



N. Craig Smith and Robert J. Crawford

In late 2004, Assheton Carter was contemplating what projects he should take on. Carter was an activist at Conservation International (CI) in mining safety, working conditions, the environment, and the rights of community and indigenous peoples. From his CI unit, the Center for Environmental Leadership in Business (CELB), he was seeking to find a high-profile, high impact project that would both accomplish something concrete and set a precedent – of transparency in extractive industries, of activist methods, and of cooperative interaction between non-governmental organizations (NGOs) and multi-national corporations (MNCs). His desk was littered with documents from current projects, including the overall strategy for CI as well as engagements with Disney and the oil and natural gas industries.

One of his potential projects included Walmart's jewellery business. Walmart, he knew, was the world's largest jewellery retailer, with annual sales of \$US2.75 billion, which represented nearly 2% of total world sales. Change Walmart's approach to sustainability, he reasoned, and MNCs throughout the world would take notice. However, after nearly 2 years of attempting to engage with the company, he had recognized that Walmart personnel changed so fast that he seemed to have to re-educate a new set of managers in the same issues every few months. Not only did that add up to a major commitment of his time, but he felt increasingly frustrated with the lack of momentum.

Then his phone rang. Dee Breazeale, Vice President for jewellery at the Walmart affiliate Sam's Club, was on the line. "Can you fill me in", she asked, "on sources of rubies and the challenges with buying rubies from Burma?" He had met Breazeale earlier that year at Walmart headquarters in Bentonville, Arkansas, in a CI delegation that was negotiating the modalities of an advisory arrangement with the company. Her honesty and willingness to learn had deeply impressed him, though little

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N. C. Smith (✉) · R. J. Crawford  
INSEAD, Fontainebleau, France  
e-mail: [Craig.SMITH@insead.edu](mailto:Craig.SMITH@insead.edu); [robert.crawford@insead.edu](mailto:robert.crawford@insead.edu)

had happened in the months that followed. Nonetheless, he knew that, once convinced, she had the power to act – immediately.

Within a week, she decided to purchase all of her unit's rubies from suppliers in Brazil rather than Burma; this represented a major shift in the jewellery market, with global implications. It was at that moment that Carter decided to work more intensively with the company. "Dee was not what I was used to when dealing with corporate execs," he recalled. "No pretence, no 'silver tongue', just 'I've got an issue, I don't like being associated with dirty business, and I want your help to put it right.' To me, that was wonderful. I could work with that."

Carter had many ideas on how he might proceed. Executives like Breazeale in Walmart, he observed, were beginning to take a straightforward approach to issues of corporate responsibility and sustainability: "Figure out what the problem is; find people who want to help solve it." Those who preferred to denounce Walmart from the sidelines, it was clear, would not be invited. This was, he believed, an opportunity to impact not just the jewellery market, but to establish a new approach to sustainability for global businesses. While the "conflict diamonds" campaign earlier in the decade had been relatively successful, he wanted to do something different by creating a project that would largely rely on MNCs to change and monitor their behaviour – in a way that made *business sense* to them – rather than depend on enforcement by governments and international organizations in accordance with international treaties.

One of the most promising ideas might be the creation of a "green" line of jewellery – free of "dirty gold" and "conflict diamonds", with sustainable operations and careful attention paid to working conditions along the entire supply chain. Once they established the proper standards for mining companies, and indeed the entire supply chain, the system would have to be transparent and verifiable. No one had ever done this for the mining industry. So it was with these ideas in mind that a few days later Carter picked up the phone to call some NGO colleagues.

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## Background

Sam Walton founded Walmart in 1962, to bring big-city discounting to his corner of the rural American South. His idea was to offer the same range of merchandise found in nearby stores, but at about 20% lower prices every day rather than by short-term sales promotions. While this would lower his profit margins, he calculated that Walmart could triple gross sales. Furthermore, as the company grew Walton instilled a relentless drive in managers to lower costs by going directly to manufacturers, as well as by constantly increasing worker productivity.<sup>1</sup> As computer technologies became available, Walmart also developed a distribution network of state-of-the-art

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<sup>1</sup> See Robert Slater, *The Walmart Triumph: Inside the World's #1 Company*, Portfolio, 2003, p. 30–34.

precision, enabling the company to predict consumer tastes but also to deliver goods where and when they were desired.<sup>2</sup>

Walton's formula was a phenomenal success. By 2004, Walmart had become the world's largest corporation and non-governmental employer. Net sales in fiscal 2009 exceeded \$US400 billion, serving 200 million customers each week in over 8400 stores worldwide; operating income reached \$24 billion.<sup>3</sup> Walmart accounted for approximately 10% of all retail sales in the U.S.<sup>4</sup>

Combined with its sheer size, Walmart's technological capabilities enabled the company to exert an unprecedented degree of control over not only its employees, but also its business partners (independent manufacturers, suppliers, and distributors).<sup>5</sup> A centralized management style placed high expectations on local managers, who routinely worked 60-h weeks. While managers faced brutally demanding targets for cost containment and profitability, they were given an extraordinarily free hand with which to achieve them, the so-called "tight/loose" management practice. As long as they acted within their mandate and with support from their superiors, this freedom empowered Walmart managers to pursue their own ideas with energy and creativity so long as they respected certain limits. Walmart's centralization represented a fundamental shift of market power to the retailer and away from manufacturers, in effect creating a near-monopsony – it could impose its will on partners to set prices, to package goods to fit Walmart requirements, and even to adopt management and accounting practices in accordance with Walmart requirements.<sup>6</sup>

## The Critics

Walmart's power and behaviour galvanized an army of critics and activists, who condemned its practices and began to mount grassroots protest campaigns, boycotts and media attacks in an effort to tarnish the brand.<sup>7</sup> First, critics argued, Walmart had to somehow ameliorate its impact on the communities that it entered. Not only did they believe that Walmart destroyed local "mom and pop" stores that could not compete on price, but it also generated the second-hand effects of increased traffic, reduced demand for other local businesses, such as competing shops and

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<sup>2</sup>See James Hoopes, "Growth Through Knowledge" in Lichtenstein, *op. cit.*, p. 91, and Misha Petrovic and Gary G. Hamilton, "Making Global Markets," in Lichtenstein, *ibid.*, p. 133.

<sup>3</sup>Walmart Annual Report 2010, [http://walmartstores.com/sites/annualreport/2010/financial\\_highlights.aspx](http://walmartstores.com/sites/annualreport/2010/financial_highlights.aspx).

<sup>4</sup>Charles Fishman, *The Walmart Effect: How the World's Most Powerful Company Really Works – and How It's Transforming the American Economy*, Penguin Press, 2006, p. 103.

<sup>5</sup>See Nelson Lichtenstein, *Walmart: The Face of Twentieth Century Capitalism*, Nelson Lichtenstein (ed.), p. 11.

<sup>6</sup>Petrovic and Hamilton, *op. cit.*, p. 130.

<sup>7</sup>See Maria Halkias, "Walmart's Urban Push," *The Dallas Morning News*, 1 November, 2005.

newspapers that lost ad revenues, and imposed additional infrastructure costs that generated new tax burdens.<sup>8</sup>

Second, Walmart's labour practices, they demanded, had to improve. Employees must be allowed to unionize, earn better wages, obtain affordable health insurance benefits, and enjoy more humane treatment.<sup>9</sup> As it stood, many critics charged, the tight/loose management style forced managers to resort to degrading and even illegal practices in the relentless pursuit of "improvements" in employee performance, allegedly in the form of unpaid over-time, the effective elimination of rest or meal breaks, and the exploitation of overseas sweatshop labour.<sup>10</sup>

Third, they charged, Walmart had to provide a more equitable and environmentally friendly management of its supply chain, from the treatment of "sweatshop workers" in China by supply partners to its means of transportation. To meet these goals, many observers believed, Walmart would have to change its business model: the company would have to pay more for the goods and services it bought, which would diminish its razor-thin profit margins and necessitate higher prices. This would violate the principle behind Walmart's "everyday low prices" formula.<sup>11</sup>

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## Walmart Responds

For its first few decades of explosive growth, Walmart had ignored the critics as a matter of company policy. The company had virtually no lobbying presence in Washington, DC, and devoted little attention to its image.<sup>12</sup> That changed in 2004. Faced with mounting criticism and a momentarily declining stock price, then-Chief Executive Lee Scott decided that Walmart should become a more responsible company, to jump ahead of the curve in a move assailed by some as a blatant public relations counter-offensive.<sup>13</sup>

The first big success of Scott's new strategy was the company's relief efforts in 2005 on behalf of the victims of Hurricane Katrina, in Louisiana and Mississippi.

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<sup>8</sup> See Bill Quinn, *How Walmart is Destroying America (and the World) and What You Can Do About It*, Ten Speed Press, 2005, pp. 1–26.

<sup>9</sup> According to Fishman, *op. cit.*, pp. 240–1, in Tennessee 10,261 children of Walmart employees were enrolled in state health care for the poor; in Georgia, 9,617 Walmart associates were provided healthcare by state-aided programmes for the poor. Wake-Up Walmart claimed that one in seven U.S. Walmart employees had no healthcare coverage and that a substantial number earned below the poverty line. See: <http://www.wakeupwalmart.com/facts/#healthcare>

<sup>10</sup> Ellen Israel Rosen, "How to Squeeze More Out of a Penny," in Lichtenstein, *op. cit.*, pp. 245–246.

<sup>11</sup> See Liza Featherstone, "Walmart's P.R. War," *Salon.com*, 2 August 2005.

<sup>12</sup> Bethany Moreton, *To Serve God and Walmart: The Making of Christian Free Enterprise*, Harvard University Press, 2009, pp. 1–5.

<sup>13</sup> Michael Barbaro, "A New Weapon for Walmart: A War Room," *The New York Times*, 1 November, 2005. From 2000 to 2005, Walmart's share price dropped approximately 20 %; at that time, Walmart appeared to have reached the saturation point of its rural expansion strategy, necessitating a move into urban markets, where it faced a more effective political opposition.

Scott, who claimed that the Katrina episode led to a personal “epiphany”, promised that this was only the beginning of the company’s transformation.<sup>14</sup> Articulating a vision in cooperation with Conservation International and other external groups, Scott promised that the company would become a leader in sustainability, reducing greenhouse gases produced by Walmart stores by 20% over the next seven years, enhancing the efficiency of its truck fleet, which was the largest in the U.S., and innumerable similar measures. Moreover, Scott emphasized, Walmart was taking steps to improve the treatment of its workers: health care coverage would be provided to Walmart associates for as low as \$25 per month. To further publicize these efforts, Scott even called on the US Congress to raise the minimum wage.<sup>15</sup>

Walmart began to take concrete steps to implement Scott’s vision, which he disseminated within the company in a series of “aspirational goals” that were realistic and transmitted a message of change – both internally and externally. With the help of consultants, Scott encouraged Walmart employees to undertake “Personal Sustainability Projects”, which were designed to educate them through voluntary activities, hopefully inspiring them to pursue their own sustainability initiatives. Later, employees elected “sustainability captains” to communicate their goals and explain their activities to others in the company, eventually growing to include just under one third of all Walmart employees. In addition, Walmart began a number of initiatives to increase the transparency of the company’s practices, including:

- A company-wide effort to identify and openly acknowledge “environmental blind spots”;
- A series of reports on its progress toward the aspirational goals;
- The opening of the company to constructive outside stakeholders.

Such transparency would, Scott stated, encourage employees to think in new ways, spark an influx of new ideas for improvement, and finally, uncover business opportunities that Walmart had not considered. It was not, in his view, merely greenwashing, as critics continued to charge.<sup>16</sup>

By early 2006, with the aid of CI under a consultancy arrangement, a group of Walmart executives were designating “actionable priorities” they could pursue. Combining Walmart’s sales data with environmental impact factors as articulated by the Union of Concerned Scientists, a science-based nonprofit advocacy group, they focused in on 14 areas, which were called “Sustainable Value Networks”. (See Exhibit 13.1.) In each of the 14 areas, Walmart assigned an Executive Vice President as sponsor along with a “network captain”, who was usually a Senior Vice President. Dee Breazeale was designated a network captain for jewellery. Like the others, she was mandated to contact academics, NGOs, suppliers and other stakeholders to join

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<sup>14</sup>See Robert Berner, “Can Walmart Wear a White Hat?” *BusinessWeek*, 3 October, 2005.

<sup>15</sup>As cited in Pia Sarkar, “Walmart’s World View: Giant Retailer Says It’s Ready to Tackle Hot-Button Issues,” *San Francisco Chronicle*, 26 October, 2005.

<sup>16</sup>Adam Werback, *Strategy for Sustainability: A Business Manifesto*, Harvard Business Press, 2009, pp. 35–36; 92–118; 132–135; 157–158.

discussions on sustainability measures that Walmart might undertake.<sup>17</sup> At this early stage, their actions were voluntary, according to Carter: “Dee was acting on her own sense of responsibility, there was no obligation” for her or any other participants.

A native of Arkansas, Dee Breazeale went to a local university. At one time, she had worked as a backup singer to a Country Western band. She had been at Walmart for nearly two decades. After graduating with an MBA, she took an entry level job as a merchandise assistant at Walmart on an hourly wage. Quickly recognizing her commitment to the company and high potential, her bosses recommended Breazeale for the management fast-track programme. She rotated through every area in the company, from real-estate, human resources and marketing to information systems and operations. Later, Breazeale ran a district of stores in northern California, served three years in Germany with the international division, and returned to Arkansas as Vice President in the jewellery division. At Walmart, she recalled, “I was allowed great autonomy to pursue my vision... You set a goal, get the signoff, and then you have the freedom to do it just about any way you want... If it didn’t work, they [upper-level managers] let you try something different but just don’t make the same mistake twice!”

During the internal discussions on sustainability in 2005, which led to the creation of Walmart’s Sustainable Value Networks, Breazeale had become interested in contributing to the effort and participating in the jewellery SVN. “I loved to take on more,” she explained. With the support of her boss, she also committed herself to interface with and represent the LGBT (Lesbian, Gay, Bisexual and Transgender) community in Walmart, which began to attract some critical attention in the local “family” press. “The typical role of the retailer was to buy product from the suppliers at the best price,” she recalled. “I found the concept of digging into every aspect of getting jewellery to market – transparently – a daunting task, but a very positive goal.”

The success of a Sustainable Value Network depended in large measure on the energy that their captains devoted to them. Nonetheless, the Walmart employees involved in them still had to accomplish their full-time jobs. Some critics worried that network captains and participating employees lacked the time either to devote themselves to these tasks or indeed to engage their minds in areas they had never had time to contemplate. With few exceptions, there were no new full-time staff hired to run the networks. Some of them, such as the packaging network, had 500 members or more; others, such as Breazeale’s jewellery SVN, consisted of only 15 or so. Often, even Walmart’s determined outside critics were invited to participate.<sup>18</sup>

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## Earthworks and the NGOs

When Stephen D’Esposito joined the NGO Earthworks in 1997, the “extractive sector” – the mining of gold, diamonds, and other minerals – was viewed by activists as fragmented and unfocused, in spite of documented environmental degradation,

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<sup>17</sup> See Erica L. Plambeck, “The Greening of Walmart’s Supply Chain”, *Supply Chain Management Review*, 1 July, 2007.

<sup>18</sup> Ylan Q. Mui, “At Walmart, ‘Green’ Has Various Shades”, *Washington Post*, November 16, 2007.

ongoing health issues in mining communities, and innumerable instances where corporations had failed to correct or even examine their conduct. “The premise,” he recalled, “was that, due to the remoteness of mining sites, our leverage was severely limited.” As VP for Policy and later President and CEO, D’Esposito believed that a new approach, based on the entire life cycle of the products involved, would create opportunities to promote Earthworks’ agenda in clean water, community health, and corporate social accountability. “I wanted to work on the mining companies,” he explained, “but also involve the refineries, the jewellers, and even the retailers at the end of the life-cycle chain.”

As a visible industry that was deeply concerned with branding, he believed that the jewellery sector offered the best opportunity to create influence throughout the overall sector. Indeed, gold mining was one of the dirtiest industries in existence. Not only was it getting more difficult to extract as deposits dwindled – to produce the gold for a single finger ring generated approximately 20 tons of waste, much of it toxic, including cyanide – and its slag was responsible for the pollution of waterways, vast areas were deforested, and it often displaced communities nearby.<sup>19</sup>

Over the previous decade, D’Esposito had helped to transform Greenpeace from a collection of local activist groups carrying out their own initiatives into an integrated, global advocacy and campaign organization. Through its provocative actions, Greenpeace could draw attention to the conduct of corporations or governments that it deemed harmful to the environment. It was the quintessential “protest NGO” that ran campaigns of opposition. Nonetheless, D’Esposito felt that a positive message – some species to protect, some specific environment to preserve – was key to his fundraising efforts. “We preferred to build campaigns around saving an animal or a beautiful place, not just attack companies,” he explained. “It is an oversimplification to say that NGOs must appear in opposition to MNCs to raise money,” he argued. “That is repeated way too often.”

For Earthworks, D’Esposito resolved to combine protest actions with a more constructive engagement. The times, he observed, were changing: not only were efforts from within the extractive sector underway to create formal deliberative structures regarding sustainability, but in January, 2000 a major mining accident in Baia Mare, Romania, had captured world media attention and led to demands for action.<sup>20</sup> There was also the example of “conflict diamonds”. In the late 1990s a grassroots campaign sought to restrict the exportation of diamonds as a means to finance civil wars in several countries, such as Sierra Leone and the Democratic Republic of Congo. In a few years, the conflict diamonds campaign led directly to the establishment of the Kimberly Process Certification Scheme, whereby the governments of diamond producing and importing countries would exchange only sealed packages of diamonds; traffickers in conflict diamonds would face criminal prosecution; and exporting countries violating its terms could be expelled from the scheme, in effect blocking their trade revenues. Backed by public opinion, the

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<sup>19</sup> See Earthworks, “Tarnished Gold? Assessing the jewelry industry’s progress on ethical sourcing of metals,” March 2010.

<sup>20</sup> See UNEP/OCHA Report on the Cyanide Spill at Baia Mare, Romania.

Kimberly Process was the result of a collaboration between the United Nations, governments, NGOs, and diamond producers. Not only did it succeed in curtailing trade in conflict diamonds, but it aided in the stabilization and development of fragile countries.<sup>21</sup>

Some MNCs in the extractive sector, D'Esposito was coming to believe, appeared ready to act as more responsible corporate citizens and even to take concrete steps. "I found some companies were doing their own analyses," he said. "They had seen the writing on the wall" about sustainability and increasing consumer involvement, particularly in the luxury industry. For example, the mining company Rio Tinto was spearheading the Global Mining Initiative, which initiated a dialogue with stakeholders. To D'Esposito, this suggested that a more inclusive approach was becoming possible, relying on a network of groups – local activists, governments at various levels, and media, but also for-profit corporations – to pursue Earthworks' goals in negotiations with MNCs. "We would start with pressure," he said, "but then try to collaborate if the [target] corporation should demonstrate some willingness to work with us." It was a stick and carrot approach.

One key collaborator was Keith Slack, a campaign activist with Oxfam America. According to D'Esposito, "He had the best early ideas. Earthworks needed him because we had weaknesses, we were small with limited reach... and lacked a well-known brand" among NGOs. As such, Earthworks was able to combine its substantive expertise in the industry with Oxfam's ability to mobilize international protests against specific corporations or sectors via its regional and global activist networks. Raising awareness about the mining accident in Baia Mare, Romania, had been one of their early successes.

D'Esposito and Slack began to work with civil society leaders worldwide to establish a set of "Golden Rules" for responsible mining that would form the basis of both a public advocacy campaign and segue into an engagement with mining companies and others in the supply chain. This included an in-depth analysis of best practices – a "Framework for Responsible Mining" – that was co-sponsored by Tiffany & Co. By 2002, in addition to other initiatives, the efforts of D'Esposito, Slack and other NGOs culminated in the No Dirty Gold campaign, which employed protest action as a means to leverage the industry to open negotiations.

By early 2004, No Dirty Gold had introduced the Golden Rules pledge (see Exhibit 13.2), to which signatories would commit themselves on a voluntary basis, in effect refusing to buy gold from suppliers that failed to respect human rights and its environmental criteria for mining. By signing, retailers acknowledged that they felt "morally obligated" to address these issues. It was an unmistakable acknowledgment that gold suppliers were susceptible to pressure from consumer groups, setting a precedent for that sector of the mining industry.<sup>22</sup> The eventual goal was to create a multi-stakeholder system (of retailers, mining companies, manufacturers,

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<sup>21</sup> See [blooddiamonds.org/the-kimberly-process/](http://blooddiamonds.org/the-kimberly-process/).

<sup>22</sup> See John Tepper Marlin, "The 'No Dirty Gold' campaign: what economists can learn from and contribute to corporate campaigns," *The Economics of Peace and Security Journal*, Vol. 1, No. 2 (2006), pp. 57–60.

and NGOs), similar to those that existed for wood products and diamonds, to independently verify compliance with the Golden Rules.<sup>23</sup> No Dirty Gold, they believed, would open the way to further dialogue with leaders from civil society organizations and industrial groups.

By late 2005, 17 of the world's most important retailers had signed on – most on the luxury end, including Tiffany & Co. and Cartier. But Walmart, Sears and Target had not. “That was when we initiated our ‘leaders and laggards’ strategy,” D’Esposito said, according to which additional public pressure would be brought to bear. Walmart, he knew, might be attempting to change, but its managers so far had failed to respond to letters from the campaign.

In February, 2006 Earthworks and Oxfam named Walmart a No Dirty Gold “laggard” in a full page ad in the New York Times. After extensive discussions with Assheton Carter, Dee Breazeale extended an invitation on his recommendation to D’Esposito, Slack and a few others to meet.

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## The Vancouver Dialogue

Conservation International (CI) was a NGO with a history of dialogue and negotiation with MNCs as a stakeholder; CI did not engage in protest campaigns against corporations from the outside but chose instead to work with them closely and discreetly. CI's association with Walmart had begun in 2002, when biologist Peter Seligman, co-founder and CEO of CI, began to cultivate a friendship with Sam Walton's eldest son, Robert Walton, a member of the company's board. In 2004, this led to a consulting arrangement with CI, which was engaged to investigate opportunities and make recommendations for sustainability initiatives at the company.<sup>24</sup>

Assheton Carter had been attempting unsuccessfully to engage Walmart since 2003. He was tired of the lack of response and had felt tempted to move on to other projects. Nonetheless, he hoped, the consulting arrangement might open up the company. The moment, in his view, was unusually propitious. “There was a shift in the concept of CSR [corporate social responsibility],” he said. It was moving, he believed, from a kind of elitist concern – “of carping NGOs” – to a more democratic movement involving direct pressure from consumer activists in new areas, such as conflict diamonds, rare hardwoods, and sea resources. One method, he continued, was to attack the brand of large MNCs in an effort to get them to direct their managers and business partners to act in a more ethical manner. Then his CI unit, the Center for Environmental Leadership in Business (CELB), could bring innovative approaches for sustainability to corporations. According to Carter, CI was not directly paid for its advice, but instead received donations in a general conservation fund. “Campaign NGOs play a vital role,” he explained, “but are only part of a bigger process.”

Even more important, according to Carter, was a shift in focus: “We are not just looking at environmental impacts like the ‘carbon footprint,’” he said, “but also at

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<sup>23</sup> See [http://www.nodirtygold.org/fact\\_sheet.cfm](http://www.nodirtygold.org/fact_sheet.cfm)

<sup>24</sup> Marc Gunther, “The Green Machine,” *Fortune*, July 31, 2006.

the core business itself. That is the way to establish *strategic* sustainability.” In other words, he saw it as his mission to move CSR into the heart of a company’s business model from the peripheral, somewhat esoteric concerns that NGOs had long pursued. “If you don’t understand the business model,” he explained, “you are not going to get anywhere. It’s the starting point for real dialogue.” Otherwise, he cautioned, public relations concerns tended to dominate the results for MNCs, with simple actions tacked on after the business decisions had already been made. “We want to open their eyes to sustainability. CELB’s goal is transformational,” that is, to embed CSR and sustainability into everyday decision-making as a matter of course. This could only occur, he argued, when it was a component of the business model and hence part of the company’s incentive systems that rewarded managers for performance. To do so, Carter explained, “We would offer advice that was relevant to their business concerns, but that also fit our mandate regarding sustainability... We were business consultants, but with our own agenda.”

From the first months of 2004, Carter had patiently attempted to establish a professional relationship with Breazeale. “I began to educate Dee on the issues,” he recalled. “It was very hard. She rarely had any time – every time we talked she was multi-tasking on something else. I wanted to know that she was taking what I had to say seriously, that she was committed. Sometimes weeks or months would go by with no response, but she always came back to me.” Carter was attempting to engage her in a number of processes:

- To gain her trust as an advisor.
- To provide basic information and context on the issues, in particular those beyond the normal purview of her job.
- To explain what she could expect from the various NGOs.
- To bring Walmart into formal, constructive dialogues with other stakeholders.
- To gain access to other sustainability leaders within Walmart.
- To keep concrete goals and missions at the forefront of the company’s concerns.
- To formulate and help to implement company strategies.

In spite of the frustration, Carter had persisted. Eventually, this resulted in Breazeale’s decisive action on his advice about rubies from Burma. Carter concluded: “Dee wanted to engage with NGOs who were challenging Walmart...I facilitated conversations and kept things going.” They discussed many issues, including the idea of creating a line of jewellery that had traceable source materials.

In June, 2006 Carter organized a meeting in Vancouver, Canada, which included mining companies, Tiffany & Co., Walmart, various NGOs, and many others. It was the culmination of a long effort to bring the stakeholders together. At the meeting, he introduced D’Esposito and Slack to Breazeale and her team. It was, he explained, a mixture of information and putting the companies on notice that there was a concerned activist community ready to take action. The suggestions from NGOs included signing onto the “Golden Rules” standards for responsible mining and

better controlling the use of recycled gold. They were suggesting putting the buying power of Walmart behind direct sourcing from specific mines as a way to create a dedicated chain-of-custody, that is, establish tighter control over the behaviour and policies of all segments in the supply chain.

For their part, most of the mining companies wanted to get the NGOs off their backs and saw that a line of traceable products might go some way to accomplish that. In addition, because Walmart and Tiffany & Co. – the end-users of mining products – were pushing the mining companies to work with NGOs, some recognized the advantages in doing so. Interestingly, according to Carter, the retailers learned that the mining companies Rio Tinto and Newmont were far more vertically integrated than they had thought.

D’Esposito and Slack took on the development of mining standards through IRMA, the Initiative for Responsible Mining Assurance, a multi-stakeholder effort that included mining companies, trade organizations, NGOs, retailers, and individual consultants. Walmart indicated that, should IRMA come up with “good standards”, it would incorporate them into its sustainability requirements. Nonetheless, it would be an extremely ambitious multi-stakeholder effort.

The Vancouver meeting was exciting for Breazeale. “I wasn’t plugged in at all to the NGOs and activist groups surrounding mining. I needed to educate myself to tear apart every step of the process and determine what path to take,” Breazeale recalled, “so we [within Walmart] began to put our heads together and engage leading mines and manufacturers to work together for a common goal.” Her chief collaborator was Assheton Carter, who had become intimately involved with all aspects in the formulation of her sustainability initiatives at Walmart, including not just the provision of information, but also writing, editing, and commenting on documents for both public and confidential, in-company purposes, and sometimes even the implementation of its sustainability strategy. But Walmart did not pay him. While CI received funds from Walmart, as Oxfam and other NGOs did from many corporations, Carter emphasized, his unit did not. “My job never depended directly on Walmart funding,” he said.

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## Working Together

After the Vancouver meeting, Breazeale and Carter invited D’Esposito and Keith Slack of Oxfam to the Bentonville, Arkansas headquarters to continue the dialogue. They began to brainstorm about what might be done concretely, perhaps even in the creation of sustainable product lines. “It was the most intense half-day meeting – really good,” D’Esposito recalled, “because it was all operational people leading it... We told them what we are doing, they asked me what they should do, where they might get traction.”

However, the IRMA effort turned into a time-consuming and frustrating episode that advanced at a glacial pace. A big issue was that Breazeale – and the Walmart colleagues to whom she was delegating tasks – sometimes lacked the mental space to come up with ideas in new areas beyond their regular jobs. Unlike some other SVNs,

they were not given any additional resources to fulfil their sustainability mission. For their part, the NGOs found the commitment onerous as well. According to Keith Slack, “It required a real investment of time. NGOs don’t have the bandwidth or resources to do this... We had to educate them and continually follow up on things, like reviewing the countless draft documents for the standards that we were trying to negotiate.”

Slack was disappointed in the mining standards that were emerging from Walmart. He also felt increasingly worried that the involvement of Oxfam might somehow co-opt the organization. “We did not,” he emphasized, “wish to see Oxfam’s participation as an endorsement of the results. We wanted to talk and contribute, but that was as far as it went.” He did not want to be paid as a consultant, in his view, “because that would have led to a loss of independence.” CI, he believed, “could no longer publicly be critical when it is necessary.” Regarding the results, like many participants and observers, Slack was disappointed that representatives of the local communities were not sufficiently consulted as they went forward. “Even though we had a constructive dialogue that allowed expert input, it wasn’t inclusive enough,” he explained. “No one could speak on behalf of the miners or the people living nearby.” Furthermore, Slack was concerned about the disposal of waste generated in the mining process (or “tailings”) as well as the regulation of mining in environmentally protected areas. Beyond that, he remained suspicious about Walmart’s motives. “The most important issue,” he concluded, “was the treatment of Walmart labourers [employees]. I began to wonder if the whole sustainability effort was a way to deflect attention from that.”

According to Carter, “Keith was unwilling to compromise on these issues, even when we [at CI] felt that we were making significant progress.” In Carter’s opinion, the outcome had much more positive potential. “We spent a lot of time trying to push the players to think,” he recalled. “We didn’t want them to take something off the shelf. We wanted to create something together, to be part of a process. Walmart saw itself as only a retailer, but we were arguing that there were immense scale-up possibilities, that the company could have a major impact by changing the way that it did things. They were listening.” For many months, Carter was also striving to convince mining companies – which were reluctant to deal with retailers because they were unaccustomed to collaborating with that segment of the supply chain – into a traceable jewellery deal. Nonetheless, he was confident that Breazeale could make things happen with Walmart’s market clout.

By the end of the summer, Breazeale and Carter were championing the creation of a line of jewellery, later named “Love, Earth”, all inputs of which would be able to be traced to sustainable sources and practices. Carter took on the role of doing much of the legwork for the project; beyond sustainability issues, this included input into the formulation of the business case, its sales goals, and the documents to present their ideas within the company. In particular, with a long-term commitment by vertically integrated suppliers, Carter and Breazeale advanced the arguments that a traceable line would carry a number of business advantages: (1) the creation of an exclusive jewellery line differentiated by its pioneering sustainability and unique design; (2) a less complex (or “truncated”) supply line, based on closer relations with suppliers, that

should reduce prices of input materials, as well as (3) assure a more secure supply line, and (4) provide a guarantee of product quality for the duration of the arrangement.

In October 2006, the initiative suffered a number of serious setbacks. The IRMA negotiations on standards for an industry-wide certification system had apparently stalled. Carter reluctantly concluded that voluntary criteria only for Walmart, such as those in *No Dirty Gold*, would have to do for the time being. This would generate controversy among NGOs, some of which wanted to continue to push for a comprehensive voluntary agreement rather than a one-off commitment from Walmart. For other NGOs, not even a comprehensive voluntary agreement would be enough: they wanted governments to impose stricter regulations on the mining companies. Soon thereafter, Keith Slack exited the process, convinced that he could accomplish more from the outside. Perhaps worst of all, Dee Breazeale left Walmart to open her own consulting business, which threatened to derail the entire process. If her attention had appeared sporadic, at least she had known how to get things done from within the Walmart culture.

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## Love, Earth

After some initial scepticism, Breazeale's successor, Pam Mortensen, became interested in the traceable jewellery project, though she needed to get up to speed on the issues. In Carter's view, they were starting over once again "from square 1". It was, he reasoned, just part of the cost of doing business with Walmart. As soon became evident, Mortensen brought her own inspiration and energy to the process. In Carter's opinion, Walmart was prepared to invest in a real business initiative with sustainability at the heart of its business model. On Mortensen's recommendation, Walmart finally signed the Golden Rules pledge in early 2007, and was taken off the Earthworks/Oxfam "laggard" list.

By April, 2007, a concrete business plan emerged for a line of traceable jewellery, from mining to delivery for sale. The jewellery line would be designed and manufactured for Walmart, carrying an exclusive brand name. It would meet Walmart's sustainability goals, yet would not charge consumers any kind of green premium. Instead, the jewellery line would be affordable in accordance with Walmart's "everyday low prices", ranging approximately from less than \$US 40 to no more than \$150, which was not appreciably different from the other jewellery lines that Walmart currently sold. Finally, as a measure of success, traceable jewellery should account for 10% of all Walmart sales in both gold and diamond jewellery by 2010, which based on public figures would add up to approximately \$US 60 million and \$US 50 million respectively. "Pam was a brilliant champion for the idea," Carter said. The plan was finalized and approved in early 2008, though some pieces still had yet to fall into place, not least of which was assuring traceability.

For his part, Carter continued in his role as an advisor, coaching Mortensen on how to interact with NGOs, but also helping her to implement the project. "We continued to run it together," Carter explained, in a relationship based on trust and mutual respect rather than obligation. Soon, Carter was writing documents on behalf of Mortensen and Walmart, from internal memos to press releases and web materials.

Carter also maintained relations with NGOs and the mining companies. Regarding Slack's departure, he understood that Oxfam as an organization no longer felt the outcomes likely to emerge from the traceable jewellery line would be sufficient to warrant its continued participation. In other words, Oxfam found that too many compromises had been made. According to Carter, "Campaign NGOs face a real dilemma. Their opposition to MNC practices is their legitimate strategy to raise awareness about irresponsible business and is how they build their support base. They are comfortable and effective being unequivocal opponents, but they aren't sure how to constructively engage corporations and, at the same time, satisfy their supporters."

Moreover, in his view, Slack and many other NGOs lacked the technical expertise in the extractive sectors that CI and Earthworks had developed. CI, for example, specifically sought to engage scientists and academics in their work. In Great Britain, Carter had earned a PhD in business strategy and sustainability in the international mining sector; he was able to write a business plan that would be profitable and do the right thing in accordance with his vision.

Without agreed-upon voluntary standards, Carter decided that separately negotiated criteria, a "mini-certification scheme", was a viable option that also had the potential to revitalize other efforts. (See Exhibit 13.3 for Walmart Mining Criteria.) Carter based them largely on the Golden Rules pledge. To verify compliance, third-party inspectors were supposed to be allowed into the supply chain. Unfortunately, no matter what commitments they established, Carter acknowledged that some critics would denounce these as greenwashing from both Walmart and the mining companies.

There were also technical challenges to overcome. The principal problem with traceability was the complexity of inputs: any product could have hundreds of entry points along the supply chain. When it came to gold, the challenge was to differentiate sources when the refining process typically destroyed the possibility of tracing its origins: the output from multiple mines and even recycled gold were melted and mixed together into an indistinguishable molten mass. Furthermore, the labour practices of subcontractors in both processing and manufacturing jewellery would come under scrutiny and hence had to be controlled. Finally, Walmart's implementation and oversight would also receive vigorous attention from activists. Would it be acceptable if any of these inputs were "ethically tainted", that is, came from questionable sources that employed unsustainable mining practices, paid the miners too little, or even used methods of transportation damaging to the environment? It appeared that there were few straightforward answers to these challenges. Any claim that Walmart made was guaranteed to receive minute critical scrutiny.

The mining companies Rio Tinto and Newmont agreed to join the effort as long-term partners. Newmont was highly vertically integrated: it had its own mines and refineries. This meant that Newmont could arrange to refine all the gold that it mined, making virtually all inputs traceable, from mining to manufacturing. Rio Tinto, it turned out, could accomplish a similar arrangement for both gold and diamonds. Both companies would use only their own mines (gold from the US, diamonds from Australia), which guaranteed their responsibility and control over all raw material inputs. To offer transparency to consumers – the opportunity to follow

the overall process for sustainability – Carter found a software engineer, Tim Wilson, who had created a wiki for collaborative input at each stage in the supply process. Carter introduced Wilson to Mortensen, who was leading the effort within Walmart for Love, Earth. With her support, Walmart signed them on to the project immediately. Finally, the jewellery manufacturer Aurafin, which was owned by the philanthropist Warren Buffett, was brought on board.

Though Mortensen soon moved on to another job, her successor Gail Campbell oversaw the final stages of development of the Love, Earth line of jewellery. By going online, a consumer could input the batch number of their purchase and instantly learn where and how it was mined, where it was refined, and who manufactured it, including details of the conditions they worked in. (See Exhibit 13.4, Love, Earth Press Release; Exhibit 13.5, Process Comparison; Exhibit 13.6, Online Trace It; Exhibit 13.7 Example of Walmart Love, Earth products and Trace It Batch Query Box.) Launched in July 2008, the process and product line were touted as a precedent-setting breakthrough, receiving wide coverage in the popular press.

### **Exhibit 13.1 Sustainable Value Network Goals**

**Background.** The Sustainable Value Networks were launched during the Business Sustainability milestone meeting on November 9th, 2005. Since that time, most of the Sustainable Value Networks have had a Network kickoff meeting with suppliers, supplier’s suppliers, non-governmental organizations (NGOs), government organizations, academics and other external thought-leaders.

**Network Deliverables.** All Networks have completed the following deliverables:

- Identified six quick wins
- Identified at least one innovation project
- Developed an understanding of the systemic barriers to achieving “big game change” (reaching full sustainability) and identified the critical success factors for overcoming those barriers
- Developed a draft product scorecard or metrics

**Progress.** In general, momentum and excitement continues to build and most networks have framed exciting projects that deliver business value and environmental performance. In addition to material economic and environmental benefits, common business benefits include:

- Expanding the internal network of working relationships – Associates are working across organizations and functions to solve issues;
- Developing an external network of stakeholders, relationships and capabilities related to listening, internalizing and acting on new information and perspectives; and,
- Increased employee engagement and job satisfaction.

**Opportunities.** The common challenges that many networks are experiencing are:

- Resource issues – time commitments associated with learning our way into a new way of working;
- Ability to maintain ongoing productive relationships with external stakeholders outside of Network meetings;
- Getting suppliers out of an incremental mindset and truly innovating; and
- Gap between current global procurement function and a strategic, global sourcing function, designed to address sustainability issues and build capabilities in the extended supply chain.

In addition, we see opportunities to accelerate progress and results through competency building on key skills, including systems thinking, strategic planning and fact-based decision making.

For details on each network's deliverables, go to the intranet site, [www.walmart-plus.com](http://www.walmart-plus.com) and select the network you want in the upper right corner of the page. At the bottom of each network page is a downloadable .pdf file with the detailed report for that network.

### **Walmart Sustainable Value Networks**

Greenhouse Gas

Sustainable Building

Alternative Fuels

Logistics

Waste

Packaging

Wood and Paper

Agriculture and Seafood

Textiles

Jewellery

Electronics

Chemical Intensive Products

Source: CELB [walmartstores.com/sustainability/7672.aspx](http://walmartstores.com/sustainability/7672.aspx)

### **Exhibit 13.2 Golden Rules Pledge**

#### **The Golden Rules**

The Golden Rules are a set of criteria for more responsible mining. These criteria are based on broadly accepted international human rights laws and basic principles of sustainable development.

The No Dirty Gold campaign developed the Golden Rules based on extensive reviews of documents and research prepared by the mining industry, civil society organizations, scientific researchers and technical experts, international bodies such

as the UN, the World Bank's Extractive Industries Review, and other multi-stakeholder processes.

The No Dirty Gold campaign calls on mining companies to meet the following basic standards in their operations:

- Respect basic human rights as outlined in international conventions and laws.
- Obtain the free, prior, and informed consent (FPIC) of affected communities.
- Respect workers' rights and labor standards, including safe working conditions.
- Ensure that operations are not located in areas of armed or militarized conflict.
- Ensure that projects do not force communities off their lands.
- Refrain from dumping mine waste into oceans, rivers, lakes, or streams.
- Ensure that projects are not located in protected areas, fragile ecosystems, or other areas of high conservation or ecological value.
- Ensure that projects do not contaminate water, soil, or air with sulfuric acid drainage or other toxic chemicals.
- Cover all costs of closing down and cleaning up mine sites.
- Fully disclose information about social and environmental effects of projects.
- Allow independent verification of the above.

Source: Earthworks and Oxfam, No Dirty Gold Brochure; <http://www.nodirty-gold.org/goldenrules.cfm>

### **Exhibit 13.3 The Walmart Voluntary Criteria**

#### **Walmart's Initial Environmental and Social Sourcing Criteria for Mining and Metals in Jewellery**

The vision of the JSVN is to provide Walmart and Sam's Club customers with affordable, quality products that aim to have a net positive effect on the environment and human health. We plan to achieve this vision by striving to ensure the application of the following principles in our supply chain throughout the life-cycle of our products:

1. Incorporation of lifecycle analysis into business decisions planning and management plans and to recover material value wherever possible
2. Continual improvement of health and safety performance
3. Efficient production and minimization of waste and pollution
4. Safe disposal and management of waste and hazardous materials
5. Protection of ecological functioning, ecosystem services and important biodiversity and respect legally designated protected areas
6. Respect for the rights of individuals, indigenous peoples and communities
7. Respect for employee rights regarding safe working conditions and terms of employment
8. Contribution to the sustainable development of communities affected by operations
9. Transparency of sources and assurance of sustainability performance

10. Compliance with applicable laws, regulations and treaties at international, national, state and local level

**Long Term Goal:** 100% of gold, silver and diamonds used in the jewellery sold in Walmart will be sourced from mines and produced by manufacturers that meet Walmart's sustainability standards and criteria. We also want to incorporate recycled materials used in the jewellery by working with mines, refineries and manufacturers.

**Target:** By 2010 achieve 10% traceability of all diamonds, gold and silver in jewellery sold in Walmart from mines, refineries and manufacturers meeting Walmart's sustainability standards and criteria.

**Long Term Goal – Packaging:** All jewellery poly-bags to be bio-degradable and convert all pallets and all boxes to recyclable materials.

### **How the Walmart Sustainability Criteria Are Developed**

To help us develop the Walmart criteria for responsible mining we reviewed many existing commitments and continuing initiatives on sustainable mining, including the International Council of Mining and Metal's (ICMM) Sustainable Development Framework, the Initiative for Responsible Mining Assurance's (IRMA) emerging standards for mine site assurance, the ten Gold Rules put forward by the No Dirty Gold Campaign, the standards championed in the Framework for Responsible Mining, and the International Financial Organization's (IFC) environmental and social performance standards. While we have made all final decisions as to these criteria, over many months, we engaged and sought input from a wide spectrum of experts, some of which included Rio Tinto Ltd., Newmont Mining Corporation, Conservation International, Earthworks, World Wildlife Fund, and Oxfam America. We sought input from these organizations because of their perspective and energy they bring to advancing the sustainable development agenda. In line with their institutional policies, we understand that the valuable participation of these organizations does not imply their endorsement of the Love, Earth product line or sourcing criteria.

Walmart's Initial Environmental and Social Sourcing Criteria for Mining and Metals in Jewellery

**Company Criteria:** Mines supplying precious metals and gemstones for jewellery sold in Walmart and Sam's Club stores are operated by companies that:

1. Are committed to incorporate the principles of sustainable development and the respect for human rights into policies and operating practices pursuant to the International Council on Mining and Metals Sustainable Development Framework or an equivalent standard;
2. Are signatories to and in compliance with the Voluntary Principles on Security and Human Rights;
3. Are signatory to the Global Compact;
4. Are committed to supporting the Extractive Industries Transparency Initiative practices;

5. Are signatory to the World Economic Forum's Partnering Against Corruption Initiative;
6. Seek to reduce Greenhouse Gas Emissions and report their emissions annually using a credible reporting protocol (for example The World Resources Institute and World Business Council on Sustainable Development Greenhouse Gas Protocol or the Carbon Disclosure Project);
7. Annually publish an externally assured environmental and social performance report using the Global Reporting Initiative guidelines and sector supplement, and AA1000 Assurance Framework, or equivalent process.
8. Adhere to Kimberley Process certification scheme and the World Diamond Council system of warranties where appropriate;

**Mine Criteria:** Mines supplying precious metals and gemstones for jewellery sold in Walmart and Sam's Club stores will:

9. Have in place policies and practices that uphold fundamental human rights and respect cultures, customs and values in dealings with employees including<sup>25</sup>:
  1. Elimination of forced, compulsory or child labor;
  2. Fair remuneration of employees that is in compliance with the local and national laws and consistent with the prevailing local standards in the countries of operation;
  3. Policies and practices designed to eliminate harassment and unfair discrimination;
  4. The freedom of association and the effective recognition of the right to collective bargaining;
  5. Maintain reasonable employee work hours in compliance with local standards and applicable laws;
  6. Provision of appropriate cultural and human rights training and guidance for all relevant staff, including security personnel;
10. When operating in zones of armed conflict, through initial due diligence and, thereafter, by careful monitoring of risk and in consultation with local communities and other stakeholders as appropriate, should seek to ensure that, through their actions or inaction, they are not benefiting from, supporting, contributing

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<sup>25</sup>Criteria 8 and 9 have been in part guided by Walmart's Stores Inc., Standards for Suppliers, The International Finance Corporation (IFC), Performance Standard 2: Labor and Working Conditions; the International Council of Mining and Metals, Sustainable Development Principle 3; the UN Global Compact; and, a number of international conventions negotiated through the International Labour Organization (ILO) and the United Nations (UN) including:

- ILO Convention 87 on Freedom of Association and Protection of the Right to Organize
- ILO Convention 98 on the Right to Organize and Collective Bargaining
- ILO Convention 29 on Forced Labor
- ILO Convention 105 on the Abolition of Forced Labor
- ILO Convention 138 on Minimum Age (of Employment)
- ILO Convention 182 on the Worst Forms of Child Labor
- ILO Convention 100 on Equal Remuneration
- ILO Convention 111 on Discrimination (Employment and Occupation)

to, nor tacitly permitting human rights abuses or atrocities, either directly or indirectly.

11. Conduct public consultation and disclosure to achieve the widest possible acceptance and support of communities directly affected by project activities throughout the project's lifecycle from earliest exploration activities, prior to commencement of mining, during mine operations and through to closure;
12. Engage with communities directly affected by the project on an ongoing basis and in an inclusive and culturally appropriate manner, ensuring that their rights are respected and their interests and development aspirations are considered in major mining decisions and community-related programs; and implement and utilize compensation and a grievance and mediation mechanism where and when appropriate;
13. Seek to avoid or at least minimize involuntary resettlement of communities for new operations and expansion of existing operations and where this is unavoidable compensate fully, appropriately and fairly for adverse effects on individuals and communities with the objective of improving or at least to restore the livelihoods, standards of living, and living conditions of displaced people;
14. Complete an environmental and social impact assessment, including an analysis of mine closure, that follows credible and recognized guidelines for impact assessment (for example the US National Environmental Policy Act (NEPA) and International Association for Impact Assessment (IAIA));
15. Utilize a recognized environmental management system that explicitly states the company's environmental policy and objectives and includes management plans, as is appropriate, for acid rock drainage, water, cyanide, mercury, waste management, overburden, tailings, and releases (for example, the International Standards Organization 14001 standard);
16. Prepare an appropriate closure and reclamation plan for the operation that includes a financial guarantee, sureties or provisions, to meet costs of closure and reclamation;
17. Certification under the International Cyanide Management Code (ICMI) Verification Protocol, where cyanide is used;
18. Implementation of emerging MACT (Maximum Achievable Control Technology) where by-product mercury is produced, pursuant to the Nevada Administrative Code, for point source air emissions;
19. Adopt tailings management practices that maintain terrestrial, marine and river ecosystem functioning and services at the landscape scale;
20. Not operate in World Heritage Sites and sites of critically important biodiversity,<sup>26</sup> including Alliance for Zero Extinction sites and protected areas

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<sup>26</sup>Sites with habitat required for the survival of critically endangered or endangered species; four areas having special significance for endemic or restricted-range species; sites that are critical for the survival of migratory species; areas supporting globally significant concentrations or numbers of individuals of congregatory species; areas with unique assemblages of species or which are associated with key evolutionary processes or provide key ecosystem services; and areas having biodiversity of significant social, economic or cultural importance to local communities.

categorized as 1 and 3 under The World Conservation Union (IUCN) system of Protected Area Management Categories<sup>27</sup>;

21. Adopt practices that contribute to the long-term conservation of species and the integrity of biotic communities, ecosystem processes and services;
22. Compensate within a landscape context for any significant residual adverse impacts on biodiversity, and the direct users of biodiversity, after appropriate avoidance, minimization and reclamation (rehabilitation) measures have been taken;
23. Develop and maintain an Emergency Response Plan, in collaboration with local communities and relevant agencies, pursuant to guidance provided by Awareness and Preparedness for Emergencies at the Local Level (APELL);
24. Comply with, at a minimum, applicable host country laws and regulations.

Source: CELB

### **Exhibit 13.4 Love, Earth Press Release**

#### **Walmart Adds a New Facet to Its Fine Jewellery Lines: Traceability**

*Retailer Partners with Conservation International to Launch Love, Earth Jewellery and New Sustainable Criteria*

**Bentonville, Ark. and Arlington, Va.** – July 15, 2008 – Walmart Stores, Inc. (NYSE: WMT) today launched Love, Earth® jewellery, its first completely traceable fine jewellery line available exclusively at Walmart stores, Sam’s Club locations and on [Walmart.com](http://Walmart.com) and [Samsclub.com](http://Samsclub.com).

Marking a shift in how affordably-priced fine jewellery is produced and sold, the new line is the result of collaboration between Walmart, Conservation International (CI) and Walmart’s supply chain partners. It will give customers the ability to trace the path of their Love, Earth jewellery from mine to store by simply going online.

Love, Earth is the retailer’s first step toward having all of the gold, silver and diamonds used in the jewellery sold in its Walmart stores and Sam’s Club locations come from mines and manufacturers that meet Walmart’s sustainability standards and criteria. The criteria address both environmental, human rights and community issues. By 2010, the retailer aims for at least 10 % of its jewellery offerings to achieve these standards.

“Walmart recognizes that our customers care about the quality of their jewellery and its potential impact on the world,” said Pam Mortensen, vice president and divisional merchandise manager for Walmart. “With Love, Earth, customers are getting an affordable and beautiful piece of jewellery that also helps sustain resources and strengthen communities.”

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<sup>27</sup>There may be unique situations where the development of a mine can benefit or enhance the conservation and protection of valuable ecosystems. If it can be demonstrated that material benefit from mining will occur – a ‘net-positive’ outcome – development in these areas may be considered.

Consumers can visit [www.loveearthinfo.com](http://www.loveearthinfo.com) to see where their Love, Earth jewellery was mined and manufactured, and learn about suppliers' environmental and social programs. The site also offers information about the standards used to select suppliers and ensure the entire process is more sustainable.

"With its considerable influence, market reach and commitment to sustainability, Walmart has brought together like-minded suppliers, mining companies and conservation partners to work together to build a traceable jewellery supply chain at an impressive scale," said Dr. Assheton Stewart Carter, Senior Director of Business Policies and Practices at Conservation International.

"We hope others in the jewellery industry will follow this leadership example and thus enable consumers to make simple choices that benefit the environment and mining communities when shopping for jewellery."

To create Love, Earth, Walmart selected partners in the mining and jewellery manufacturing industries that already demonstrated environmental and social leadership, including Rio Tinto, an Anglo-Australian mining company; Newmont Mining Corporation, a global gold producer headquartered in Denver, Colorado; and Aurafin, a Florida-based jewellery manufacturer. During the next phase of the partnership, the retailer plans to expand the number of approved mining and manufacturing suppliers and introduce diamonds in the Love, Earth line.

The Walmart Love, Earth collection is made from 10 karat gold and sterling silver; the Sam's Club collection from 14 karat gold and sterling silver. Each collection includes fashion pendants, hoop earrings, bangles and fashion beads. Created with gold and silver, the Love,

Earth collection is designed to symbolize the Earth's elements and based on the precepts of recycle, reduce, and respect.

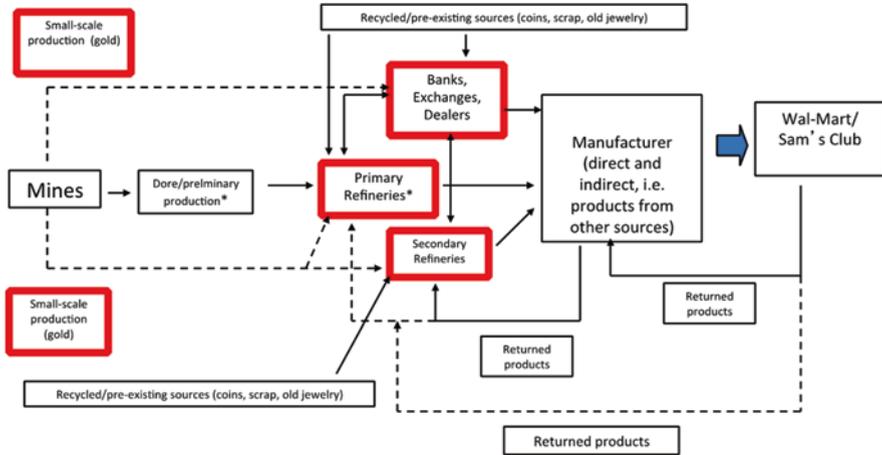
### **Want to Trace a Piece of Love, Earth Jewellery from Mine to Market?**

Go to <http://www.loveearthinfo.com/>, find the "Trace it from Mine to Market" box and enter: SMPM88.

Source: Walmart and CI

### Exhibit 13.5 Process Comparison

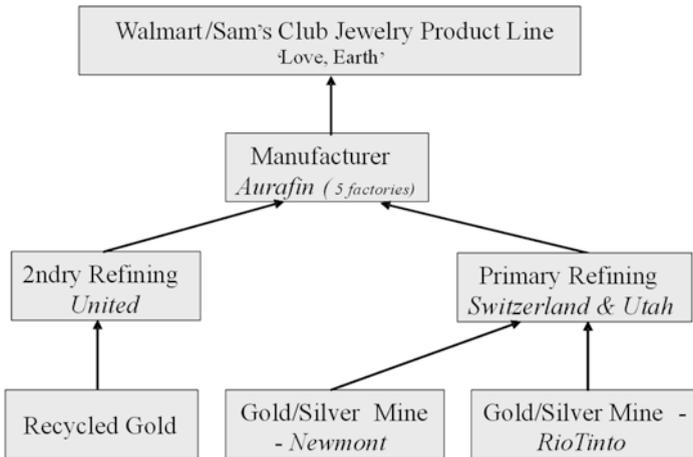
#### Current Gold Jewelry Supply Chain



\*Dore production and primary refineries are often part of large-scale industrial mining operations.

Boxes in red show links that produce ores/metals that are most difficult to trace.

#### "Love, Earth" Actual Chain of Custody



Source: CELB

## Exhibit 13.6 Online Trace It



### Product History

[Walmart Stores Inc.](#) Retailer – USA [Love Earth Jewellery \(147713\)](#)

[Aurafin Jewellery Design and Manufacture](#) – USA Tagged Love, Earth Item (147698)

[Exportadores Bolivianos S.R.L](#) Jewellery Manufacturer – Bolivia 06 Castings (4 batches)

[Arin Jewellery Manufacturer](#) – Peru 05 Rope (2 batches)

[Aurafin Jewellery Design and Manufacture](#) – USA Gold bars (144775)

[Kennecott Utah Copper Mining and Refining](#) – Gold bars (144667)

[Exportadores Bolivianos S.R.L](#) Jewellery Manufacturer – Bolivia 07 Rope (146493)

[Aurafin Jewellery Design and Manufacture](#) – USA Gold bars (2 batches)

[Kennecott Utah Copper Mining and Refining](#) -- [Gold bars \(2 batches\)](#)

[Aurafin Jewellery Design and Manufacture](#) – USA [Silver bars \(2 batches\)](#) [Gold bars \(140543\)](#)

[Kennecott Utah Copper Mining and Refining](#) – [Silver bars \(2 batches\)](#) [Gold bars \(139353\)](#)



### Spiral Heart Pendant

The Love, Earth sterling silver and 10K spiral heart pendant. This pendant represents the spiral of positive effect that each of us has on the Earth.

Each piece in the Love, Earth family is created with materials from responsible sources and can be traced to its origin.

Source: <http://www.loveearthinfo.com/>

### Exhibit 13.7 Love, Earth®: Walmart Collection



**TRACE IT!**  
Trace the origin of your Love, Earth® piece

Enter Batch #  [Trace It](#)

Enter the Batch Number to see the path traveled from Mine To Market

MENU

**Walmart** **COLLECTION**  
*Save money. Live better.*

The Walmart Love, Earth® Collection is made from sterling silver and 10 karat gold, and includes fashion pendants, hoop earrings, bangles, and fashion beads. The signature pieces represent the Love, Earth® ideals, global inspirations, and elements from the Earth.

[EARRINGS](#)   [NECKLACES](#)   [BRACELETS](#)



[LEARN MORE](#) about our Gold and Silver Jewelry.



**PENDANT**  
Sterling Silver 10K Gold Tree of Life necklace  
Available at [Walmart](#)



**PENDANT**  
Sterling Silver and 10K Gold Filigree Butterfly necklace, 18"  
Available at [Walmart](#)



**PENDANT**  
Sterling Silver and 10K Gold Tri-Color Pendant  
Available at [Walmart](#)



**PENDANT**  
Sterling Silver and 10K 50MM Cross  
Available at [Walmart](#)



**NECKLACE**  
10K Gold Crucifix Charm  
Available at [Walmart](#)



**PENDANT**  
Sterling Silver and 10K Gold 18' Oval Flower Lockets with a 0.1ctw Diamond  
Available at [Walmart](#)