



# Responsible Sourcing at Walmart

BY CHRIS MACDONALD

INTERVIEW WITH JOHN LAWRENCE, DIRECTOR OF CSR FOR WALMART CANADA

**Chris MacDonald:** A lot of attention has been focused lately on working conditions at the overseas factories that supply Canadian retailers. What has Walmart found to be the greatest challenge when sourcing overseas?

**John Lawrence:** Although Walmart does not own any factories, we work hard at driving continuous improvement that will ultimately lead to systemic change in factory safety and workplace ethics. The most significant challenge we face when working overseas is bridging the gap from a communications standpoint to address differences of interpretation due to language. In addition, adapting to a different culture while trying to ensure our standards are applied – particularly our standards on worker safety – has presented significant challenges, but also the opportunity to improve conditions for workers in our supply chain on a global scale. It's also worth noting that Walmart does not allow unauthorized sub-contracting, which gives us the visibility into the supply chain to ensure our standards are being met.

**CM:** What “wins” is Walmart most proud of when it comes to ethical sourcing?

**JL:** Notable achievements over the past decade include establishing Walmart standards for suppliers and the Responsible Sourcing Audit Process. That's the audit system we've put in place to make sure that the requirements in our Standards for Suppliers are met.

Given the unique safety problems facing the ready-made garment industry in Bangladesh, we recognize the need for heightened attention and programs that ensure adequate building maintenance and fire safety infrastructure. That's why earlier this year we announced several enhancements to our Responsible Sourcing program in Bangladesh. These include: (1) partnering with Bureau Veritas (BV), a world leader in assessment and certification services, to conduct in-depth safety inspections at all factories in Bangladesh that produce goods directly for Walmart suppliers; (2) providing broad-based fire safety training to factory workers; and (3) donating \$1.6 million to the newly created Environmental, Health & Safety (EHS) Academy in Bangladesh. We have led the industry by publicly disclosing the results of enhanced factory safety audits of every factory directly supplying Walmart in Bangladesh, which, through required remediation, have shown a 48 percent improvement in electrical safety and nearly 30 percent improvement in average building safety.

As the last year has shown, collaboration is the key to driving real change. That's why we are also collaborating with industry stakeholders through the Alliance for Bangladesh Worker Safety. The Alliance was established to improve worker safety conditions through greater collaboration, with members collectively contributing to a worker safety fund that is currently \$50 million and growing, as well as providing access to more than \$100 million in low-cost capital for factory improvements, all to help factories make significant changes aimed at preventing tragedies before they happen.

We are also building upon our existing programs in Bangladesh. For example, we are improving jobs for more than 17,000 workers in 34 factories in Bangladesh through our Lean Manufacturing program. We are also continuing our work on empowering the women who work in Walmart's supply chain factories through our Women in Factories program. This program is teaching over 60,000 women critical life skills.

**CM:** Most people in business would expect challenges when working overseas. Have there been any especially surprising challenges, ones that caught you or the company off-guard?

**JL:** The issue of unauthorized subcontracting is very serious and undermines the efforts companies take to drive factory workplace improvement. Walmart has put in place a zero-tolerance policy for unauthorized subcontracting. This gives us the visibility into the supply chain to ensure our standards are being met.

**CM:** Supply chains today can have quite a few "links" in them: your suppliers have suppliers, and so on. How far down that chain does Walmart try to have an influence, in terms of ethics and human rights?

**JL:** Walmart's factory inspection program applies to direct suppliers.

**CM:** When you think of all the topics that fall under the heading of Responsible Sourcing – supply chain safety, education & training, ethical standards, partnerships – which ones do you find takes the most attention, either in time or personnel, or in attention to detail?

**JL:** I would say Supply Chain Safety and Education & Training. These are the fundamentals that drive systemic change over time. Learning from and building relationships with NGOs also brings value and process improvements.

**CM:** A lot of retailers seem to have been caught off-guard by the factory collapse in Bangladesh, and now building inspections seems to be an area that's getting a lot of attention that it didn't get before. Is there an area of Responsible Sourcing that you or Walmart see as being the "next big thing"?

**JL:** While Walmart did not have production in Rana Plaza at the time of the building collapse, the tragedy at this factory underlined the need for dramatic improvement and transparency in factory safety standards and monitoring. That is why we have launched such an extensive factory safety certification and auditing program through Bureau Veritas, a world leader in this area, and led the industry by publicly disclosing the results of enhanced factory safety audits of every factory directly supplying Walmart in Bangladesh. The audit results are posted online here: <http://corporate.walmart.com/global-responsibility/ethical-sourcing/in-depth-factory-assessments>.

We have partnered with Bureau Veritas to conduct in-depth electrical and building safety inspections of all factories sourcing directly to Walmart in Bangladesh. Walmart is paying for these inspections to support our suppliers and the facility owners. All 200 inspections have been completed and the first 75 reports have been posted to Walmart's corporate web site. As part of the inspection process a team of two to eight experienced civil and electrical engineers conduct in-depth electrical and building safety reviews of each factory. This process has already begun, and usually takes up to 10 days per facility.

The next big thing is to help factories make the necessary improvements to ensure the safety of their workers.

**CM:** Walmart is known to be a company that's more than willing to share best practices with its suppliers: once Walmart figures out a better way to do something, they pass the knowledge along. Can you give some examples from experiences with your supply chain?

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**JL:** We have made public the results of our factory safety audits. We believe transparency is critical to driving systemic improvement in factory safety.

**CM:** Walmart, in part because of its size, is pretty frequently a target for criticism. Can you say anything about how you & your team stay motivated (or how you motivate your team) in that context? Does external criticism get you 'down'?

**JL:** We are a company that believes firmly in continuous improvement. We always listen to outside views and treat constructive criticism as an opportunity to learn, engage stakeholders and improve. We realize that with our leadership position comes a great obligation for social responsibility. 🍁



**BY CHRIS MACDONALD**

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