

Wal-Mart Corporation

Organisational Information

Wal-Mart is the largest retail company in the world, larger than Carrefour, Metro AG, and Royal Ahold combined.¹ The company controls approximately 20 percent of the retail grocery and consumables business in the United States, making it the largest grocery retailer in the country. Wal-Mart's large size enables the company to purchase supplies at low prices through bulk purchases, thereby providing lower prices to consumers but forcing many smaller retailers out of business.

Sam Walton founded Wal-Mart in 1962 in Arkansas, United States. After the company went public on the New York Stock Exchange in 1969 providing it with an influx of capital, the store expanded operations throughout the United States. While having mixed results internationally having recently closed operations in Germany and South Korea, the company still boasts almost 6,500 stores in 15 countries.

Headquartered in Bentonville, Arkansas, U.S., Wal-Mart employs more than 1.8 million people worldwide, and earned more than US\$11.2 billion in operating income during 2006².

Wal-Mart did not actively engage in the data collection process for the 2006 Global Accountability Report. Indicators were therefore scored based solely on public information and data collected from independent experts and stakeholders of the company.

Transparency | Participation | Evaluation | Complaint and Response

Organisational Structure

Wal-Mart's governing body is the Annual Shareholders Meeting, which is responsible for electing directors to the Board of Directors, ratifying the appointment of the external auditor, voting on shareholder propositions and amending the Articles of Incorporation.

The executive body is the Board of Directors. As of early 2007, the Board had 14 members, 10 of which are independent. The Board is responsible for developing strategy and policies for Wal-Mart. Supporting it are five committees: Audit Committee; Compensation, Nominating, and Governance Committee; Executive Committee; Stock Option Committee; and Strategic Planning and Finance Committee. Wal-Mart separates the function of Chairman of the Board and Chief Executive Officer (CEO).

Transparency Dimension

Wal-Mart rank ninth among the ten assessed corporations for their transparency capabilities with a score of 15 percent.

Wal-Mart does not have an information disclosure policy, but makes an aspirational commitment to transparency in its Statement of Ethics. The Statement pledges accurate and fair disclosure, however, this commitment only pertains to reports and documents filed with the United States Securities and Exchange Commission (SEC) and 'other public communications.' Wal-Mart should, at minimum, make a commitment to transparency that goes beyond SEC documents and commits to transparency in all activities and operations. Preferably, the company should develop a transparency policy that clearly identifies what when and how information will be made available and includes good practice principles that provide a commitment to respond to all information requests within a specified timeframe.

¹ Hoovers, Wal-Mart Stores, Inc.: http://www.hoovers.com/wal-mart/--ID_11600--/free-co-factsheet.xhtml

² 2006 Annual Report http://www.walmartstores.com/Files/2006_annual_report.pdf

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Based on publicly available information, no senior executive was identified as having oversight of company-wide transparency, and no evidence was found of the company providing staff with training on transparency issues.

Participation Dimension

Wal-Mart rank sixth among the ten assessed corporations for their participation capabilities with 43 percent.

External Stakeholder Engagement

While Wal-Mart lacks a policy that guides engagement with external stakeholder, they do make a commitment to engaging in community dialogue. The company makes this on their website under 'Our Commitments.' This commitment however is not expanded on in any other public documentation and fulfils none of the good practice principles on stakeholder engagement.

Based on publicly available information, no evidence was found to suggest that Wal-Mart has a senior executive overseeing community engagement or stakeholder engagement more broadly, or that employees are trained on stakeholder engagement. Similarly, Wal-Mart has not institutionalised the involvement of any external stakeholders in corporate decision-making.

Member Control

Wal-Mart's governing articles provide for relatively equal member control. The company bylaws allow all shareholders to attend the Annual Shareholders Meeting and enable them to add items to the meeting's agenda. Shareholders are also able to recommend candidates for Board of Director elections by writing to the Compensation, Nominating, and Governance Committee, and remove Board Directors at any time with an affirmative vote of at least a majority of capital shares. Wal-Mart also follows the one-share, one vote principle. Wal-Mart could improve shareholder control of the executive however, by requiring a majority vote in electing candidates to the Board of Directors instead of a plurality.

Evaluation Dimension

Wal-Mart ranks ninth among the ten assessed corporations in evaluation capabilities with 15 percent.

The low ranking reflects the fact that Wal-Mart does not have a policy guiding its evaluation of environmental and social impact (or at least does not make it publicly available). There is evidence that Wal-Mart assesses aspects of its social impact as the 2005 Report on Ethical Sourcing identifies Ethical Standards Audits. The audits are produced by regional audit teams that observe violations, conduct worker interviews, and review documentation across different factories. The audits are based on information in the Code of Conduct that describes health, safety, environment, and labour issues. The information found publicly on the Ethical Standards Audits did not include a commitment to any good practice principles.

Based on publicly available information, no senior executives were identified that oversee the audits process. However, evidence was found to suggest that Wal-Mart has an auditors training program where auditors are tested every six months on specific situations and violations. Auditors who score below a minimum score are removed from auditing and re-trained until their score improves.

Complaints and Response Dimension

For complaint and response capabilities, Wal-Mart ranked ninth among the assessed corporations with a score of 28 percent.

While Wal-Mart does not have a policy for handling complaints from external stakeholders, for employees, the company has a Statement of Ethics that outlines its whistleblower principles. The Statement includes some good practice principles such as assurances of confidentiality

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and non-retaliation, independence of investigators, and a clear description of how to lodge a complaint and how it will be investigated. Wal-Mart could improve its whistleblower protections by explicitly stating that those proven to have retaliated against a complainant face mandatory discipline, and that all negative consequences suffered by victims of proven retaliation are reversed.

In regards to Wal-Mart's internal complaints systems, the ethics office has oversight responsibility of ethics violations. Additionally, guidance on resolving ethics matters will be sought from the Legal Department. Whether Wal-Mart provides training to employees on whistleblower policies or if those conducting investigations were trained on policy commitments could not be confirmed based on publicly available information.

Conclusion

Wal-Mart does not score well in the 2006 Global Accountability Report. The company's highest score is in participation capabilities. This is mainly a reflection of the provisions it has in place to foster equitable control among shareholders, many of which are required by United States law. In terms of external stakeholder engagement, Wal-Mart seems to lack both the policies and systems to foster consistency in how stakeholders are engaged by the company.

Scores of 15 percent in transparency and evaluation capabilities highlight these as other areas for improvement. The company needs to develop stronger commitments in both dimensions as well as establish management systems that support their implementation. In regards to complaints and response specifically, Wal-Mart should consider expanding their current complaints policy to allow not only employees, suppliers, consultants and other third parties to submit complaints, but also members of the general public.

The 2006 Global Accountability Report assessed the accountability of 30 global organisations from the intergovernmental, non-governmental and corporate sectors according to four key dimensions of accountability – transparency, participation, evaluation, and complaint and response mechanisms. The study investigated the extent to which these organisations have in place the capabilities – policies and systems – at headquarters or the global office that foster accountability to communities they affect and to the wider public. At the global level, organisations need to have in place enforceable policies on key dimensions of accountability in order to promote consistency in approach both at different levels throughout the organisation and in relation to their diverse stakeholder groups. The presence of a policy at the global office indicates a public commitment to the dimensions of accountability and enables stakeholders to demand compliance with these policies; yet how these commitments translate into practice is equally important. The project team at the One World Trust is actively seeking innovative ways to assess accountability in practice both at the global office and field levels. Such assessments will help build a more comprehensive understanding of an organisation's accountability.

For a full list of indicators against which each of the 30 organisations were assessed click [here](#) or for further information on the 2006 Global Accountability click [here](#).