

December 6-7, 2008

Challenges and opportunities of sustainable wood sourcing

Saving
people
money
so they
can live
better

Corporate Objectives for "21st Century Leadership"



To be supplied 100% by renewable energy

- Trucks 25% more efficient by 2008; 50% by 2015
- Existing stores 20% more efficient by 2012
- Open a viable prototype that is up to 30% more efficient by 2009



To create zero waste

- 25% reduction in solid waste by 2008
- Closed-loop recycling program with suppliers
- 5% packaging reduction by 2013



To sell products that sustain our resources & environment

- **Eliminate all unwanted wood from our supply chain by 2013**
- Align supply chain around sustainable product innovations
- 20% supply base aligned by 2008



Global Challenges

- By 2050 it is estimated the population will reach 9 billion people. This increase in population will continue to drive deforestation to support the additional need for agricultural and livestock production
- Increased energy demands for biofuels will further pressure the existing forests as countries clear their land to grow crops suitable for biofuel
- Government subsidies around the world continue to drive this trend.
- Current global financial situation may reduce the sense of urgency and deflect aid and attention away from environmental, ecological concerns.

Walmart Challenges

- Walmart does not control our entire supply chain
- Current supply chains are complicated and lack transparency
- Lack of comprehensive data base to help our suppliers locate sustainable, certified timber by species by country
- Cost of certified timber. Customers have demonstrated they will not pay higher prices for certified products.
- There is lack of customer awareness and demand.

Walmart's current efforts

07/01/13 Committed to eliminating all unwanted wood from our supply chain within 5 years

- Wood from unknown sources
 - Wood from High Conservation Value Forests
 - Wood sources that result in the conversion of natural forest to plantation or other land use with no net social and environmental benefit;
 - Wood traded in a way that drives violent armed conflict;
 - Wood harvested or processed in violation of human rights.
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- **07/01/08 Walmart and Sam's U.S. join Global Forest and Trade Network**
 - Began risk assessment of top 100 wood suppliers. Focusing on high risk categories. Walmart will work with our current suppliers to improve the traceability, transparency and sustainability of their supply chain or find new sources that practice sustainable sourcing

8/1/08- current Lacey Act

- Working with our supply base to make Walmart's expectation known and raise awareness of the Lacey Act

09/1/08 Wood Purchasing Policy.

- Suppliers must ensure their wood source is **known, legal, documentable** and are in compliance with all applicable laws.
- Preference will be given to furniture suppliers using sustainable wood from Walmart recognized Forest Certification Programs: FSC, SFI, PEFC, CSA

Opportunities

- Leverage new U.S legislation (Lacey Amendment) to create a sense of urgency to support our wood sourcing policy
- Support our Buyers and Suppliers with information. Develop a comprehensive timber source data base by country, species, risk opportunity, cost.
- Identify new sources that will move toward certification with market incentives to increase the supply of sustainably forested timber
- Make certified product more affordable thereby increasing the market for certified product and reduce the market for unwanted wood
 - Leverage our volume on select species (rubber wood, teak)*
 - Coordinate with financial and aid agencies to mitigate the cost of certification*
 - Forest direct sourcing*