

## **Packaging Scorecard Q&A**

### **What exactly does the packaging scorecard measure?**

The packaging scorecard measures suppliers on their ability to develop sustainable packaging and help Wal-Mart meet its environmental sustainability goals. The scorecard measures greenhouse gas emissions related to packaging raw material production, sustainable material value, product to packaging ratio, cube utilization, recycled content usage, innovation, the amount of renewable energy used to manufacture the packaging, the recovery value of the raw materials and emissions related to the distance required to transport the packaging materials. Suppliers receive a score in each category and can view how they rate overall compared to their competitors.

### **How will Wal-Mart use the results generated by the scorecard?**

Now that we have officially moved out of the trial period for the scorecard, Wal-Mart buyers have the option to use the results generated by the scorecard to influence their decisions when purchasing products.

### **How is this year different from last year in regard to the scorecard?**

Throughout 2007, our suppliers were given the opportunity to input and track data, learn about the scorecard and work with buyers to start thinking about sustainable packaging solutions. Any information gathered this past year was not considered official data. Starting February 1, we will officially start tracking the data, which our buyers will be able to use to make more informed purchasing decisions. As we move forward with the development of the scorecard and data collection, we will be able to more accurately measure our progress toward our goal to reduce packaging in our supply chain by 5 percent by 2013.

### **How many products are currently entered into the scorecard?**

As of January 30, 2008, more than 97,000 products have been entered into the scorecard by 6,371 distinct vendors.

### **If you look at that number of scorecard entries compared to the total amount of products Wal-Mart carries, it turns out to be pretty low percentage of products that have been entered. Why?**

While we're not at 100 percent yet, we feel that we've made great progress. Wal-Mart and Sam's Clubs carry a variety of products, and some of those products don't have any packaging. If we took out all of the products that don't have packaging, we would be dealing with a smaller number than the total amount of products that a typical Wal-Mart or Sam's Club carries. A good example of this is phone cards or gift cards. With these items, the packaging is part of the product.

### **Why haven't all of the suppliers input their products?**

At the 2006 Clinton Global Initiative, we announced our goal to reduce packaging in our supply chain by 5 percent by 2013. We knew that it was going to be a huge undertaking for us and our suppliers. We hope that our suppliers who have not entered their products will soon realize the value and importance of sharing packaging information.

### **What will happen to suppliers who don't enter their products into the scorecard?**

We set a goal to have all products entered by February 1, 2008, and while it's not mandatory for suppliers to enter packaging information by this date, we hope they all see the value in doing so. If a supplier doesn't enter their information into the scorecard, the underlying consequence is a lack of information for our buyers when making purchasing decisions. The buyers will only have information on the packages that have been entered into the scorecard, and therefore can only reward those suppliers accordingly.

In the meantime, if a supplier has not entered their products into the scorecard, we encourage them to work with their buyers to answer any questions they may have about entering a product and finding more sustainable solutions.

### **How have suppliers reacted to the scorecard?**

Through our Packaging Sustainable Value Network, which consists of suppliers, academia, NGOs, government agencies and trade associations, we have received substantial feedback that has helped us improve the scorecard. Everyone in our Network is really working together to make this scorecard successful. Overall, our suppliers have been very involved and inquisitive.

### **Is this for International stores/Clubs or just the U.S.?**

At this time the scorecard is only available for suppliers to U.S. stores and Clubs. We have plans to rollout the scorecard to suppliers for our international stores and Clubs in the next two years.

### **There are rumors that all of the metrics on the scorecard are not complete. Is that true?**

Currently, all of the metrics in the scorecard are working and measuring suppliers in all categories. Throughout 2008, Wal-Mart will continue to work with its Packaging Sustainable Value Network comprised of suppliers, government agencies, trade associations, academics and non-governmental organizations to verify the methodology behind the calculations in the scorecard. While the questions asked of the product suppliers in the scorecard will remain the same, the calculations made behind the scenes in the scorecard could be refined.

### **How can a supplier make their packaging more sustainable?**

Our first recommendation would be to have suppliers look at how they currently design their packaging, and make sure that it's no longer an afterthought—it needs to be considered as the product is being developed. As the product and packaging are being designed, sustainability should be top of mind. The key point is not only to make packages smaller, or use less material,

but to really look at the total package and its development process, the product, and customer relationship, and deliver an overall better package.

We also recommend that our suppliers talk to and work with their Wal-Mart buyer to identify new opportunities for improvement. Each year we host a Sustainable Packaging Exposition, which connects our product suppliers with packaging suppliers who can offer more sustainable solutions. We believe the Exposition has been very valuable for our suppliers and we suggest they attend each year to gather new ideas on how to improve their packaging.

### **Who provides input on the metrics to make sure they are measuring the metric properly?**

We work with approximately 200 members who are part of our Packaging Sustainable Value Network. Two organizations that have been especially instrumental in the scorecard efforts include the Environmental Protection Agency and GreenBlue (a non-profit group that focuses on providing sustainable solutions to companies). We also work with other government agencies, such as the California Integrated Waste Management Board. The top packaging schools in the country, including Rochester Institute of Technology, Michigan State and Clemson University, have all participated in the Packaging Network by conducting research and incorporating this information into their curriculum. The Fibre Box Association and the American Chemistry Council are just two of the many trade associations that have helped to collect data on each material in the scorecard. Wal-Mart and Sam's Club associates have also been instrumental in gathering data for the metrics in the scorecard. This is a cross-functional effort with associates in Merchandising, Logistics, Transportation, Operations Global Procurement and Marketing.

### **What products have scored well on the scorecard?**

Previous to today, no products have been officially scored using the scorecard. But we have several suppliers that have made great efforts to make their packaging more sustainable including General Mills and Unilever. Some have been able to make their packaging smaller or lighter-weight to be more sustainable. Or, by reformulating the product, they've been able to use less packaging per serving or per load. These are good examples of how consumer packaged goods are bringing packaging to the forefront development process. These companies truly looked at the product and package interaction and designed them to work better together to be more sustainable.

- **Hamburger Helper:**

General Mills shrunk the Hamburger Helper box by 20 percent. They also invented a cardboard shipping case that has a window, which means 25 percent less cardboard. Sustainability benefits included:

- Saved 890,000 pounds of paper fiber used every year
- Reduced greenhouse gas emissions by 11 percent
- Eliminated 500 trucks from the road each year

- Increased shelf pack out by 20 percent
- **All Small and Mighty:**

In 2005, Wal-Mart partnered with Unilever to dramatically reduce the packaging on its “All” detergent. In February 2006, Unilever unveiled “All Small-and-Mighty,” an innovative product that is three-times concentrated and contains enough detergent for the same 32 loads as a 100-oz. bottle. Unilever expects yearly savings of 500 million gallons of water, 26 million gallons of diesel fuel, 150 million pounds of plastic resin, and 750 million sq. ft. of cardboard. In September 2007, we announced that beginning in May 2008 we will only carry concentrated liquid laundry detergents in our stores. Transitioning to concentrated detergent will help save more than 95 million pounds of plastic resin, conserve more than 400 million gallons of water, reduce the consumption of more than 520,000 gallons of diesel fuel, and reduce the need for more than 125 million pounds of cardboard.
- **Member’s Mark Apple Juice**

Wal-Mart and Sam’s Club have been actively working with their private label suppliers to increase the sustainability of their packaging. One product that has made sustainable packaging changes is the apple juice sold under the private Member’s Mark label at Sam’s Club. This packaging is produced using 100 percent renewable energy generated from hydroelectric plants that use moving water to generate electricity. The mill and converting process of the packaging has also realized a 35 percent gain in energy efficiency by integrating new technologies throughout the operations. Nearly all of the apple juice is transported in corrugate cases that are manufactured with 85 percent post-consumer materials. The remainder is transported in cases that use 25 percent post consumer materials. All pallet caps and tier sheets use 65 percent recycled materials.

**How close is Wal-Mart to reaching its goal to reduce packaging by 5 percent by 2013?**

We’ve made progress by simply developing and launching the scorecard, which will help us meet the 5 percent goal. The trial run of the scorecard in 2007 gave our suppliers an opportunity to learn about and try using the scorecard. The information gathered this year has not been used to develop official data. As we move forward with the development of the scorecard and data collection, we will be able to more accurately measure our progress toward the 5 percent packaging reduction goal.

**How will the scorecard affect the supply chain?**

We don’t have a documented effect of the scorecard since we are just now beginning to collect the data. But we do expect to see some changes in the products carried both in our stores, as well as those carried by our competitors. For instance, on September 26, 2007, we announced a bold

initiative to sell only concentrated liquid laundry detergent at all of our U.S. stores and Clubs. With approximately 25 percent of the liquid laundry detergent in the U.S being sold through Wal-Mart Stores, transitioning to only concentrated liquid laundry detergent demonstrates Wal-Mart's unique position to drive change across an entire industry for the benefit of business, customers and the environment. Transitioning to concentrated detergent will help save more than 95 million pounds of plastic resin, conserve more than 400 million gallons of water, reduce the consumption of more than 520,000 gallons of diesel fuel, and reduce the need for more than 125 million pounds of cardboard. We expect that more of our competitors will also start stocking the concentrated detergents on their shelves.