



RESPONSIBLE SOURCING

GRI 308: 103-1, 103-2, 103-3, 308-1, 308-2, 407: 103-1, 103-2, 103-3, 408: 103-1, 103-2, 103-3, 409: 103-1, 103-2, 103-3, 412: 103-1, 103-2, 103-3, 102-9, 407-1, 408-1, 409-1, 412-1, 412-3, 414-1, 414-2
SASB FB-FR-000.C, FB-FR-000.D, FB-FR-430A.3, FB-FR-430A.4, FB-FR-430A.4, CG-MR-410A.3, CG-MR-410A.1, FB-FR-430A.1, CG-MR-410A.2

Our Responsible Sourcing program continues working with our supply chain to analyze what is purchased beyond the traditional elements of cost, quality, and lead time. This program encompasses ethical matters, labor rights, and social and environmental issues when supplying products and services in all purchasing categories and in all the regions.



Through this program, we establish the expectations we have of our suppliers, and we monitor facilities found in potentially high-risk places



Throughout time, our efforts to provide communication channels have been broadened so workers may inform us of their concerns. We conduct risk-based audits and periodic evaluations to monitor the status of the supply chain. We are actively involved with our stakeholders and participate in key supply chains to solve any root-cause issues.

In 2021, we had 7,622 suppliers with active agreements for the markets in Mexico and Central America. According to the Plant Audit System, there are 1,679 unique plant active in Mexico and Central America supplying several of Walmart's retail markets, including the retail markets found in Mexico and Central America.



RESPONSIBLE SOURCING PRACTICES

The Responsible Sourcing team works together with our Merchandising tribes to help incorporate responsible sourcing practices and to provide visibility of supplier compliance with our regulations.



Newly hired associates in this area obtain training through workshops and informative sessions about forced labor, health, and safety

Our Responsible Sourcing associates participate in buyer meetings with suppliers to help establish expectations from the beginning. Also, they receive training on the influence of their decisions for the supply chain and on how to reinforce positive work practices in supplier facilities.

Buyers use data such as KPIs and reports on condition verification to provide visibility to the suppliers and to foster improvements in supply channels representing the highest potential for risk.

**135**

supplier
representatives
have completed
training courses

82

representatives
of new suppliers
received training

EMPOWERING OUR SUPPLIERS

Walmart suppliers are responsible of relations with those who manufacture our products, which is why we request they convey our expectations throughout their supply chain.

Some of the mechanisms through which we help suppliers promote dignity for workers are:



THE RESPONSIBLE SOURCING ACADEMY

This allows suppliers to have access to training and orientation on best practices and training materials developed by third parties and by the company in several languages.

SUBJECTS COVERED INCLUDE:

- Audit guidelines
- Global compliance guidelines
- Forced labor
- Health and hygiene
- Supply chain controls



TRAINING AND SPECIAL SESSIONS:

Responsible Sourcing associates offer these sessions to newly incorporated suppliers from all over the world. Also, our newly hired buyers learn about the responsible supply compliance program, its policies and its scope.



REINFORCED TRAINING:

Throughout the year, our suppliers received reinforced training or specialized training so they may identify specific risks requiring mitigation. They also receive periodic communication explaining the different details of the policy and program.



GOVERNANCE AND POLICIES

Our commercial practices must reflect our business principles. Therefore, we demand of our suppliers the same high standards followed by our personnel. Consequently, when we ensure these standards are kept throughout the entire supply chain, we are doing more than simply providing products and services: we are building and reinforcing trust amongst ourselves, with our customers and with the communities we serve.



This year the [Standards for Walmart Suppliers](#) were updated and their purpose is to share with the companies with which we do business our values and guidelines on the behavior we expect from them. These standards were reviewed and updated to supplement the new Code of Conduct, with the goal of broadening knowledge on ethics and compliance expectations.

These standards apply to suppliers for Walmart Inc. and its subsidiaries throughout the world. Walmart has very solid values and so we demand that our suppliers comply with all of them.

According to the new Standards, a supplier is defined as anyone supplying Walmart with products, including goods for sale and those for use by Walmart, that is, goods not for resale.



Suppliers are responsible of ensuring compliance with these standards in all their businesses and throughout their supply chains



Standards for Walmart Suppliers encompass three comprehensive guidelines:



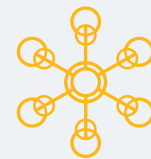
WORKING CORRECTLY:

Which implies compliance with the Law and with Walmart Policy; never engaging in bribery; creating a respectful workplace, and operating safe workplaces, among others.



PROVIDING EXCEPTIONAL GOODS:

Which implies maintaining high safety and quality standards; respecting guidelines and laws pertaining to commerce and labeling and marketing products accurately.



COLLABORATING WITH WALMART:

Which implies recognizing and avoiding conflicts of interest, competing fairly, acting as a partner and cooperating with us.



The updated version of the Standards for Walmart Suppliers -issued by the company worldwide- has been published on our **suppliers' platform**, a link they can use to access the document. In this we reinforced the notice sent to the Merchandising Tribes, who helped us by transmitted said update to their supplier base.

We have also updated the **statement requirements** of the Responsible Sourcing program so suppliers may better distribute internal risk-based resources, provide greater flexibility to markets of face to and emerging risks, and increase the efficacy and efficiency when managing the Responsible Sourcing program in those markets.



EVALUATING SUPPLY CHAIN RISKS

GRI 102-11

Responsible Sourcing conducts an annual risk evaluation so we may better understand social compliance risks in the supply chain.

The criteria considered in the evaluation include the following:

The supply chain areas more prone to risk and with the greatest impact in key risks.

Country risk analysis based on internal and external data, including: the number of issues and their incident rates, as well as the relative seriousness and impact on people, operations, and reputation, where we consider the impact on people as having the greatest weight.

Specific risks for commodities and other products, based on data, local intelligence and experts, official publications and reports from the mass media and NGOs to have a better grasp of the places and supply chains where issues are particularly serious.



Final results from the evaluation vary according to the supply chains for certain products, countries, or both

These results are incorporated into the design process of the Responsible Sourcing Strategy, which include specifying the fundamental causes of the problem, evaluating possible solutions -including existing or emerging initiatives- and ways to mitigate these risks. The latter include changes to policies and procedures by influencing our approved audit programs, changing our monitoring process and scaling our supply chain, or implementing new initiatives.



Continuous efforts are made to improve our audit program, better allocate our resources to those facilities of greater risk and help increase overall compliance.



The approach used in auditing supplier facilities is based on risks

We allocate greater resources to those situated in countries with higher risk potential. These audits concentrate on a variety of matters, including worker compensation, voluntary labor practices, working-age laws and regulations, working hours, and the facilities' health and safety standards.

Should we discover that a supplier is producing merchandise in an unauthorized plant or outsourcing an unauthorized plant, said supplier may lose their right to do business with us.

The audits focus on a variety of matters, such as:



1.- WORKER COMPENSATION



2.- VOLUNTARY LABOR PRACTICES



3.- AGE-RELATED LAWS AND REGULATIONS



4.- WORKING HOURS



5.- FACILITY HEALTH AND SAFETY



6.- ENVIRONMENTAL LEGISLATION





Every audit report on the facilities is evaluated based on our supplier standards and in keeping with our **Policy on Supplier Audits and Evaluations**. High-risk problems are identified, including forced labor, trafficking of persons, child labor, and unsafe working conditions.

GRI 102-15, 102-11

All audits are classified green, yellow, orange or red, depending on the level of compliance achieved, as follows:



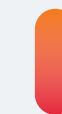
GREEN:

Those facilities having overall compliance



YELLOW:

Facilities where audit results show overall compliance with our standards, but which have non-compliance in at least one major requirement



ORANGE AND RED:

These are for facilities where we have more serious violations such as withheld or irregular payment, forced labor, intimidation or discrimination of workers, unethical recruitment practices, and excessive working hours.



Suppliers with an orange rating can continue working with us, provided they remedy their violations, because we believe that by continuing to work with them, we can have a positive impact on the workers than by simply abandoning the commercial relationship.



They were done 7,060 audits in plants working with our markets in Mexico or Centroamerica

However, those facilities consecutively classified as orange, or with a single red designation indicate serious violations that may lead to either temporary or permanent termination of the commercial relationship with our company.

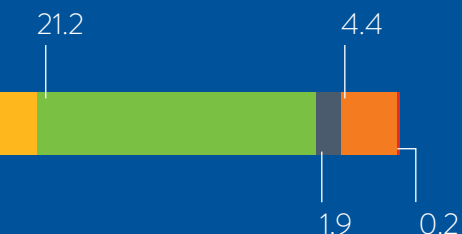
Audit Results

- Has found the least severe violations
- Have failed to meet at least one important requirement
- Will continue to be allowed while the violations are remediated*
- May make it appropriate to temporarily or permanently terminate the facility's ability to produce merchandise for sale by Walmart**
- Other

Mexico

3,811
audits

72.2%



Central America

3,249
audits

71.1%



* Three consecutive Orange ratings may result in a Red rating, regardless of whether the facility remains in good standing with the audit program chosen.




**If a facility is given a Red rating, it may be banned from producing goods for Walmart indefinitely or its production may be halted and/or its product refused.



CLAIM MECHANISMS

Responsible Sourcing conducts an annual risk assessment, which enables us to better understand the risks of social compliance in the supply chain.

We have different mechanisms to present claims on the violation of our standards and to seek correction. Our Ethics Hotline is the principal mechanism.

We use [posters](#)  as a tool to inform supply chain workers of our expectations and of the availability of channels to file claims. These posters, available in [24 languages](#) , focus on subjects of greatest risk for the workers, including forced labor, human trafficking, unsafe working conditions, working hours, wages, intimidation, and discrimination. They also include information on channels to make direct reports to Walmart on subjects of concern. These channels are also available on our [corporate website](#) .

Each allegation is reviewed and may be referred to the Responsible Sourcing investigation team or to other compliance teams within Walmart.



Are you being intimidated or discriminated against?

Signs of unfair labor practices include

- Your employer makes employment decisions based on factors unrelated to the job
- You are prohibited from exercising your rights to associate or to not associate with others
- Your employer engages in harassment, abuse, or physical punishment

If so, speak up.

Report if you experience or observe any of these situations

- 1 Talk to a co-worker, supervisor, or authorized worker representative
- 2 Contact Walmart anytime, anywhere—
Email: ethics@wal-mart.com
Visit: walmartethics.com
Call: 800-WM-ETHIC (963-8442) from the US or Canada
- 3 Contact appropriate governmental authorities

Walmart 



Do you feel unsafe while working?

Signs of an unsafe workplace include

- You are not provided personal protective equipment
- Exits, doorways and escape routes are not marked or not available for use
- Building, equipment and fixtures are not maintained
- You are asked to operate machinery and handle materials without proper training

If so, speak up.

Report if you experience or observe any of these situations

- 1 Talk to a co-worker, supervisor, or authorized worker representative
- 2 Contact Walmart anytime, anywhere—
Email: ethics@wal-mart.com
Visit: walmartethics.com
Call: 800-WM-ETHIC (963-8442) from the US or Canada
- 3 Contact appropriate governmental authorities

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INVESTIGATIONS AND COMMITMENT TO OUR SUPPLIERS

Suppliers have the important responsibility of overseeing compliance throughout their supply chains and correcting any non-compliance, including in the plants that make products for the company.

We monitor supplier facilities through audits and investigate any possible violations to our **Supplier Standards** under our risk-based approach. This implies that suppliers with high-risk facilities located in countries having greater potential risk and which merchandise is imported directly to Walmart must present audits more frequently.

We, on the other hand, evaluate the findings in each audit report presented. Non-compliance and lack of remediation may have consequences, including the termination of the commercial relationship between the supplier and Walmart, and/or the possibility for the plant to produce merchandise to be sold by our company.

For more information about the initiatives we implement with different industries worldwide, visit our website **Responsible Sourcing**.



Those suppliers who are obligated to present an audit must work with an eligible program, follow program instructions, and send the full report to the company