



Walmart is the world's largest retailer, operating more than 11,000 stores in more than 27 countries around the world. With 2.2m employees, it is also the largest private employer worldwide.

MAKING A DIFFERENCE



Image courtesy of Walmart

Walmart is the world's largest retailer, operating more than 11,000 stores in more than 27 countries around the world. With 2.2m employees, it is also the largest private employer worldwide.

It operates under the Walmart brand in the US and Canada, but also has other brands, such as Asda in the UK, the Seiyu Group in Japan, and Flipkart in India.

With such a vast worldwide footprint, Walmart is responsible for a lot of consumption and creates a serious environmental footprint. However, this also means that Walmart can play a key role in driving adoption of more sustainable business models.

Objectives and targets of Walmart's ESG Goals

On its website, Walmart claims to be 'a leader in sustainability, corporate philanthropy and employment opportunity'.

It has been ramping up its activity in this area over the past decade. In November 2016, Walmart CEO Doug McMillon [outlined](#) the company's goals towards greater responsibility as a retailer, and these Environmental, Social and Governance (ESG) goals have been tracked in the company's Global Responsibility and ESG reports.

It's environmental goals cover climate change reduction, working towards a more sustainable supply chain, and reducing waste.





Climate change goals:

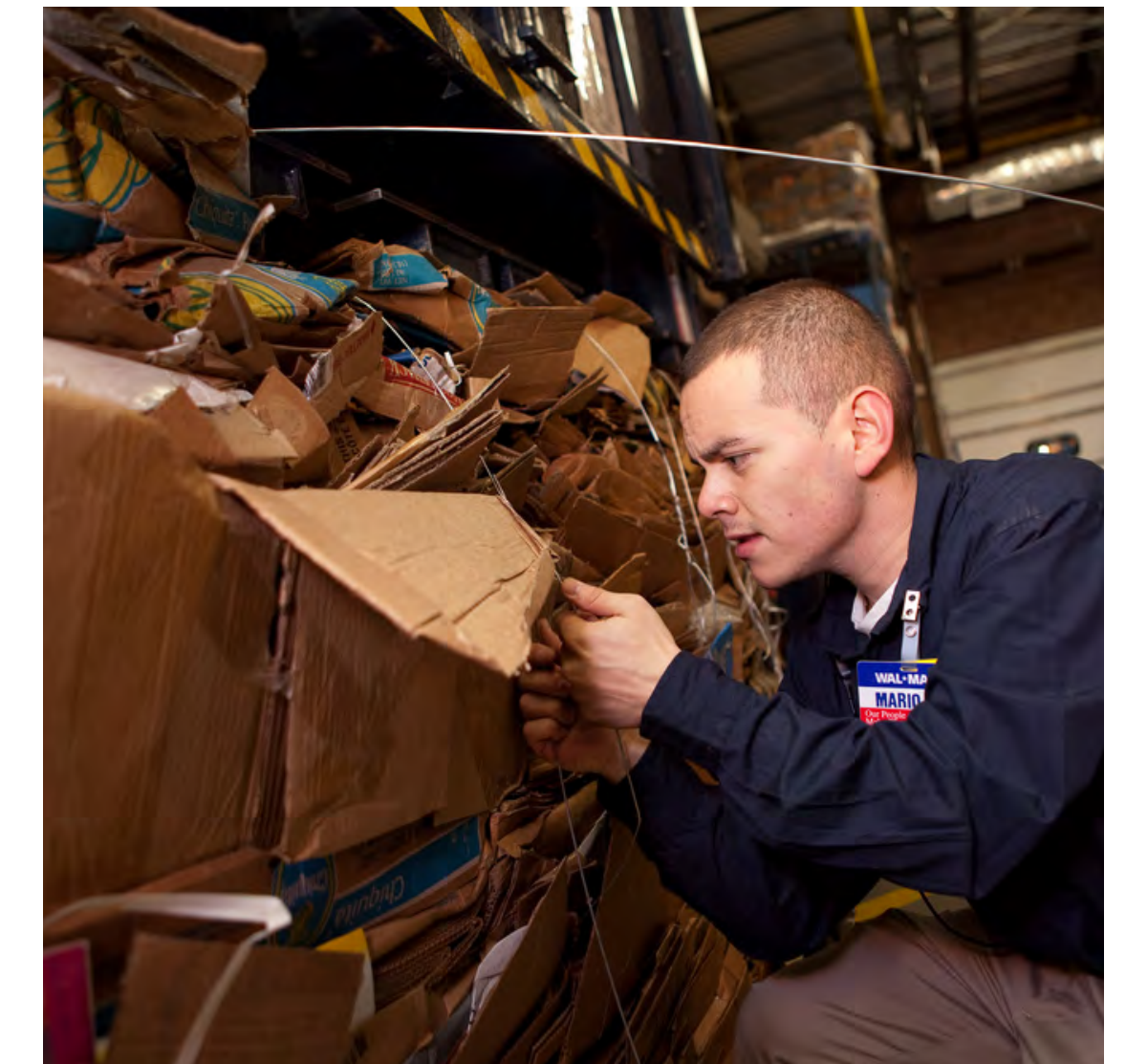
- To reduce emissions created by Walmart's operations by 18% compared to 2015 levels.
- 50% of operations to be powered by renewable energy sources by 2025.
- To source or produce 7 billion kilowatt hours (kWh) of renewable energy globally by the end of 2020. This would be a 600% increase over 2010 levels.
- Double the number of on-site solar energy projects at US stores by 2020, compared with the 2013 figure of 240 installations.
- To reduce the total kWh-per-square-foot energy intensity required to power the company's buildings around the world by 20% at the end of 2020 (compared to 2010).
- To reduce CO2e emissions by 1 billion metric tons (MT) by 2030.
- Work with suppliers to reduce greenhouse gas emissions in the China value chain by 50 million metric tons.

Sustainable value chain goals:

- To sustainably source 20 key commodities by 2025.
- By 2025, all Walmart US Sam's Club, Asda, Walmart Canada, Walmart Mexico, and Walmart Central America fresh and frozen, farmed and wild seafood suppliers will source from fisheries who are third-party certified as sustainable, actively working toward certification or engaged in Fishery Improvement Projects.
- Crops: to encourage suppliers to develop plans to optimise the use of fertilizer.
- Animal welfare - to increase the humane treatment of farm animals in accordance with 5 Freedoms of Animal Welfare
- To source US private-brand coffee more sustainably by the end of 2020.
- Source 100% of all Cavendish bananas and pineapples sold in Walmart US, Sam's Club, and Asda from supplier farms that have received third party certifications.
- To source apparel and soft home products sourced from supplier facilities that have completed the Sustainable Apparel Coalition's Higg Facility Environmental Module (Higg FEM) assessment for Walmart U.S.
- To source pulp/paper products with zero net deforestation in 100% of Walmart private-brand products by 2020.
- Conserve 1 acre of land for every acre developed by Walmart stores U.S.

Waste reduction goals:

- To increase the proportion of waste materials diverted from landfill and incineration.
- Achieve zero waste to landfill from operations in key markets, including US, UK., Japan, and Canada by 2025 in accordance with Zero waste International Alliance guidelines
- To increase customer recycling.
- Reduce food waste by increasing food donations.
- Improve product labelling to reduce waste.



Images courtesy of Walmart

Organisational and value chain challenges

Turning such a huge operation into a more sustainable one brings with it some major challenges.

Making progress towards targets requires cooperation not only within the company but throughout the value chain; from suppliers and partners as well as public bodies and local authorities.

For example, addressing value chain issues requires investment in technology and new practices for manufacturing and agriculture, as well as processes that enable them to ensure greater transparency and ability to track along the supply chain.

There's also the willingness of suppliers to adopt more sustainable practices, not to mention the costs and availability of more sustainable products.

Walmart's environmental initiatives are steered from the top. Chief Sustainability Officer Kathleen McLaughlin oversees the company's ESG goals, and Walmart has established an ESG Working Group which meets four times a year, and a smaller ESG team which reports directly to the CSO and the board.

One key area for Walmart has been to improve the businesses sustainability efforts by using the assets and infrastructure it already has. For a company with 2.2 million employees, changing their daily habits can make a big difference in areas such as electricity consumption.

This also applies to logistics. Walmart reports that it has logged almost 300 million fewer truck miles by improving the tracking of its truck fleet.

A retailer like Walmart, which sources lots of different products from multiple sources does face a challenge in achieving sustainability goals in all of these areas. To help suppliers, it launched a Sustainability Index to gather and analyse data on product life cycles, from sourcing, manufacturing and transporting, to selling, customer usage and end of use.

This allows Walmart to identify key areas for improvement and to set different goals for each supplier. Walmart also has a certain amount of leverage over suppliers, though McLaughlin says that suppliers also have their own compelling reasons to be more sustainable:

“...most companies in the consumer sector have a multitude of reasons for needing to work on emissions. We made it easier for suppliers to go to leadership and boards and... articulate the business benefit”.

[Source](#)



Kathleen McLaughlin, Chief Sustainability Officer
Image courtesy of Walmart

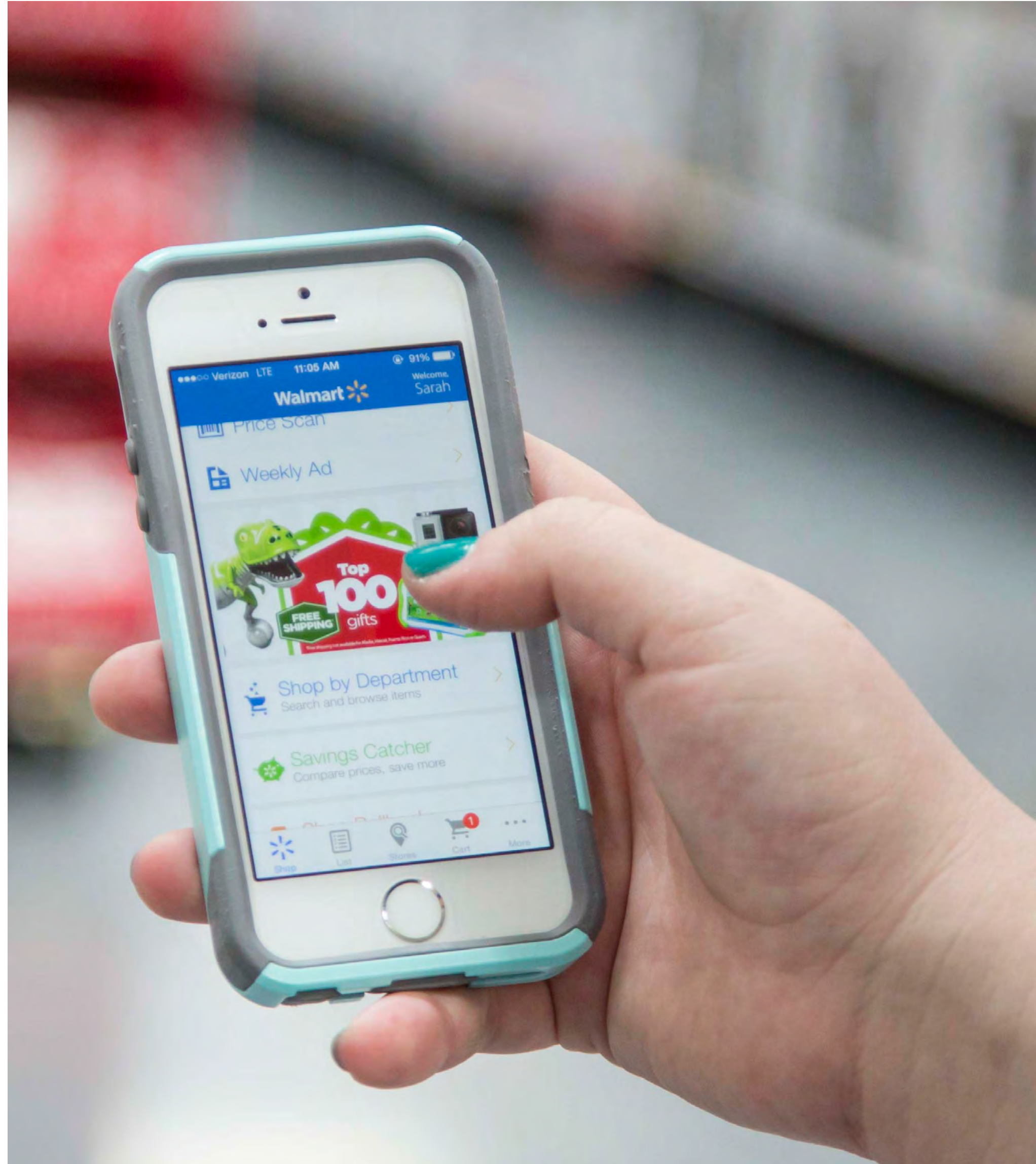


Image courtesy of Walmart

The part played by digital transformation

Walmart has been facing the challenge of competing for customers with Amazon, a company which now dominates online retail in the US and beyond.

It was initially slow to adopt ecommerce, but has been rapidly accelerating, buying up companies such as Jet.com, Bonobos and delivery startup Parcel with the intention of acquiring new technologies and expertise, and expanding into new markets.

Walmart has been using technology for inventory and value chain management, and to achieve its sustainability targets. Tech has also been key to improving customer experience.

This may be tech used to provide faster shipping options for online orders, but also to improve the in-store experience.

Competing with Amazon is a serious challenge for any retailer, but Walmart does have one key advantage in its physical footprint. It has a store within 10 miles of 90% of the US population, which makes it well suited to provide services like buy online, pick up in store (BOPIS).

Digital technology has been key to Walmart's recent transformation of its retail stores. One such tech is the use of [Bossa Nova' inventory robots](#), which now operate in more than 1,000 stores, scanning shelves for missing items and managing inventory more efficiently.

Other initiatives include the use of [Pickup Towers](#) which allow customers to collect online orders in stores, and the expansion of more convenient checkout options such as Scan and Go.

Impact and results

Some of Walmart's ESG goals are set to be reached over the next five years, but the company reported progress in its most recent (2019) ESG report.

Climate change goals:

- Walmart reduced emissions created by its operations by 4.2% from 2017 to 2018.
- 28% of its operations were powered by renewable energy sources in 2019.
- Walmart has sourced 2.3 billion kilowatt hours (kWh) of renewable energy, with a further 2.1 billion already sourced and soon to go online.
- The company now has 350 solar energy projects at its stores, with contracts signed for a further 120. (The 2020 target is 480).
- Walmart has achieved a 13% reduction in the total kWh-per-square-foot energy intensity required to power its buildings.
- Walmart has reduced CO₂e emissions by 151 million metric tons (MT) (The target is 1 billion metric tons (MT) by 2030).
- Greenhouse gas emissions in the China value chain reduced by 3.45 million metric tons.

Sustainable value chain goals:

- To sustainably source 20 key commodities by 2025.
- Almost 100% of seafood sold in Walmart US, Sam's Club, Asda, Walmart Canada, Walmart Mexico, and Walmart Central America is from sustainable sources.
- 17 suppliers are now participating in schemes to optimise the use of fertilizer.
- 89% US private-brand coffee is sustainably sourced.
- 100% of all Cavendish bananas sold in Walmart US, Sam's Club are now from supplier farms that have received third party certifications. 80% of Walmart US and 60% of Asda pineapples meet the same criteria.
- 45% apparel and soft home products are sourced from supplier facilities that have completed the Sustainable Apparel Coalition's Higg Facility Environmental Module (Higg FEM) assessment for Walmart U.S.
- 1.4 million acres of land have been conserved by Acres for America since 2015.

Waste reduction goals:

- 78% of waste materials have been diverted from landfill and incineration.
- Percentage of waste diverted from landfill in key markets: US (81%), Canada (87%), Japan (77%) and Asda UK (85%).
- 24 million pounds were collected through customer recycling programs at Walmart Argentina, Chile, Japan, Mexico and the UK in 2018.
- 720 million pounds of food was donated globally by 2019.

Financial performance:

- For Q1 2019, Walmart's net sales increased by 10.5%.
- Total revenue was \$134.6 billion, an increase of \$10.7 billion (8.6%).
- Ecommerce sales grew by 74%, with grocery and in-store pickup the strongest categories due to Covid-19.

Key Takeaways

- Using existing infrastructure to improve sustainability. Large companies can achieve huge cost savings and waste reduction simply by reviewing their own properties and activities, before taking suppliers and source materials into account. In Walmart's case, improving every employee's use of electricity and more efficient journeys to its fleet of trucks was a key factor.
- The importance of defining clear sustainability targets for partners and suppliers. It's easy to ask suppliers to reduce waste or use more sustainable source materials, but clear targets and definitions help them to take the practical steps to achieve these goals.
- Sustainability can take time to reward investment. For suppliers, a move towards more sustainable practices is a sensible long-term strategy but it can take time to produce results. For example, a switch to regenerative practices in agriculture can tackle four years to provide a return on the investment.
- Digital transformation is key. Walmart's adoption of technology has been vital in working towards sustainability goals and driving revenues. The tech it has introduced over the past decades has enabled it to analyse and manage value chains more efficiently, to provide a better online shopping and delivery service, and to improve the in-store experience for its customers.

A close-up photograph of a hand holding a pen, with a blue geometric overlay consisting of overlapping triangles and polygons. The text is overlaid on the left side of the image.

Sustainability and long-term growth go hand in hand. As Chief Sustainability Officer Kathleen McLaughlin told the FT, sustainability is essential for long term viability:

“The world has woken up to the fact that you can’t separate environmental, social and economic success - and investors are awakening to that with this massive inflow of capital and ESG funds. So I think it’s just a matter of time before other retailers (say) ‘wow, this is good business. This is about resilience. This is about serving our customer’”.



CIRCKLO

Read more reports by Circklo

circklo.com