

Case study: Encouraging green consumption in retail

Summary

Green consumption is compatible with economic growth, and it can be accelerated through supply-side actions (improving sustainability of products and product supply chains) as well as demand-side actions (e.g., customer engagement through initiative such as labeling). This Walmart case study illustrates supply-side and demand-side actions that can accelerate green consumption.

Background

According to [research](#) conducted by The Sustainability Consortium (TSC), consumption of food and other consumer goods contributes significantly to climate, waste, and other social and environmental issues. Improving the sustainability of consumer products not only helps address such issues, it can contribute to economic prosperity by strengthening the resilience of product supply chains; increasing cost efficiency and productivity; improving product quality, cost, and availability; and enhancing public trust.

As a retailer, Walmart believes increasing the proportion of “green” products people consume depends not only on raising consumer awareness and demand, but also on improving the sustainability of products by building supplier capabilities and enhancing transparency. This case study illustrates such actions through discussion of the following:

- Walmart’s approach to sustainable supply chains
- The Sustainability Index System (THESIS): Helping suppliers prioritize and measure efforts to improve consumer product sustainability
- Project Gigaton: Helping improve transparency and build capability among suppliers to reduce emissions in product supply chains
- Certifications: Encouraging more sustainable farming, fishing, and manufacturing practices and providing the basis to inform customers
- Labeling: Informing customers about sustainability attributes or how to use a product/packaging to enhance sustainability

Walmart’s approach to sustainable supply chains

Walmart has prioritized efforts to enhance the sustainability of consumer products and supply chains, with a focus on environmental and social aspirations such as: reducing emissions and waste; sustaining natural capital; sourcing responsibly and creating economic opportunity for suppliers and people who work in supply chains; and providing access to affordable, safe, and healthy products. We believe

progress on such issues creates value for business as well as society – for example by increasing supply chain resilience and efficiency, improving product availability and quality, and building trust.

Walmart sustainability initiatives aim to create more sustainable supply chain systems industry-wide. Because of the complexity of supply chains and the systemic nature of issues such as climate change, lasting improvement requires collaborating with many stakeholders including suppliers, government, consumers, and other stakeholders.

To set priorities for action and to measure progress, we draw on insights from several data sources, including The Sustainability Insight System (THE SIS, formerly The Sustainability Index). THE SIS is a science-based, third-party survey tool developed by The Sustainability Consortium in collaboration with universities, NGOs, and suppliers, and is discussed in more detail below in this case study. THE SIS enables consumer goods suppliers to report on key performance indicators for the most relevant environmental and social issues across the lifecycle of a product type. THE SIS surveys cover more than 100 [product types](#) such as woven textiles, tomatoes, and fresh seafood.

Based on stakeholder and THE SIS inputs, we develop sustainability initiatives that aim to build demand for green consumption while also increasing transparency and capability throughout consumer product supply chains to produce more sustainable products. The exhibit below lists examples of initiatives that retailers and consumer goods companies like Walmart tend to pursue to enhance sustainability. This case study provides examples of how some initiatives – those highlighted in green – can be relevant to foster green consumption.

Enhancing sustainability of products and product supply chains

Sustainability initiatives in the consumer goods industry...

- Customer engagement**
 - Labeling
 - Campaigns
- Product and ingredient sourcing**
 - Codes of Conduct
 - Responsible sourcing programs
 - Certifications (e.g., MSC, RSPO)
 - Packaging and product specifications
- Capability-building and measurement initiatives**
 - THE SIS sustainability KPIs
 - Collaboration platforms (e.g., Walmart's Project Gigaton)
 - Playbooks, guides, workshops
 - Blockchain pilots
- Industry consortia**
 - Walmart China Food Safety Collaboration Center
 - Consumer Goods Forum coalitions
 - Leadership Group for Responsible Recruitment
 - Seafood Task Force
- Advocacy**
 - Climate: We're Still In
 - Natural capital: Soy Moratorium, Business 4 Nature
 - People: Bali process
- Philanthropy**
 - Strategic grants
 - Program related investments
 - In-kind donations
 - Communities of practice

...can lead to more sustainable products and supply chains...

- **Alignment on standards and science**
- **Sustainable production practices** (e.g., farming, fisheries, manufacturing, packaging, transportation)
- **Empowered workers, customers, communities**
- **Traceability and transparency**
- **Enabling policy environment**

...which can help achieve sustainable outcomes

- Environmental sustainability**
 - Climate
 - Zero waste
 - Natural capital
- Social sustainability**
 - Responsible sourcing
 - Inclusive economic opportunities
 - Safer, healthier products
- Economic sustainability**
 - Consumer trust
 - Supply chain resilience, efficiency
 - Product quality, availability, cost

The Sustainability Index System (THE SIS)

Walmart encourages its suppliers to use [The Sustainability Index System](#) (THE SIS), developed by [The Sustainability Consortium](#), to evaluate and share progress on key environmental and social issues within their own operations and supply chains. THE SIS surveys ask brand-owners and manufacturers about the most significant environmental and social risks – called “sustainability hotspots” – facing over 100 consumer product categories, such as textiles, tomatoes and fresh seafood, over the entire product life cycle, from raw material through production to consumer use and end of life.

In 2019, 91 percent of Walmart’s Global Sourcing suppliers (by volume) were using THE SIS as a tool that enabled our private brand suppliers in developing sustainable practices. Most of our suppliers in China have been using THE SIS since its launch in 2013 in China. Our suppliers in China undergo annual trainings from TSC’s sustainability experts on making year-on-year improvements with their THE SIS score.

Scientists have identified relevant environmental and social hotspots, or improvement areas, through published research literature. THE SIS surveys include key performance indicators, in the form of assessment questions, to allow brand manufacturers to evaluate and share their progress in addressing these hotspots. THE SIS has chosen its indicators to align as much as possible with other widely used indicators (e.g., CDP) so companies do not have to duplicate measurement efforts. Walmart has joined other retailers, brand-owners, manufacturers, NGOs, and academics in contributing to the development of indicators to incentivize continuous improvement and recognize sustainability leadership.

The figure below shows, as an example, the sustainability hotspot map for “apparel and home textiles,” which covers goods made from cotton, nylon, rayon, polyester, or a combination of these. Production and consumer use of each of these materials involves sustainability hotspots. For example, growing cotton typically requires substantial water (a scarce natural resource) and fertilizer (a driver of greenhouse gas). Polyester and nylon are forms of plastic (requiring energy to produce). Rayon is a material derived from wood fiber (raising the question of deforestation risk). The THE SIS survey for “apparel and home textiles” helps suppliers understand how their products perform relative to others on such sustainability hotspots, based on the way their products are produced and used, end-to-end.

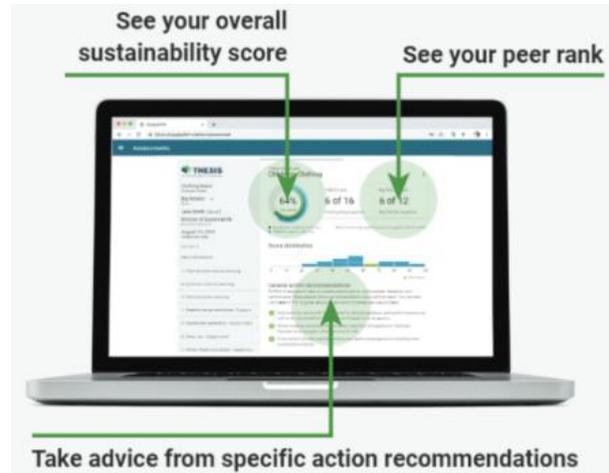


Hotspot Map of Apparel and Home Textiles Supply Chain

Brand-owners and manufacturers take ownership of their sustainability performance by annually completing THESIS assessments on a system called SupplyShift. They can then share their results with their customers (for example, Walmart suppliers share their results with Walmart).

THESIS scorecards include:

- Overall sustainability score
- Anonymized peer ranking and benchmarking for every key performance indicator designed to address a hotspot
- Action recommendations

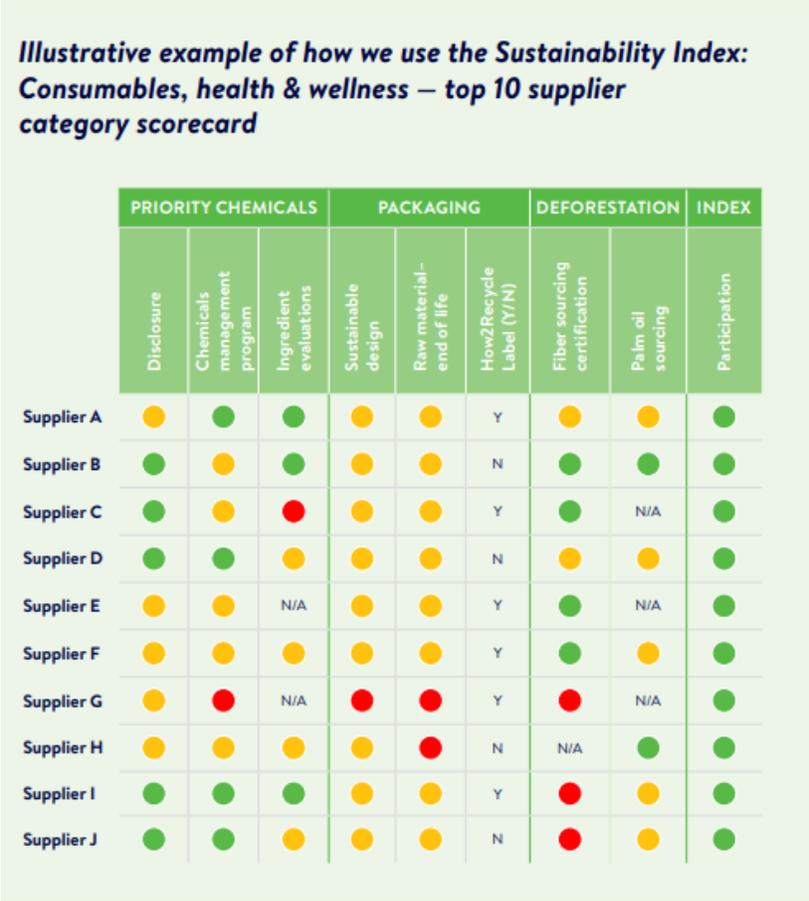


Retailers and other buyers of consumer goods use THESIS to understand and act on the sustainability performance of the wide range of products they carry. Receiving supplier sustainability performance data through THESIS can:

- Identify industry hotspots leading actions for system change outcomes
- Compare who leads and lags in sustainability performance
- Identify suppliers with advanced sustainability practices
- Review opportunities for market advantages
- Reduce supplier survey fatigue
- Identify and manage high risk suppliers



As an example, the figure below illustrates the category scorecard for suppliers of consumables (products such as shampoo, laundry detergent). A Walmart buyer can use this scorecard to identify improvement opportunities for individual suppliers and spotlight issues for category-wide initiatives, such as sustainable chemistry and packaging design.

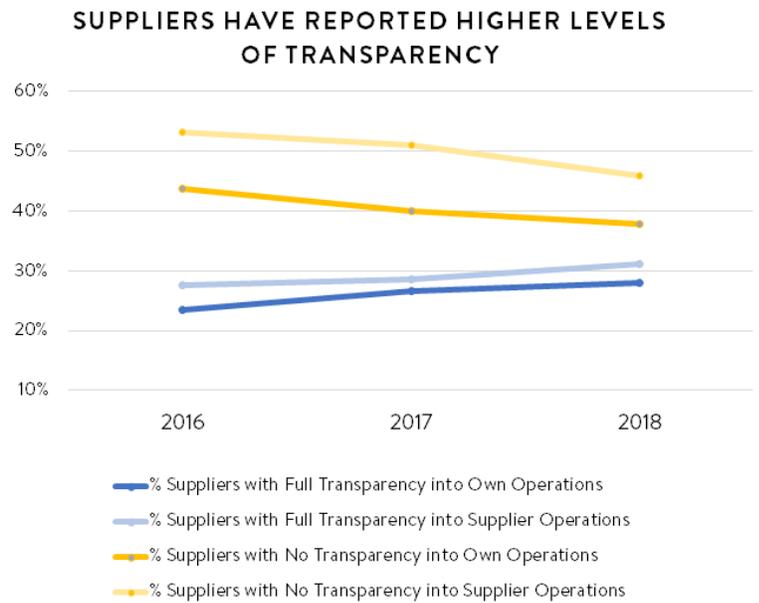


Every year, more than 1,000 of Walmart’s largest suppliers evaluate their products, their sustainability practices, and the sustainability practices within their own supply chain to answer the questions within the THESIS Index assessment. That means, for example, that a clothing brand manufacturer would answer questions about how their product was designed, what sustainability practices were followed in their own operations (e.g., final clothing assembly), and what sustainability practices were followed in their suppliers’ operations (e.g., growing cotton, yard production, dyeing). In 2018, over 1,000 suppliers represented over 200 billion USD in annual sales to Walmart¹.

¹ The Sustainability Consortium (2017), *Greening Global Supply Chains: From Blind Spots to Hot Spots to Action*, [link](#).

Assessment data² provided by suppliers suggests some progress in supply chain sustainability (see figure below):

- Walmart’s suppliers who have participated in the Index over several years have higher Index scores than those who have only recently begun to participate
- Walmart’s suppliers have gained transparency into their own sustainability practices and sustainability practices of their supply chains



Project Gigaton

Because most greenhouse gas (GHG) emissions in the retail sector lie in product supply chains, rather than operations (e.g., stores and distribution centers), we launched [Project Gigaton](#) (in the US in 2017 and in China and other markets in 2018), a major initiative to engage suppliers, NGOs, and other stakeholders in climate action.

Project Gigaton aims to avoid one billion metric tons (a gigaton) of greenhouse gases from the global value chain by 2030 by engaging suppliers in target-setting and initiatives in six areas: energy use, sustainable agriculture, waste, deforestation, packaging and product use. The Project Gigaton platform includes a variety of tools, including calculators for setting and reporting goals, best practices workshops, and links to additional resources and initiatives to make progress (for example, packaging playbook and supplier summit, food waste calculator, Higg Index adoption, fertilizer optimization).

² The THESIS Index has been operating since 2015. Unless otherwise noted, the data cited here is from the 2016-2018 time range.

Several organizations have supported development of the tools and related resources, including the World Wildlife Fund (WWF), the Environmental Defense Fund (EDF), Conservation International (CI), The Nature Conservancy (TNC), the Sustainable Packaging Coalition (SPC), World Resources Institute (WRI), and CDP. They help us continually improve the methodologies and review supplier submissions.

We've designed Project Gigaton to accommodate a wide range of suppliers in terms of their readiness and capabilities to undertake intensive climate action. While we encourage suppliers to set "SMART" goals (Specific, Measurable, Achievable, Relevant and Time-limited) aligned with Science Based Targets, not all suppliers have the capabilities to do so yet. We want to democratize climate action by making resources available for any supplier to get started on climate action and then to increase their ambition and impact over time.

To date, Project Gigaton is one of the largest private sector consortia for climate action. Since its launch, more than 2,300 Walmart suppliers from 50 countries have signed up to participate in Project Gigaton and reported cumulative avoided emissions of over 230 million metric tons (MMT) of GHG emissions (calculated in accordance with Walmart's Project Gigaton Methodology). While suppliers have engaged in every Gigaton arena, much of the activity and 80 percent of the impact is highly concentrated in the energy and product use pillars. We continue to expand the number of potential pathways and calculators in other Gigaton arenas and will continue to encourage our suppliers to engage in those.

Walmart launched Project Gigaton in China in 2018, setting a sub-target of 50MMT by 2030. To date, suppliers have reported over 5MMT toward this target. Among these suppliers is China's Technical Consumer Products Inc. Supplying lightbulbs to Walmart stores in China and globally, Technical Consumer Products joined the Walmart Factory Energy Efficiency program and made dramatic process improvements at its Shanghai plant. Taking its Project Gigaton commitment even further through product innovation, the company introduced new energy-efficient bulbs that are currently available around the world and in more than 400 Walmart stores in China. According to Technical Consumer Products, their redesigned light bulbs consume 36 percent less energy than their predecessors. The amount of energy that could be saved from 2018 sales alone is enough electricity to power 2,768,000 million Chinese households for a year.

Moreover, in 2016, Walmart launched a Mill Sustainability Program to support suppliers and their mill partners in improving their manufacturing practices to help reduce environmental impact. Since then participation has increased to more than 65 percent of apparel and soft home sales in Walmart US stores in 2020 being sourced from suppliers working with mills that have completed the Sustainable Apparel Coalition's Higg Index Facility Environmental Module (FEM).

The Higg FEM Index is an industry-accepted tool that uses a cross-functional approach, allowing facilities to work internally to track their environmental impact, set goals, and improve their overall environmental performance. Of the 334 mills that completed last year's Higg FEM and shared their results with Walmart, over 54 percent of the facilities were in China. The total greenhouse gas emissions

directly related to Higg reporting mills was more than 4.7 MMTCO₂e, where over 1.9 MMTCO₂e of those emissions were produced in China.

The Higg FEM Index works on a three-level system and many of these mills are starting at Level 1, which is where their performance baselines are set. As the mills progress in the Mill Sustainability Program, they will be able to advance to Level 2 and 3, which will focus their efforts on setting goals and becoming industry environmental leaders.

Certifications

Our customers seek products that are effective, affordable, and sustainable. In fact, a [recent study](#) found 50 percent of consumer packaged goods growth from 2013 to 2018 in the U.S. came from sustainability-marketed products. We have also noted in recent years the changing tastes of our Chinese consumers, and their growing preference to spend on sustainably sourced high-quality products, rather than just purchasing based on price. In order to source these products sustainably, we ask our suppliers to certify that certain products align with our social and environmental standards. Reputable third-party certifications can help provide verification for how products are made and signal sustainability leadership to customers.

For example, Walmart encourages private and national brand suppliers of consumables categories such as laundry detergent to lead on sustainable chemistry by using third-party certifications in line with the principles of green chemistry and safer substitution. Walmart encourages use of certifications such as US EPA's "Safer Choice," "EWG verified" and "Cradle to Cradle" (Silver or above level) that align with our commitment to sustainable chemistry because they:

- Prioritize reduction of Priority Chemicals
- Make their methodology publicly available
- Have data verification processes in place
- Assess alternative chemicals or formulations (to reduce or eliminate the use of Polycarbonates)

As another example, some consumer goods ingredients – such as palm oil, coffee, or tuna – originate from ecosystems that are key to life on earth. For products and ingredients sourced from such critical landscapes, certifications can provide assurance that the standard of production is sustainable in terms of particular environmental and/or social criteria. We specify the use of certifications in sourcing several of our commodities, such as the Roundtable on Sustainable Palm Oil for [palm oil](#); Forest Stewardship Council (FSC) for [pulp and paper](#) products; Marine Stewardship Council (MSC) or equivalent for [wild-caught seafood](#); Better Aquaculture Practices (BAP) for [farmed seafood](#), among others.

As another example, in order to promote food safety among suppliers, we helped found the [Global Food Safety Initiative](#) (GFSI). It enables us to take a global, unified approach and require all private brand suppliers and select categories of national brand suppliers to be certified to one of the GFSI standards. Additionally, it is our policy that all Walmart-owned manufacturing facilities around the globe are certified to one of the GFSI-benchmarked measures. We've also launched the GFSI Global Markets

Program in some small and developing markets where suppliers need additional help to meet Walmart’s requirements. The program helps suppliers that commit to achieving full certification within two years.

In addition to supporting GFSI initiatives, Walmart worked with others to launch the Walmart China Food Safety Collaboration Center (WFSCC) in 2016 as an industry initiative to strengthen food safety education, innovation and transparency in China’s food supply chains. The WFSCC has partnered with the Chinese government, international NGOs and academic partners to improve transparency in supply chains and support consumer education around food safety best practices.

Labeling

Walmart customers and Sam’s Club members around the world have high expectations of the products they purchase. Our customers read the labels on packaging and often want to know more about ingredients or how products were produced. We aim to provide our customers with the information they are looking for to help them make the best purchasing decisions for themselves and their families. Below are a few examples of how Walmart uses labeling to identify nutritious food options, reduce waste and signal meeting environmental and/or social standards:

- **“Great for You” icon:** To help customers more easily identify more nutritious food options, we worked with regulators and experts to develop the Great for You icon for use with private brand and produce items in the U.S. Products identified with this icon have met nutrition criteria informed by the latest science and guidance from the 2015-2020 Dietary Guidelines for Americans, U.S. Food and Drug Administration, U.S. Department of Agriculture, and Institute of Medicine. The Great for You initiative has been recognized by the Robert Wood Johnson Foundation as a leading nutrition program. Today, more than 30 percent of qualifying items, including fresh produce, Great Value and Marketside private brands now carry the Great for You icon.



- **“How2Recycle” label:** In 2017, Walmart committed to using 100 percent recyclable packaging for our private-brand products by 2025. We also encourage suppliers to put recycling information on packaging and localize relevant content in the How2Recycle labeling playbook to guide packaging redesign efforts of Sam’s Club in China to reduce the usage of non-recyclable materials. For example, in the U.S. market, Walmart encourages use of the Sustainable Packaging Coalition’s How2Recycle label® to communicate recyclability and measure its recycling progress. These standardized packaging labels are designed to provide consistent and transparent information to customers regarding what can—and can’t—be recycled. In 2018, over 100 Walmart private-label suppliers signed up for the How2Recycle label and over 1,900 SKUs received the How2Recycle label. Additionally, thanks in part to Walmart’s support, the program has seen a number of major brands join the How2Recycle labeling program, including Unilever, Henkel, RB, Church & Dwight, and Nestle Waters. When customers know what can and can’t be recycled,



they can sort properly, reducing contamination in our recycling streams to help create stronger, more robust recycling markets.

- **Certifications.** As discussed above, certifications can signal meeting particular social and environmental standards, and many consumers look for certifications such as Marine Stewardship Council on tuna and Forest Stewardship Council on paper products. Certifications verify goods are sourced using best practices and aligned to science-based targets delivering desired outcomes to preserve, manage and restore commodities and the environments surrounding them. In addition, certifications also provide transparency by tracing production of the product through the supply chain. Working to create harmonized standards for certifications can accelerate adoption by major brands that support global sustainability initiatives, as differing standards by country for certification can lead to confusion, higher costs and less adoption.



Conclusion

At Walmart, we believe economic growth can be compatible with protecting the environment and green consumption. We know it is important to work with partners and take a whole supply chain approach, working to create sustainable products that can help motivate discerning consumers to purchase them. Walmart has led a number of initiatives that have had an important impact on green consumption, and we have found the below approaches to be key to their success:

- 1) Data-driven – We work with expert groups to create clear and measurable ways of defining the problem and working toward a solution.
- 2) Positive incentives – Programs that incentivize participation for the business tend to be more successful, such as labeling initiatives that can help differentiate products and lead to increased sales, or production initiatives that lead to energy saving and decreased cost of inputs.
- 3) Collaborative approach – Because partnership increases innovative thinking and the chances of success, our efforts are implemented in wide coordination with experts from government, business, nonprofits and/or academia.
- 4) Industry as a leading partner – Just as positive incentives tend to produce the most sustainable results to program adoption, ensuring campaigns are implemented in a way that is good for business is vital. Many of our programs have been implemented by coalitions of industry, which ensures the approach will grow and not limit economic and business activity. Leadership from government is also important, and strong coordination between industry and government can lead to fruitful outcomes.

Walmart has been invested in China for over 20 years and is a part of the communities in which we operate. We are appreciative of our partnership with the Chinese government and other important stakeholders and will continue to support efforts to promote green consumption in China.