# Wal-Mart Business Sustainability Chemical Intensive Products Strategy

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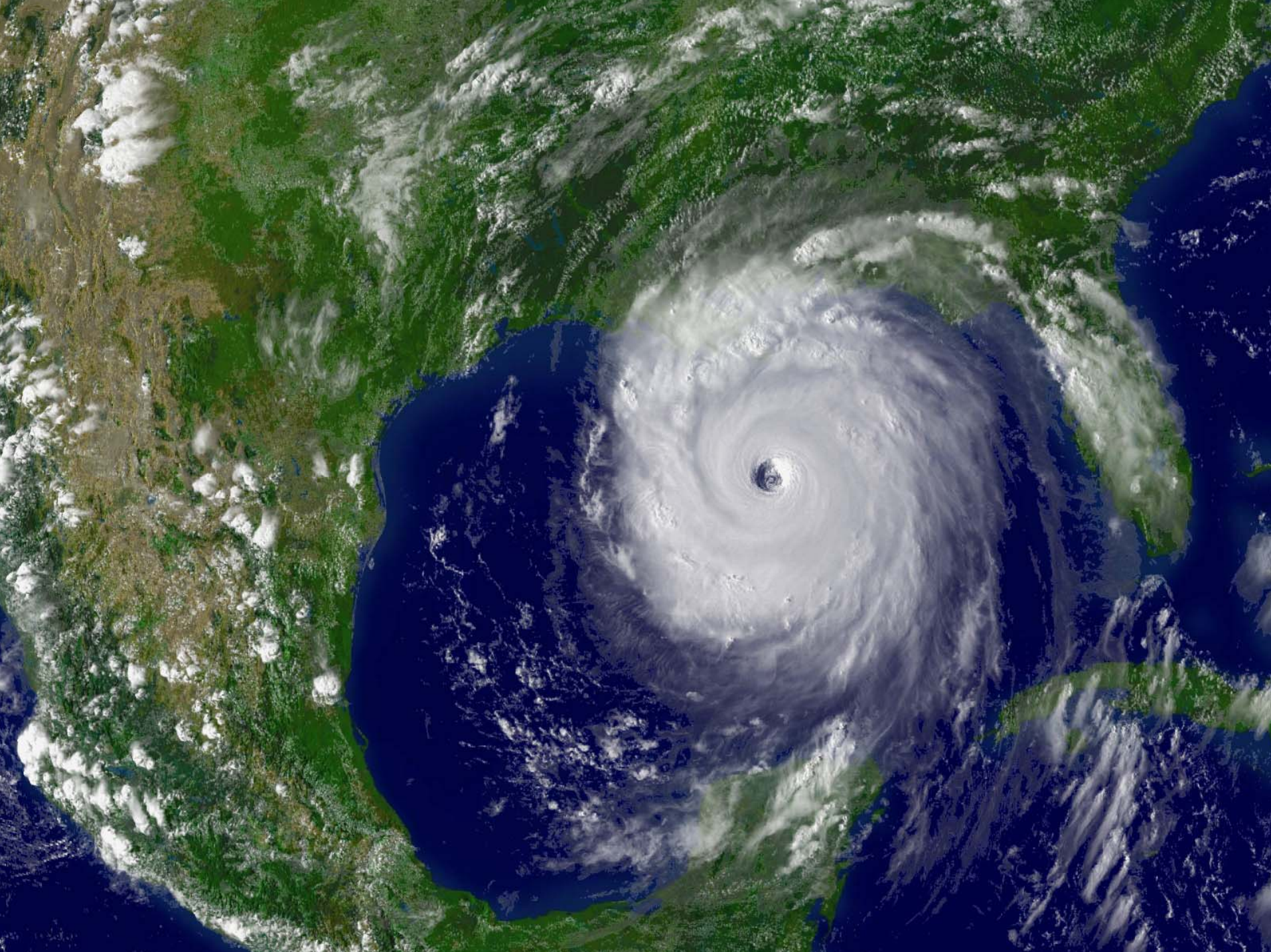


# A Historic Opportunity

*"Katrina asked this critical question, and I want to ask it of you: What would it take to be that company, at our best, all the time?*

*"What if we used our size and resources to make this country and this earth an even better place for all of us: customers, Associates, our children, and generations unborn?*

*"What if the very things that many people criticize us for - our size and reach - became a trusted friend and ally to all, just as it did in Katrina?"*

# The Power of Size & Reach: 3x Compaction, One SKU


| | |
|---|---|
| **Gallons of Water Saved** | **478.1MM** |
| **Gallons of Diesel Saved** | **20.7MM** |
| **Reduced # of Trucks** | **2.79MM** |
| **Plastic Resin Reduction (lbs.)** | **128.9MM** |
| **Reduced # of out of Stocks** | **50%** |
| **Reduction in Labor** | **$91.4MM** |

# Wal-Mart Sustainability Goals

***To be supplied 100% by renewable energy***

- Stores 25% more efficient in 7 years
- Fleet 25% more efficient in 3 years

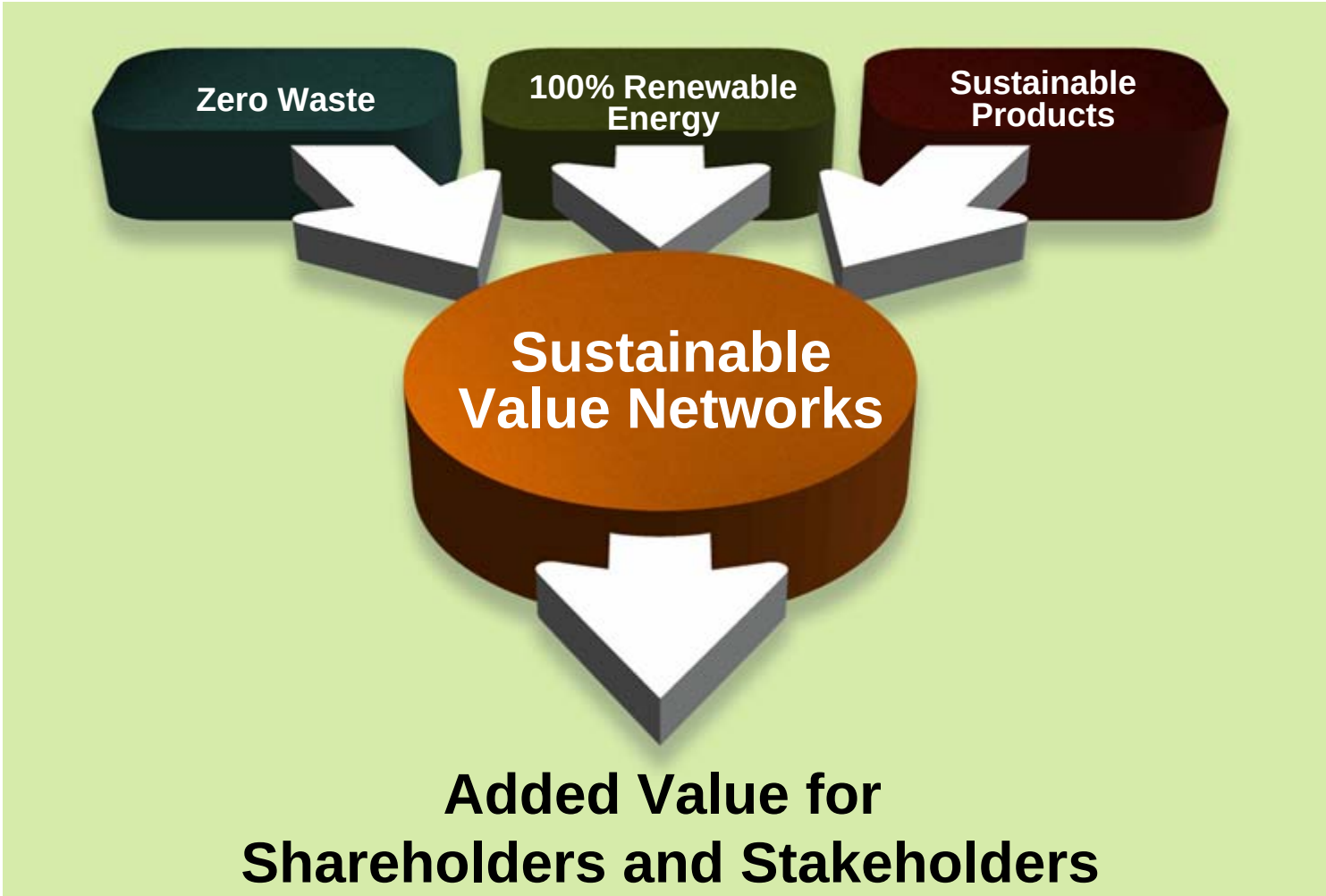
***To create zero waste***

- 25% reduction in solid waste in 3 years

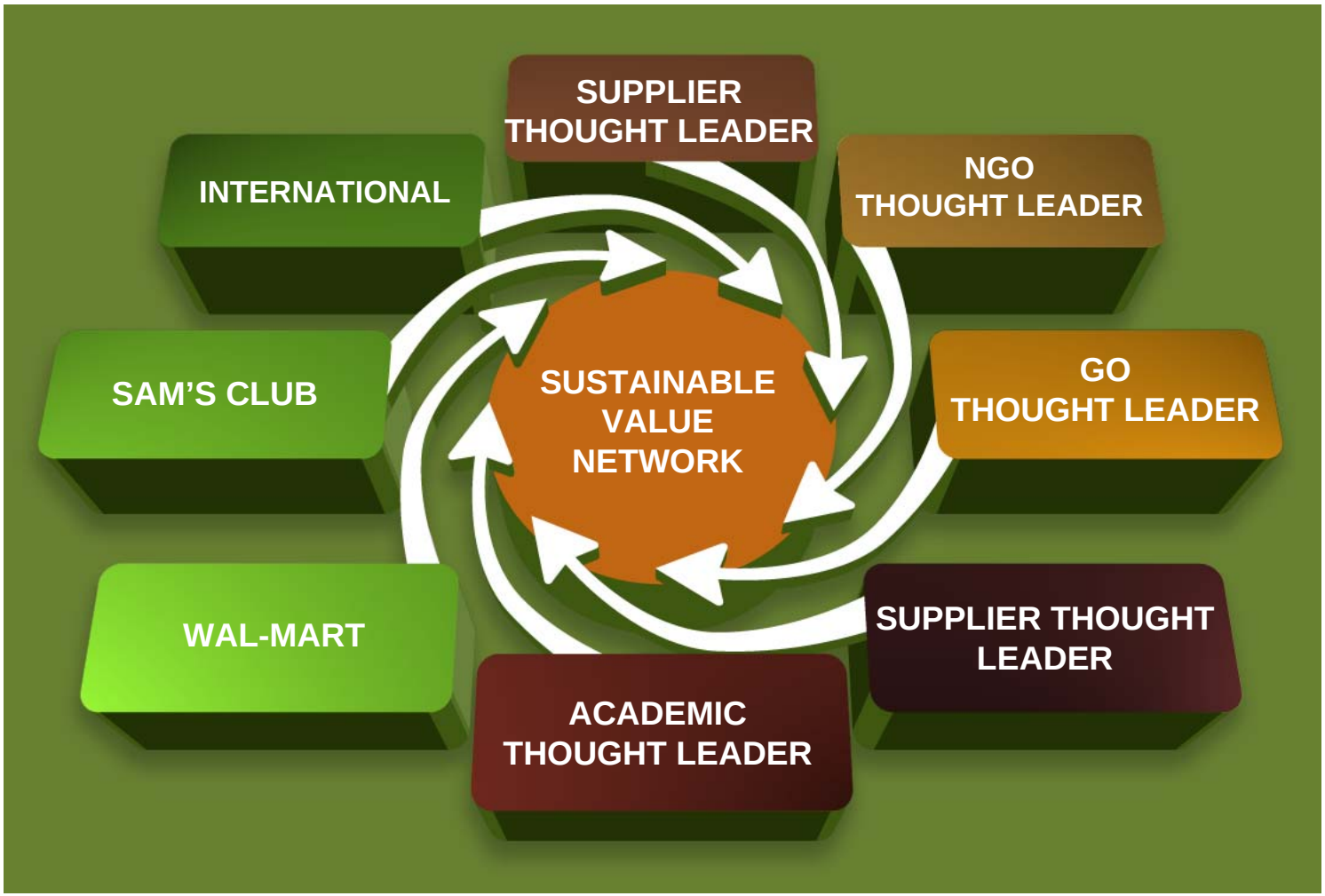
***To sell products that sustain our resources & environment***

- 20% supply base aligned in 3 years

# Sustainable Value Networks



# Network structure



# Current Networks

**Renewable Energy**

**Zero Waste**

**Sustainable Products**

- Global Greenhouse Gas Strategy
- Energy, Design Construction & Maintenance
- Global Logistics
- Alternative Fuels
- Operations & Internal Procurement
- Packaging
- Textiles
- Electronics
- Food & Ag
- Forest & Paper
- Chemical Intensive Products
- Jewelry
- Seafood
- China

# It's All About the Customer!

**Mission**

Provide to our customers affordable and effective products where all chemical ingredients are preferred for Mother, Child and the Environment delivered in the most efficient and effective way.

**Scope**

Products we sell or use that are composed primarily of chemical ingredients (eg., liquids, powders, plastics, etc.) and are of primary relevance, utility and/or concern to parents.

# The Opportunity

1. Business Sustainability transcends basic product safety and compliance
2. Some ingredients in products present known concerns for humans and/or the environment
3. Preferred substitutes exist that are cost effective and perform as needed

Vision of success: A store with no warning labels

# Specific Actions

1. Preferred Chemical Principles – set direction

2. Priority Chemicals Plan – drive innovation away from chemicals of concern

3. Scorecard – assess products against principles and reward innovation

# Preferred Chemical Principles

## Safe Products for Mother, Child, and the Environment

**When we suspect that an ingredient in a product or the product itself is capable of causing harm to human health and the environment, we will act to find better alternatives.**

We will favor those products that do not contain the following:

*Chemicals Harmful to Human Health*
Carcinogens – can cause cancer
Mutagens – can damage genetic material
Reproductive Toxicants – may affect reproduction or the unborn

*Chemicals Harmful to the Environment*
Persistent – do not break down in the environment
Bioaccumulative – builds up in the food chain
Toxic – causes death or damage to organisms in the environment

# Priority Chemicals Plan

- Goal: Inspire focused innovation effort on specific chemicals of concern
- Potential “Priority Chemicals” are any chemicals with characteristics that do not meet the Wal-Mart Preferred Chemical Principles
- Goal set to address 20 Priority Chemicals over 2 years

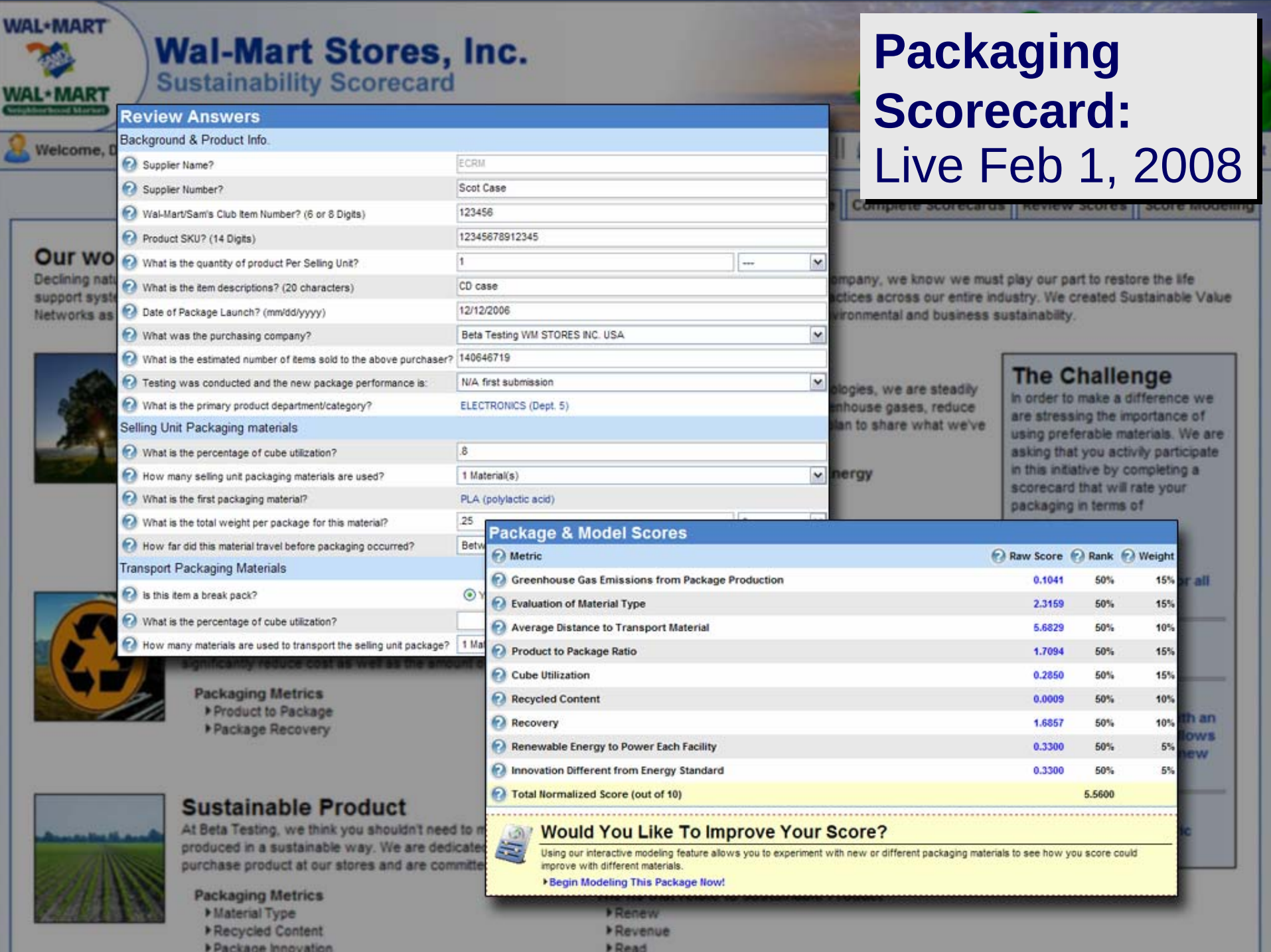
# First 3 Priority Chemicals

1. PROPOXUR
   - Insecticide
   - Probable human carcinogen (US EPA)
   - Largely replaced by preferred chemicals

2. PERMETHRIN
   - Insecticide
   - Likely human carcinogen (US EPA)
   - Still common in household use

3. NONYL PHENOL ETHOXYLATE
   - Class of chemicals used as surfactant in some ‘down the drain’ cleaning products
   - Harmful to environmental organisms and not readily biodegradable
   - Preferred replacements exist and are in use

# Packaging Scorecard: Live Feb 1, 2008



# Challenges & Opportunities

- Creating value for customers and for the company
  - Eliminating cost/liability of hazardous product returns
  - Differentiating products in the marketplace and making them affordable
  - Helping customers make a difference through their purchases for their families, their world

- How do we change the product landscape
  - Eliminating chemicals of concern (transparency is first step)
  - Promoting products that are “better” (labels/certifications)
  - Partnering with suppliers (and their suppliers) to innovate
  - Helping disruptive innovators to scale and market new “green chemistry” products
  - Creating a scorecard system to rate products against peers
  - Rewarding suppliers who lead

# Improving Customer Value: Product Reformulation

## Glass Cleaner


| Original Formulation | | New Formulation |
|---|---|---|
| **Water** | Deionized | Deionized |
| **Surfactants** | Alkyl Phenol Ethoxylates & Sodium Lauryl Ether Sulfates | Linear Ethoxylated Alcohols & Alkyl Polyglucosides |
| **Sequestrant** | EDTA | Gluconates |
| **Alcohol** | Isopropyl Alcohol | Lactate Ester |
| **Builder** | Ammonium Hydroxide | Hydrogen Peroxide (1%) |
| **Colorant** | Dye | Food Colorant |
| **Fragrance** | Terpene Based | No Added Fragrance |