

### SAGE:

Sustainability Achieved Through Greater Engagement

### Calvert SAGE Strategies:

emphasize strategic engagement to advance environmental, social, and governance (ESG) performance on the part of companies that may not meet all of Calvert's Signature ESG criteria today but have the potential to improve.\*

## Wal-Mart

This company is a Calvert SAGE™ Strategy holding and is not eligible for investment in the Calvert Signature® Strategy portfolios.

Wal-Mart has made significant positive commitments to improve its environmental sustainability practices, and to a lesser extent, to address worker and human rights in its global supply chain. The company's Ethical Standards Program is an important platform for promoting improvement in the environmental and social performance of the company's many global suppliers. In October 2008, Wal-Mart convened a major gathering of Chinese suppliers in Beijing to establish goals on environmental performance. In July 2009, the company announced a Sustainable Product Index with a stated goal of developing a source of data that will help individual consumers and businesses evaluate the sustainability of products the company sells. The company released a Supplier Sustainability Assessment to encourage suppliers to make improvements across four broad environmental and social areas. It is too early to determine if the company's performance will match its ambitious new policies, but the magnitude of these commitments, combined with Wal-Mart's massive impact, make the company a key player in any shift to a more sustainable economy. Wal-Mart has begun to make progress on domestic U.S. labor issues settling a number of wage and hour and discrimination lawsuits in the past two years. However, watchdog groups continue to make allegations of mistreatment of Wal-Mart employees and the employees of the company's suppliers, and report that the company still actively fights worker unionization through intimidation tactics.

### WAL-MART ADVOCACY OBJECTIVES

- Adopt the International Labor Organization core labor standards, including the right to collective bargaining and freedom of association. Provide training to employees and management regarding labor policies and local, state, and federal regulations designed to ensure a neutral space for employees to decide whether to form or join a union.
- Report on implementation of the Ethical Standards Program to demonstrate that the company is going beyond monitoring to making improvements in environmental performance and working conditions at suppliers' factories.
- Review processes to address and resolve those community, social, and environmental concerns that may be a barrier to company expansion.
- Implement environmental commitments regarding recycling, waste, energy efficiency, and fleet emissions, among others.
- Adopt a policy on sustainable sourcing of wood and paper products and report on progress in meeting the goal of eliminating polyvinyl chloride (PVC) and phthalates from products sold.
- Address the issues of promotion disparity by gender and diversity within the management ranks.
- Establish board level oversight of corporate social responsibility (CSR) including the company's corporate citizenship report.

\*Calvert's Signature ESG criteria examine corporate performance across seven broad areas of concern: governance and ethics, environment, workplace, product safety and impact, human rights, Indigenous Peoples' rights, and community relations. For more information, please visit <http://www.calvert.com/sri-signature-criteria.html>.

## ENGAGEMENT TOOLS APPLIED

- Direct dialogue with Wal-Mart executive management
- Multi-stakeholder dialogue
- Sign-on letters on specific objectives

## RECENT ENGAGEMENT

- On July 29, 2010, Calvert and members of the Interfaith Center on Corporate Responsibility (ICCR) met with senior executives to discuss the company's responsible sourcing programs, sustainability reporting, board level oversight of corporate social responsibility, and sustainable product initiatives. Calvert was interested in hearing how the objectives of Wal-Mart's responsible sourcing programs are supported by the company's new global product sourcing system. Calvert also encouraged the company to further institutionalize its commitment to CSR by producing a comprehensive sustainability report that emphasizes social issues as much as environmental issues, and by establishing board level oversight of CSR.
- On July 15, 2010, Calvert joined an investor call with members of the ICCR to discuss Wal-Mart's progress in promoting diversity throughout the company, including efforts to develop current female and minority employees so that they can move into senior ranks within the company. Calvert asked the company for better reporting on the its diversity programs, with an emphasis on progress toward goals.
- On April 6, 2010, Calvert and members of the ICCR met with senior executives to discuss the changes occurring in the company's global supply chain and the implications for the company's efforts to promote improved working conditions in its suppliers' factories.
- On October 21, 2009, Calvert met with members of the company's ethical sourcing team including the director of the program. Wal-Mart has set ambitious targets to drive environmental and social improvements through its supply chain. Calvert asked questions about how the company is

identifying and addressing violations of its supplier code. Wal-Mart described a shift it is undertaking from conducting supplier audits itself, to working with third parties to do the audits while redirecting staff resources to working with suppliers to help ensure improved performance. Calvert and Wal-Mart discussed the importance of developing staff capacity to carry out this very different priority.

- On June 24, 2009, Calvert met with the Director of Sustainability and the Senior Director, International Corporate Affairs, to discuss Calvert's environmental objectives. Wal-Mart had recently released its 2009 Sustainability Progress Report and much of the discussion was about the new report. Calvert commended the company for its comprehensive environmental programs and for the progress underway across a range of sustainability issues. Calvert discussed its environmental objectives for Wal-Mart, which call for delivering on the company's ambitious environmental commitments. Calvert underlined its concern about the lack of data in the latest report, pointing out that it is difficult for stakeholders to understand the progress the company is making without data on its broad top level goals around renewable energy, waste reduction, and sustainable products. Calvert encouraged the company to set interim goals and report on progress on Wal-Mart's three overarching sustainability goals: 1) to set and publicize an overall greenhouse gas reduction goal; 2) to include compliance data in its sustainability reporting; and 3) to clarify its stance on forest product certification schemes and communicate to its wood and paper suppliers that it has a preference for Forest Stewardship Council certified forest products.
- On May 12, 2009, Calvert held a meeting with Wal-Mart's Senior Director, International Corporate Affairs, to explain the SAGE concept and to map out a plan to move forward in dialogue on labor and human rights issues. Calvert works with Wal-Mart in an international multi-stakeholder initiative to address the use of forced child labor in the production of Uzbek cotton, and seeks to build upon that positive relationship to address the social objectives established with the company.