues of our generation. We are a solutions-based organization taking a leadership role in sustainable indexing of consumer products and governmental initiatives seeking to achieve a more sustainable approach for our urbanizing and globalizing planet. As a member of the Sustainability Consortium, you will be engaged with other leading organizations in the development and deployment of the most far-reaching effort to index the sustainability of consumer products. This index will effectively quantify the sustainable attributes of a product by examining the energy and climate, material efficiency, natural resources, and people and community aspects of a manufactured product throughout its life cycle. Consortium members will be at the forefront of how this information is developed, communicated and used by retail organizations, their buyers as well as consumers at the point of purchase.

Company Name: _____

Contact Name & Title: _____

Address: _____

City: _____ State & Zip: _____

Phone: _____ Fax: _____ Email: _____

Signature: _____ Date: _____

Tier I - Founder Level

(minimum expected commitment of 3 years)

Founder Level Member

Retailers \$250,000/year
Business Partners \$100,000/year
Consultants \$100,000/year

Founder Level Members of The Sustainability Consortium will be active participants in the design and development of the tools and systems created for consumer product sustainability analysis. Founders will also be recognized with special honor and distinction, which includes: name and/or logo recognition as a Founder on The Sustainability Consortium web sites, annual reports, and materials prepared for workshops, conferences and meetings. Founders will also receive the following benefits for each year of the three year commitment:

- One (1) seat on The Sustainability Consortium Advisory Council
- One (1) seat on a Sector Working Committee
- Invitation to Quarterly Workshops
- Invitation to Annual Meetings
- Invitation to on-going Sector Meetings
- Updates via Newsletters & Publications
- Participation in Specialized Training & Education Programs

Tier II Level

(minimum expected commitment of 3 years)

Business Member \$50,000/year

Small Business Member \$25,000/year
 (For companies with less than 500 employees)*

- One (1) seat on a Sector Working Committee
- Invitation to Quarterly Workshops
- Invitation to Annual Meetings
- Invitation to on-going Sector Meetings
- Updates via Newsletters & Publications

Government & Non-Governmental Organizations* \$10,000/year

(Does NOT include organizations representing a specific product, trade or business sector.)

- Invitation to Quarterly Workshops
- Invitation to Annual Meetings
- Updates via Newsletters & Publications

Please make checks payable to the "ASU Foundation."

Funds will be deposited on behalf of the Consortium with the Arizona State University Foundation, a separate non-profit organization. Funds will be used to support the Sustainability Consortium and its various Academic Institutional Partners.

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Please make checks payable to the "The University of Arkansas Foundation, Inc."

Funds will be deposited on behalf of the Consortium with the U of A Foundation, a separate non-profit organization. Funds will be used to support the Sustainability Consortium and its various Academic Institutional Partners.

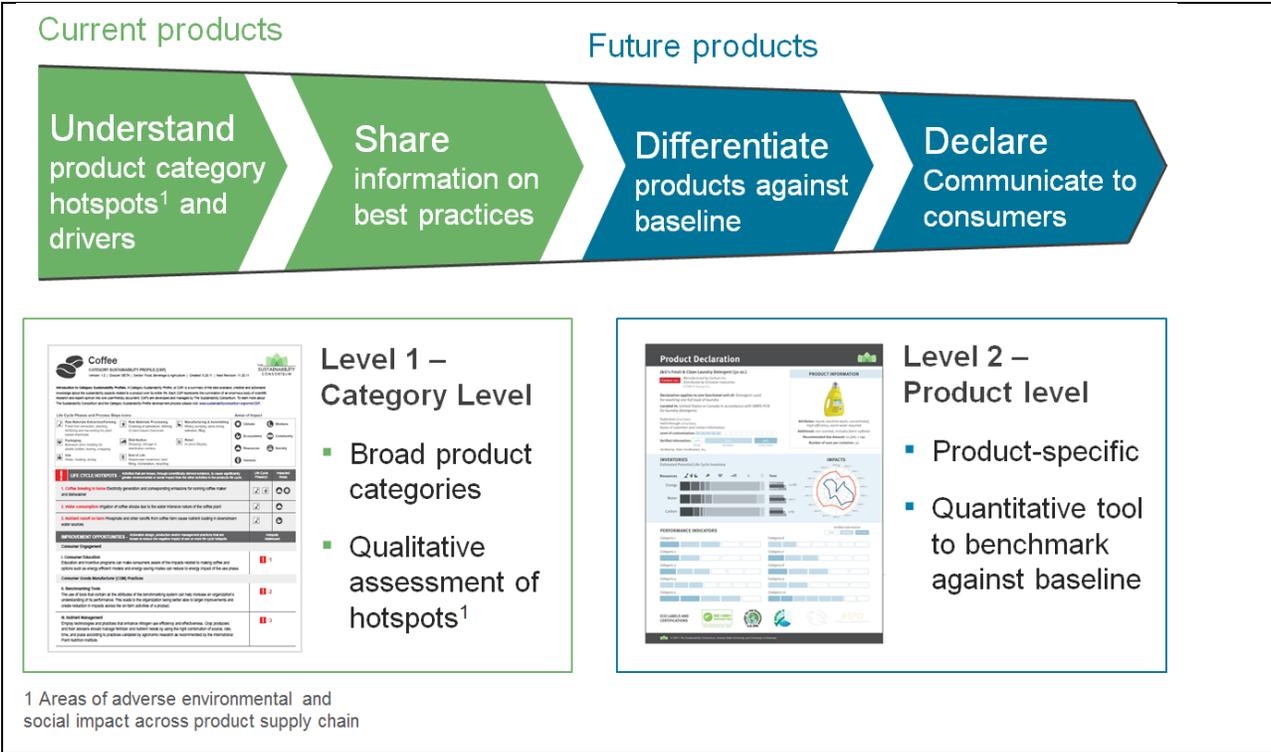
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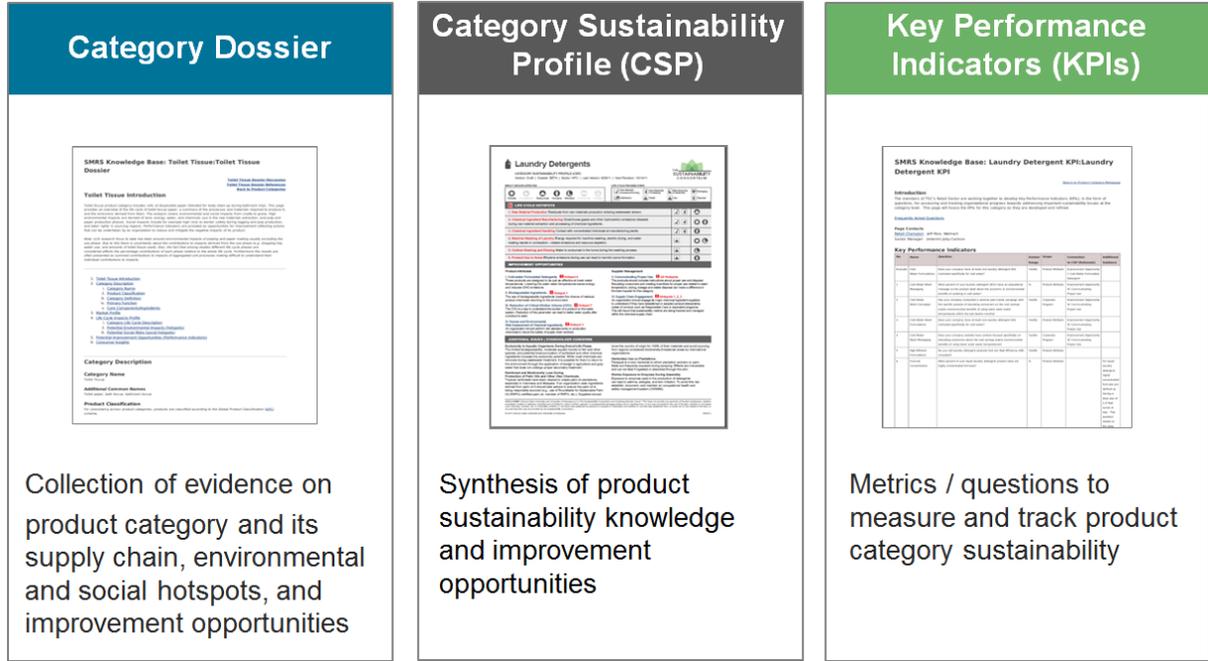
* The Sustainability Consortium will invite companies with less than 500 employees, government and non-governmental organizations to participate in the Advisory Council Meetings on a periodic or rotating basis to provide input and perspective on issues that relate to smaller businesses, government and non-governmental organizations



Exhibit 3: Consortium Implementation Strategy and Level 1 Outputs



TSC category-level products have 3 major components...



Source: Courtesy of the Sustainability Consortium, July 2012.

Exhibit 4: Live Better Scorecard

Category Sustainability Profile and Live Better Scorecard

Laptops CATEGORY SUSTAINABILITY PROFILE (COP)
Version 1.0 | October 2011 | Source: Walmart | © 2011 Walmart U.S.A. | Best Buy and © 2011

Life Cycle Phases and Process Steps Icons

Areas of Impact

LIFE CYCLE HOTSPOTS

- Minimizing Material Extraction:** Avoid leached extraction of metals such as copper, gold, and silver; handling/storage of laptops (waste); particulate generation during mining and refining operations.
- Manufacturing of Laptop Components: Primary Energy and GHG:** Laptop component production, including integrated circuits (ICs), displays, and printed wiring boards (PWBs), use energy intensive processes. The electricity generation required to manufacture a laptop contributes to the global warming potential (GWP) and the release of particulates, nitrogen dioxide (NO2), and sulfur oxides (SOx).
- Use Phase Energy Consumption:** Emissions from electricity production for the use phase of a laptop over a lifetime accounted for by 3.8 grams include CO2, NO2, and SOx, which all contribute to GHG as well as additional toxicity impacts, such as ozone and acid rain production.

IMPROVEMENT OPPORTUNITIES

Supply Chain Engagement

Manufacturing Practice

- Manufacturing Energy Consumption:** Supplier engagement for incorporating energy-efficient technology in manufacturing facilities helps reduce the percent of energy consumed from less efficient applications.
- Recyclability Calculations and the use of recyclable materials:** The end-of-life (EOL) stage, when businesses...
- Rohs compliance without extra cost:** Rohs compliance without extra cost to find alternative and innovative non-hazardous materials requires effort on harmful or potentially harmful material EOL processing, and reduces the...

Category Live Better Scorecard
Category: Computers

50%

Supplier	Sustainability Index
1. Supplier A	79%
2. Supplier B	77%
3. Supplier C	61%
4. Supplier D	29%
5. Supplier E	DNR
6. Supplier F	DNR

Laundry Sustainability Index Results

Laundry Performance Summary

Sustainability Index Score	61%
Category Rank	3 rd / 6
Points to Green	9%

Supplier C

Key Opportunities	Business Case
Devices with energy star certification	Customer cost savings Increased sales
Energy efficiency in manufacturing	Customer experience Potential Cost Savings
Use of recycled materials	Potential cost savings Risk avoidance
Increase ROHS Compliance	Reduce supply risk Improved reputation

- ✦ Identify leaders and laggards
- ✦ Highlight opportunities
- ✦ Set goals, track progress

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#wmtgreen

Source: Courtesy of Walmart, presented at the April 18, 2012 Sustainability Milestone Meeting.

Exhibit 5: Excerpts from Sustainable Agriculture Press Release^{xx}

BENTONVILLE, Ark., Oct. 14, 2010—Walmart today launched its new global commitment to sustainable agriculture that will help small and medium sized farmers expand their businesses, get more income for their products, and reduce the environmental impact of farming, while strengthening local economies and providing customers around the world with long-term access to affordable, high-quality, fresh food.

“More than 1 billion people around the world rely on farming and hundreds of millions of them live on less than \$2 a day,” said Mike Duke, Walmart president and CEO. “Globally, with a booming population, food production must increase roughly 70 percent to feed 9 billion people in 2050.”

Duke continued, “Through sustainable agriculture, Walmart is uniquely positioned to make a positive difference in food production—for farmers, communities and customers. Our efforts will help increase farmer incomes, lead to more efficient use of pesticides, fertilizer and water, and provide fresher produce for our customers.”

Walmart’s sustainable agriculture strategy is divided into three broad areas, each containing specific supporting goals to help the company track and report its progress.

Support farmers and their communities

More than a billion people rely on agriculture for subsistence. By the end of 2015 in emerging markets, Walmart will help many small and mid-sized farmers gain access to markets by:

- selling \$1 billion in food sourced from 1 million small and medium farmers;
- providing **training to 1 million farmers and farm workers** in such areas as crop selection and sustainable farming practices -- the company expects half of those trained to be women; and
- **increasing the income** of the small and medium farmers it sources from **by 10 to 15 percent**.
- In the U.S., Walmart will **double** its sale of [locally sourced produce](#) and increase its purchase of select U.S. crops.

Produce more food with fewer resources and less waste

Walmart has one of the world’s largest food supply chains and is committed to reducing and optimizing the resources required to produce that food and driving more transparency into its supply chain. For the first time Walmart will ask suppliers about the water, energy, fertilizer and pesticide they use per unit of food produced. The goals include:

- accelerating the agricultural focus of the [Sustainability Index](#), beginning with a **Sustainable Produce Assessment** for top producers in its Global Food Sourcing network in 2011;
- investing more than \$1 billion in its global fresh supply chain in the next five years; and,
- [reducing food waste](#) in its emerging market stores and clubs by 15 percent and by 10 percent in stores and clubs in its other markets by the end of 2015.

Sustainably source key agriculture products

Farming practices are having unintended side effects, from deforestation of the world’s rainforests to increasing greenhouse gas emissions. Walmart will focus on two of the major contributors to global deforestation, palm oil and beef production.

- **Require sustainably sourced palm oil** for all Walmart private brand products globally by the end of 2015. Sourcing sustainable palm oil for our [U.K.](#) and U.S. private brand products alone will reduce [greenhouse gas](#) emissions by 5 million metric tons by the end of 2015.
- Expand the already [existing practice](#) of [Walmart Brazil](#) of **only sourcing beef that does not contribute to the deforestation of the Amazon rainforest** to all of our companies worldwide by the end of 2015. It is estimated that 60 percent of deforestation in the Brazilian Amazon is related to cattle ranching expansion.

Endnotes

- ⁱ Duke, M., Remarks prepared for delivery. Sustainability Milestone Meeting, July 16, 2009. Available at <http://walmartstores.com/download/3880.pdf>. Bentonville.
- ⁱⁱ Ibid.
- ⁱⁱⁱ The original conception of the index had three parts: (1) a 15-question, corporate-level, Walmart Supplier Sustainability Assessment Tool that would enable Walmart to gauge suppliers' progress in four areas: energy and climate, material efficiency, natural resources, and people and community; (2) a multistakeholder collaboration to develop science-based standards; and (3) a customer-facing tool that would communicate an overall sustainability score for products that Walmart sold.
- ^{iv} The Sustainability Consortium, <http://www.sustainabilityconsortium.org/who-we-are/>
- ^v Mobley, Claudia. Personal communication with Director of the Center for Retailing Excellence at the University of Arkansas, July 13, 2012.
- ^{vi} Johnson, Jon. Personal interviews, conducted expressly for the development of this case, July 7, 2011, and November 14, 2011.
- ^{vii} *The Myths and the Mission Behind the Sustainability Consortium*, GreenBiz, December 4, 2009. Available at <http://www.greenbiz.com/news/2009/12/04/sustainability-consortium-myths-mission>.
- ^{viii} An SMRS also can incorporate other data, such as best practices in a product category (especially in the absence of life cycle data) and social hot spots—that is, production activities in supply chains that represent issues of concern, such as human rights or community well-being.
- ^{ix} The Sustainability Consortium, <http://www.sustainabilityconsortium.org/glossary/>.
- ^x The LCA methodology had been substantively developed since the 1990s, in response to growing corporate interest. Various LCA-related environmental standards (ISO 14000) and technical reports published by the International Standards Organization (ISO) promulgate worldwide commercial and industrial standards, designed to provide guidance and streamline LCA methodologies. The LCA always includes a life cycle inventory, “an objective, data-based process of quantifying energy and raw materials requirements, air emissions, waterborne effluents, solid waste, and other environmental releases incurred throughout the life cycle of a product, process, or activity.” (ISO) Therefore, organizations can develop baselines for comparisons.
- ^{xi} Joint Business Planning involves a close collaboration with major suppliers, resulting in the creation of long-term business plans. Through this process, Walmart and suppliers to align their strategies to improve sales, plan key item launches, improve consumer insights, and build category captains.
- ^{xii} Jeff Rice, as quoted in Nagappan, P., *How Walmart Is Using its Sustainability Metrics to Drive Productivity*, GreenBiz, June 6, 2012, Available at <http://www.greenbiz.com/blog/2012/06/06/how-walmart-using-its-sustainability-metrics-drive-productivity>. The quote wording was modified by Jeff Rice on August 26, 2012.
- ^{xiii} King, B., “Walmart Explains Introduction of Sustainability Scorecards for Product Categories,” *Sustainable Brands*, May 2, 2012. Available at http://www.sustainablebrands.com/news_and_views/articles/walmart-explains-introduction-sustainability-scorecards-product-categories.
- ^{xiv} Makower, J. *Inside Walmart's Sustainability Consortium*, GreenBiz, August 17, 2009. Available at <http://www.greenbiz.com/blog/2009/08/17/inside-walmarts-sustainability-consortium>.
- ^{xv} Keegan, P., “The Trouble with Green Product Ratings,” *Fortune*, July 25, 2011. Available at http://money.cnn.com/2011/07/12/technology/problem_green_ratings.fortune/index.htm.
- ^{xvi} Mitchell, S., “Walmart's Greenwash: How the Company's Much-Publicized Sustainability Campaign Falls Short, While its Relentless Growth Devastates the Environment,” Institute for Local Self-Reliance, 2012. Available at <http://www.ilsr.org/new-report-walmarts-greenwash/>.
- ^{xvii} Walmart Sustainability Milestone Meeting, April 18, 2012. Video available at <http://www.walmartstores.com/sustainabilitymilestone/2012/april/default.aspx>
- ^{xviii} Comments by Rob Walton, 2012 *Fortune* Brainstorm Green conference. Available at <http://money.cnn.com/video/news/2012/04/17/n-f-bsg-walmart-walton.fortune/>.
- ^{xix} The Sustainability Consortium, <http://www.sustainabilityconsortium.org/members/>.
- ^{xx} Walmart, 2010. <http://news.walmart.com/news-archive/2010/10/14/walmart-unveils-global-sustainable-agriculture-goals>