



Second-Party Opinion
Walmart Inc. Green Financing Framework

Evaluation Summary

Sustainalytics is of the opinion that the Walmart Inc. Green Financing Framework is credible and impactful and aligns with the four core components of the Green Bond Principles 2021 and the Green Loan Principles 2021. This assessment is based on the following:



USE OF PROCEEDS The eligible categories for the use of proceeds – Renewable Energy, High Performance Buildings, Sustainable Transport, Zero Waste and Circular Economy, Water Stewardship, and Habitat Restoration and Conservation – are aligned with those recognized the Green Bond Principles and the Green Loan Principles. Sustainalytics considers that investments in the eligible categories will lead to positive environmental impacts and advance the UN Sustainable Development Goals, particularly Goals 6, 7, 9, 11, 12, 14 and 15.



PROJECT EVALUATION / SELECTION A dedicated Sustainable Finance Committee will be responsible for assessing project eligibility and making the final decision on project selection. Walmart Inc. has due diligence processes in place to manage and mitigate environmental and social risks, which are applicable for all allocations under the Framework. Sustainalytics considers the risk management processes to be adequate and the project selection to be in line with market practice.



MANAGEMENT OF PROCEEDS The company’s Treasury team will monitor and track the net proceeds via its internal recording system using a portfolio approach. Pending full allocation of the Green Financing Instruments, unallocated proceeds will be managed in accordance with Walmart’s normal liquidity practices. Sustainalytics considers this to be aligned with market practice.



REPORTING Walmart Inc. intends to publish allocation and impact reporting on an annual basis, within one year from the date of issuance and until full allocation. The allocation reporting will include amounts allocated to each category of proceeds as well as share of financing vs refinancing. Impact reporting will include, where feasible, metrics for each of the eligible green categories. This is in line market practice.

Evaluation date	August 26, 2021
Issuer Location	Arkansas, United States

Report Sections

Introduction.....	2
Sustainalytics’ Opinion.....	3
Appendices	11

For inquiries, contact the Sustainable Finance Solutions project team:

Ijeoma Madueke (Toronto)
 Project Manager
 ijeoma.madueke@sustainalytics.com
 (+1) 647 317 3631

Aoife McCarthy (Amsterdam)
 Project Support

Anchal Verma (Toronto)
 Project Support

Paramjot Kaur (New York)
 Client Relations
 susfinance.americas@sustainalytics.com
 (+1) 646 518 9623

Introduction

Walmart Inc. (“Walmart”, or the “Company”) is an American multinational retail corporation. As of July 2021, the Company serves over 220 million customers weekly across 10,500 stores in 24 countries as well as through eCommerce channels. Founded in 1962 and headquartered in Bentonville, Arkansas, Walmart employs approximately 2.2 million associates globally.

Walmart has developed the Walmart Inc. Green Financing Framework (the “Framework”) under which it intends to issue green bonds, loans, and other financing instruments (together referred to as “Green Financing Instruments”) and use the proceeds to finance and/or refinance, in whole or in part, existing and/or future projects that provide tangible environmental benefits.

The Framework defines eligibility criteria in the following six areas:

1. Renewable Energy
2. High Performance Buildings
3. Sustainable Transport
4. Zero Waste and Circular Economy
5. Water Stewardship
6. Habitat Restoration and Conservation

Walmart engaged Sustainalytics to review the Walmart Inc. Green Financing Framework, dated August 2021, and provide a Second-Party Opinion on the Framework’s environmental credentials and its alignment with the Green Bond Principles 2021 (GBP)¹ and the Green Loan Principles 2021 (GLP).² This Framework will be published on Walmart’s website.³

Scope of work and limitations of Sustainalytics’ Second-Party Opinion

Sustainalytics’ Second-Party Opinion reflects Sustainalytics’ independent⁴ opinion on the alignment of the reviewed Framework with the current market standards and the extent to which the eligible project categories are credible and impactful.

As part of the Second-Party Opinion, Sustainalytics assessed the following:

- The Framework’s alignment with the Green Bond Principles 2021, as administered by ICMA, and the Green Loan Principles 2021, as administered by LMA, APLMA and LSTA⁵;
- The credibility and anticipated positive impacts of the use of proceeds; and
- The alignment of the issuer’s sustainability strategy and performance and sustainability risk management in relation to the use of proceeds.

For the use of proceeds assessment, Sustainalytics relied on its internal taxonomy, version 1.10.1, which is informed by market practice and Sustainalytics’ expertise as an ESG research provider.

As part of this engagement, Sustainalytics held conversations with various members of Walmart’s management team to understand the sustainability impact of their business processes and planned use of proceeds, as well as management of proceeds and reporting aspects of the Framework. Walmart representatives have confirmed (1) they understand it is the sole responsibility of Walmart to ensure that the information provided is complete, accurate or up to date; (2) that they have provided Sustainalytics with all

¹ The Green Bond Principles are administered by the International Capital Market Association and are available at <https://www.icmagroup.org/green-social-and-sustainability-bonds/green-bond-principles-gbp/>.

² The Green Loan Principles are administered by the Loan Market Association, Asia Pacific Loan Market Association and Loan Syndications & Trading Association and are available at <https://www.lsta.org/content/green-loan-principles/>.

³ The Walmart Inc. Green Financing Framework is available on Walmart Inc.’s website.

⁴ When operating multiple lines of business that serve a variety of client types, objective research is a cornerstone of Sustainalytics and ensuring analyst independence is paramount to producing objective, actionable research. Sustainalytics has therefore put in place a robust conflict management framework that specifically addresses the need for analyst independence, consistency of process, structural separation of commercial and research (and engagement) teams, data protection and systems separation. Last but not the least, analyst compensation is not directly tied to specific commercial outcomes. One of Sustainalytics’ hallmarks is integrity, another is transparency.

⁵ In addition to the Loan Markets Association, the GLP are also administered by the Asia Pacific Loan Market Association and the Loan Syndications & Trading Association.

relevant information and (3) that any provided material information has been duly disclosed in a timely manner. Sustainalytics also reviewed relevant public documents and non-public information.

This document contains Sustainalytics' opinion of the Framework and should be read in conjunction with that Framework.

Any update of the present Second-Party Opinion will be conducted according to the agreed engagement conditions between Sustainalytics and Walmart.

Sustainalytics' Second-Party Opinion, while reflecting on the alignment of the Framework with market standards, is no guarantee of alignment nor warrants any alignment with future versions of relevant market standards. Furthermore, Sustainalytics' Second-Party Opinion addresses the anticipated impacts of eligible projects expected to be financed with bond and loan proceeds but does not measure the actual impact. The measurement and reporting of the impact achieved through projects financed under the Framework is the responsibility of the Framework owner.

In addition, the Second-Party Opinion opines on the potential allocation of proceeds but does not guarantee the realised allocation of the bond and loan proceeds towards eligible activities.

No information provided by Sustainalytics under the present Second-Party Opinion shall be considered as being a statement, representation, warrant or argument, either in favour or against, the truthfulness, reliability or completeness of any facts or statements and related surrounding circumstances that Walmart has made available to Sustainalytics for the purpose of this Second-Party Opinion.

Sustainalytics' Opinion

Section 1: Sustainalytics' Opinion on the Walmart Inc. Green Financing Framework

Sustainalytics is of the opinion that the Walmart Inc. Green Financing Framework is credible, impactful, and aligns with the four core components of the GBP and GLP. Sustainalytics highlights the following elements of Walmart's Green Financing Framework:

- Use of Proceeds:
 - The eligible categories – Renewable Energy, High Performance Buildings, Sustainable Transport, Zero Waste and Circular Economy, Water Stewardship, and Habitat Restoration and Conservation – are aligned with those recognized by the GBP and GLP.
 - Under the “Renewable Energy” category Walmart contemplates investments in onsite and offsite renewable energy projects including wind, solar and micro-hydro (25 MW or less).
 - In addition to direct investments in renewable energy projects, Walmart intends to procure renewable energy directly from projects via long-term physical power purchase agreements (“PPAs”) and/or virtual PPAs. The Framework confirms that PPAs typically have a tenor of 10 to 15 years, which Sustainalytics views as providing greater assurance of positive impacts and aligned with market practice.
 - The “High Performance Buildings” category includes expenditures related to: (i) energy efficiency projects and technologies for corporate facilities; (ii) energy management systems; (iii) greenhouse gas management and reduction projects and technologies for corporate facilities and supply chain and (iv) projects that have met, or are expected to meet, “green building” standards or certifications.
 - Sustainalytics notes that the energy efficiency projects and technologies are expected to achieve a minimum of 15% energy reductions as compared to baseline performance, and views this to be aligned with market practice.
 - This category includes the purchase of refrigerants with low-Global Warming Potential (GWP), the installation of new low-GWP refrigerants and the conversion of existing systems to enable them to use low-GWP refrigerants. Sustainalytics notes that Walmart has defined low-GWP as refrigerants with a GWP of less than 750, and considers these activities and the associated threshold to be aligned with market practice.

- For investments in green buildings, the Framework considers those that have been certified or are expected to be certified as a minimum of LEED Gold. Sustainalytics considers the LEED certification scheme to be credible and robust and the selected minimum level as aligned with market practice. (See Appendix 1 for Sustainalytics' detailed assessment).
 - Walmart's "Sustainable Transport" category contemplates clean transportation projects and technologies related to its operations, supply chain and/or customers.
 - Walmart has established emissions thresholds for electric, hydrogen and hybrid vehicles of 25 grams of CO₂/tonne-kilometer (gCO₂/t-km) for freight transportation and 75 grams of CO₂/passenger-kilometer (gCO₂/p-km) for passenger transportation. The Framework specifies that this will be measured (using the Worldwide Harmonised Light Vehicles Test Procedure (WLTP) procedure). Sustainalytics considers the thresholds selected as aligned with market practice.
 - As part of this category, the Company also contemplates investments in supporting infrastructure such as electric vehicle charging stations. This is in line with market practice.
 - The "Zero Waste and Circular Economy" category considers expenditures related to waste prevention, and reduction and recycling.⁶ Projects in this category are expected to reduce waste-to-landfill in Walmart's facilities and/or supply chains by 15%.
 - Walmart also intends to invest in projects that promote circular economy and closed-loop material flows, including through resource-efficient packaging and distribution. Sustainalytics views positively activities that contribute towards establishing a closed-loop system for circular utilization to promote zero waste. Refer to Section 2 for a summary of Walmart's sustainability efforts on reducing waste.
 - Within the "Water Stewardship" category, Walmart has identified projects and technologies related to improving Walmart's water supply efficiency and quality. Sustainalytics is of the opinion that these water efficiency, water conservation and water quality projects will have a positive environmental impact by reducing Walmart's overall water consumption footprint.
 - Under the "Habitat Restoration and Conservation" category, Walmart may consider expenditures related to the preservation, restoration and management of natural landscapes, including the protection of coastal, marine and watershed environments.
 - Walmart has communicated to Sustainalytics that it will build on its partnerships with organizations such as the National Fish and Wildlife Foundation (NFWF),⁷ and that project assessment will be focused on the conservation and restoration of critical habitats for birds, fish, plants and wildlife. Sustainalytics views habitat conservation projects as aligned with market practice and considers partnership with a credible third party as strengthening the Company's efforts.
 - Walmart has defined a look-back period of three years preceding the issuance of a Green Financing Instrument which Sustainalytics considers to be in line with practice.
- Project Evaluation and Selection:
 - Walmart has a dedicated Sustainable Finance Committee (the "Committee") that will assess and determine project eligibility and will provide final approval for project selection. The Committee is comprised of representatives from various departments, including Treasury and Global Responsibility, and will draw on other subject matter experts on an ad hoc basis. Additionally, the Committee will meet at least annually to monitor and ensure the ongoing eligibility of selected green projects.
 - The Committee will adhere to Walmart's existing policies and procedures when assessing perceived social and/or environmental risks associated with the relevant projects. Sustainalytics considers this risk management process to be adequate. For additional details on Walmart's policies and procedures, refer to Section 2.
 - Based on the process described and the commitment to ongoing review of project eligibility, Sustainalytics considers this evaluation and selection approach to be in line with market practice.

⁶ Walmart has confirmed to Sustainalytics that there will be no chemical recycling of plastic.

⁷ For more information on Walmart's Acres for America partnership with NFWF, see here: <https://www.nfwf.org/programs/acres-america>.

- Management of Proceeds:
 - Net proceeds from Green Financing Instruments will be managed by Walmart’s Treasury team and will be allocated using a portfolio approach. The Treasury team will monitor and track both allocated and unallocated amounts using its internal recording system. Pending full allocation, the net proceeds of the Green Financing Instruments will be managed in accordance with Walmart’s normal liquidity practices. Walmart has stated its intention to allocate majority of the proceeds within two years of issuance.
 - Based on the presence of a system to track allocations and the disclosure around intended temporary use of proceeds, Sustainalytics considers this to be in line with market practice.
- Reporting:
 - Walmart intends to publish allocation and impact reporting on an annual basis, within one year from the date of issuance of the Green Financing and until full allocation. The allocation reporting will include the aggregate allocation of net proceeds to eligible projects, and where feasible, the amount allocated to each use of proceeds category.
 - Impact reporting will include, where feasible, relevant Key Performance Indicators (KPIs) for each of the eligible green categories. Sustainalytics notes that the Framework has specified potential quantitative metrics relevant to each eligible category including such as annual GHG emissions reduced and/or avoided (MT per CO₂e), annual renewable energy generation (MWh or GWh) as well as waste prevented, minimized, reused or recycled (MT).
 - Sustainalytics considers the allocation and impact reporting to be in line with market practice.

Alignment with Green Bond Principles 2021 and Green Loan Principles 2021

Sustainalytics has determined that the Walmart Inc. Green Financing Framework aligns to the four core components of the GBP and GLP. For detailed information please refer to Appendix 2: Green Bond/Green Bond Programme External Review Form.

Section 2: Sustainability Strategy of Walmart

Contribution of framework to Walmart’s sustainability strategy

As outlined in Walmart’s 2021 Environmental, Social & Governance Report, the Company aims to enhance sustainability of retail operations and supply chains.⁸ Walmart has adopted a sustainability strategy that focuses on five priorities: (1) climate change, (2) waste: circular economy and plastics, (3) regeneration of natural resources, (4) sustainable product supply chains, and (5) people in supply chains. The proceeds from Walmart’s Green Financing Instruments will be used to contribute to the sustainability targets that the Company has established within the first three areas.

Sustainalytics highlights the Company’s current commitments and progress in these three areas are outlined below:

Climate change

Walmart’s approach to addressing climate change is guided by its intention to reduce its greenhouse gas (GHG) emissions. The Company has set a 1.5-degree-aligned science-based target⁹ of zero emissions by 2040 and interim goals to reduce absolute emissions in its Scope 1 and Scope 2 operations by 35% by 2025, and 65% by 2030 compared to a 2015 baseline.¹⁰ The Company aims to achieve this through the deployment of multiple initiatives, including increasing the energy efficiency of its buildings and powering 50% of its operations with renewable energy by 2025, scaling up to 100% by 2035. As of 2019, Walmart reduced emissions by 12.1% below 2015 levels and supplied approximately 36% of its electricity needs globally in 2020 through renewable sources.¹¹ The Company is also working with its suppliers to reduce and/or avoid 1 billion metric tons (a gigaton) of CO₂e emissions from Scope 3 sources by 2030, through its Project Gigaton¹² initiative. In 2021, the Company avoided approximately 186 million metric tons (MT) of CO₂e emissions through this initiative.¹³

⁸ Walmart, “2021 Environmental, Social, Governance Report”, (2021) at: <https://corporate.walmart.com/esgreport/>.

⁹ Science Based Targets: <https://sciencebasedtargets.org/>.

¹⁰ Walmart, “Climate Change”, (2021), at: <https://corporate.walmart.com/esgreport/esg-issues/climate-change>.

¹¹ Walmart, “Climate Change”, (2021), at: <https://corporate.walmart.com/esgreport/esg-issues/climate-change>.

¹² Project Gigaton is an initiative announced in April 2017 which aims to avoid one billion metric tons, or one Gigaton, of CO₂ emissions from global value chains by 2030. More information can be found at: <https://www.walmartsustainabilityhub.com/climate/project-gigaton>.

Waste

Walmart recognizes that food, product and material waste is associated with significant amounts of GHG emissions. To support its efforts, the Company set the goal of achieving zero waste to landfill in its operations by 2025.¹⁴ As of 2020, Walmart diverted 82% of its unsold products, packaging and other materials from landfills and incineration globally.¹⁵ In line with its goal of achieving zero plastic waste, Walmart has set goals to: (i) achieve 100% recyclable, reusable or industrially compostable packaging for all global Walmart private brand products by 2025; (ii) achieve at least 17% post-consumer recycled content in global private-brand plastic packaging by 2025; (iii) label 100% of food and consumable private-brand packaging with the How2Recycle¹⁶ label by 2022;¹⁷ and (iv) eliminate the non-recyclable packaging material PVC in U.S. general merchandise packaging by 2020.¹⁸ As of 2021, 57% of Walmart U.S. food/consumables supplier-supported sales carried the How2Recycle label and 67% of Sam's Club U.S. supplier-supported sales came from items carrying the How2Recycle Programs.¹⁹ Regarding food waste, the Company diverted more than 950 million pounds of food waste globally in 2020.²⁰ Through Project Gigaton²¹, the Company also works with suppliers to reduce waste by encouraging suppliers to commit to reducing the emissions from waste in their operations, supply chain or at the customer level.

Regeneration of Natural Resources

Walmart's sustainability commitments extend to the Company's efforts towards the regeneration of forests, land and oceans. As a retailer, to achieve this, Walmart focuses on responsible sourcing from suppliers who pursue regenerative nature initiatives. In this regard, the Company has also set a goal to source at least 20 of its key commodities²² more sustainably by 2025 and uses several tools to monitor and measure its progress, including scorecards. As of 2021, nearly 100% of Walmart and Sam's Club U.S. stores' seafood was reported to be sourced in accordance with the Company's sustainable seafood policy, while 100% of Walmart U.S. and 92% of Sam's Club U.S.' private-branded coffee sales were Fair Trade USA or Rainforest Alliance certified.²³ Furthermore, through its business and philanthropic initiatives, Walmart has set a goal to help protect, manage or restore at least 50 million acres of land and one million square miles of ocean by 2030.²⁴ To support collective industry action towards nature restoration, Walmart is a member of various multi-stakeholder initiatives such as the Consumer Good Forum's Forest Positive Coalition, Business for Nature, Seafood Task Force, Sustainable Apparel Coalition and Better Cotton Initiative.²⁵ Involvement in these coalitions indicate the Company's contributions to its nature regeneration activities.

Based on the activities described above and the time-bound quantitative commitments that Walmart has made, Sustainalytics is of the opinion that the Walmart Inc. Green Financing Framework is aligned with the Company's overall sustainability strategy and initiatives and will further Walmart's action on its key environmental priorities.

Well positioned to address common environmental and social risks associated with the projects

While Sustainalytics recognizes that the use of proceeds from the Framework will be directed towards financing projects that will likely deliver positive environmental benefits, Sustainalytics is aware that such projects create risk of negative environmental and social outcomes. Some common risks associated with the eligible projects include those related to supply chain management, occupational health and safety and material procurement.

¹⁴ Walmart, "Waste: circular economy", (2021), at: <https://corporate.walmart.com/esgreport/esg-issues/waste-circular-economy>.

¹⁵ Walmart, "Waste: circular economy", (2021), at: <https://corporate.walmart.com/esgreport/esg-issues/waste-circular-economy>.

¹⁶ How2Recycle is a standardized labeling system that communicates recycling instructions to the public. For more information, see: <https://how2recycle.info/>.

¹⁷ Walmart, "Product Supply Chains: Sustainability Overview", (2021), at: <https://corporate.walmart.com/esgreport/esg-issues/product-supply-chain-sustainability#approach>.

¹⁸ Walmart, "Waste: Circular Economy", (2021), at: <https://corporate.walmart.com/esgreport/esg-issues/waste-circular-economy>.

¹⁹ Walmart, "Product Supply Chains: Sustainability Overview", (2021) at: <https://corporate.walmart.com/esgreport/esg-issues/product-supply-chain-sustainability#approach>.

²⁰ Walmart, "Waste: Circular Economy", (2021), at: <https://corporate.walmart.com/esgreport/esg-issues/waste-circular-economy>.

²¹ Walmart, "Product Supply Chains: Sustainability Overview" (2021), at: <https://corporate.walmart.com/esgreport/esg-issues/product-supply-chain-sustainability-approach>.

²² Fresh product, animal agriculture, seafood, specialty commodities such as coffee, tea and cocoa, row crops, consumables, such as personal care products and apparel and textiles.

²³ Walmart, "Regeneration of Natural Resources: Forests, Land, Oceans", at: <https://corporate.walmart.com/esgreport/esg-issues/regeneration-of-natural-resources>.

²⁴ *Ibid*

²⁵ *Ibid*

Walmart has the following policies and systems in place to manage and mitigate risks:

- Supply chain management:
 - Walmart manages exposure to supply chain risk through its Standards for Suppliers.²⁶ These Standards serve as the foundation for the Company's Responsible Sourcing program, to which all Walmart suppliers are expected to comply throughout both their own operations and in the entire product supply chain. The Standards also mandate compliance with all applicable laws, regulations and agreements, including those related to employment, immigration, health, safety, trade and the environment. Non-compliance to these standards can result in the termination of business for those suppliers.
 - Since 1992, Walmart has had a Responsible Sourcing program in place to set and manage expectations for suppliers and to monitor facilities in potentially high-risk geographies. Over the years, the Company has strengthened the program through initiatives like providing mechanisms for workers to report concerns. Specific initiatives include worker helplines in various countries in local languages as well as risk-based auditing which allocates more auditing resources to facilities located in higher-risk geographies.²⁷
- Occupational health and safety:
 - The Company has policies and statements in place that ensure the protection of its workers. These include the Global Environmental, Health & Safety Policy, the Global Labor & Employment Policy, the Code of Conduct,²⁸ and the Human Rights Statement²⁹.
 - Walmart has established a cross-functional Human Rights Working Group (HRWG), including representatives from Ethics & Compliance; Global People; Labor Relations; Responsible Sourcing; Culture, Diversity & Inclusion; Global Responsibility; Government Affairs; Communications; and Legal. The HRWG reports to the ESG Reporting Committee, which coordinates the working group's efforts in advancing respect for human rights throughout the business. Additionally, Walmart's Chief Sustainability Officer (CSO) and Executive Vice President of Corporate Affairs (EVP) provide updates about ESG initiatives, including human rights issues, to the Nominating and Governance Committee of the Walmart Board of Directors. In 2018, the Board approved the Human Rights Statement,³⁰ which was informed by the United Nations Universal Declaration of Human Rights, the International Labor Organization's 1998 Declaration on Fundamental Principles and Rights at Work and the United Nations Guiding Principles on Business and Human Rights.³¹
 - In 2019, Walmart published the Responsible Recruitment in Global Supply Chains Statement,³² through which it aims to ensure worker's ethical treatment and mitigate risks of involuntary labor in global supply chains, while promoting the use of responsible recruitment practices, including through the Employer Pays Principle.
- Material procurement:
 - With a focus on environmental issues and in alignment with their updated Standards for Suppliers, Walmart has implemented several policies to mandate ethical behavior across its supply chain and address common risks associated with the procurement of sourcing of materials, such as animal rights and deforestation. These include Food and Product Safety, Consumer Protection, Trade and Sanctions Compliance, Conflicts of Interest, Fair Competition, Animal Welfare Position, Antibiotics in Farm Animals Position, Cage-Free Egg Supply Position, Conflict Minerals Policy, Deforestation Policy, Palm Oil Policy, Seafood Policy and Sustainable Chemistry Policy.³³

In addition to the above, Walmart has a Global Ethics & Compliance Program,³⁴ led by the Company's Global Chief Ethics & Compliance Officer (CECO) who reports to Walmart's Executive Vice President of Global Governance and Corporate Secretary. The Program focuses on 15 subject areas: Anti-Corruption; Anti-Trust; Consumer Protection; Data and Technology Use; Environmental Compliance; Ethics; Financial Services Compliance; Food Safety; Health & Safety; Healthcare Compliance; Labor & Employment Compliance;

²⁶ Walmart, "Standards for Suppliers" at: https://corporate.walmart.com/media-library/document/standards-for-suppliers-english/_proxyDocument?id=0000015c-e70f-d3b4-a57e-ff4f3f510000.

²⁷ Walmart, "Our Responsible Sourcing Journey": <https://corporate.walmart.com/responsible-sourcing/our-responsible-sourcing-journey>.

²⁸ Walmart, "Code of Conduct", at: https://www.walmartethics.com/content/walmartethics/en_us/code-of-conduct.html.

²⁹ Walmart, "Human Rights Statement" at: <https://corporate.walmart.com/policies#human-rights-statement>.

³⁰ Walmart, "Walmart Policies and Guidelines", at: <https://corporate.walmart.com/policies#human-rights-statement>.

³¹ Walmart, "Human Rights", (2021), at: <https://corporate.walmart.com/esgreport/esg-issues/human-rights>.

³² Walmart, "Statement of Principles on Responsible Recruitment in Global Supply Chains" at: https://corporate.walmart.com/media-library/document/responsible-recruitment-statement-of-principles/_proxyDocument?id=00000168-cf0d-d9f9-a7f8-df6d1b500001.

³³ Walmart, "Policies and Guidelines" at: <https://corporate.walmart.com/policies>.

³⁴ Walmart, "Global Ethics & Compliance" at: <https://corporate.walmart.com/our-story/global-ethics-compliance>.

Licenses & Permits; Product Safety; Responsible Sourcing, and Trade Compliance. The CECO also provides updates to the audit committee of Walmart's board of directors on a regular basis.³⁵

Additionally, Sustainalytics' research service has assessed Walmart as currently being exposed to two Category 4 (High) controversies related to Employee Incidents and Social Supply Chain Incidents. Over a period of several years, Walmart has been subject to multiple employee lawsuits claiming labour rights violations and has also been linked to suppliers alleged to be involved in labour abuse incidents such as forced labour, low wages and worker health and safety concerns.³⁶ In response, Walmart has launched various employee initiatives aimed at improving working conditions, including: (i) wage increases in 2018, 2020, and 2021; (ii) increased autonomy over schedules; and (iii) improved training and defined career development support. Other relevant initiatives addressing this area are outlined above. Given these steps and that these events are unrelated to the use of proceeds under the Framework, these controversies do not affect Sustainalytics' confidence that the eligible green projects will yield overall positive environmental impacts.

Based on the robust policies and practices outlined above, Sustainalytics is of the opinion that Walmart is well positioned to manage and mitigate environmental and social risks commonly associated with the eligible categories.

Section 3: Impact of Use of Proceeds

All use of proceeds categories are recognized as impactful by the GBP. Sustainalytics has focused below where the impact is specifically relevant in local context.

The impact of reducing operational and supply chain carbon emissions

A significant portion of a retailer's environmental footprint is derived from the energy consumed in its facilities and stores; with heating, lighting, air conditioning, ventilation and refrigeration recognized as the primary contributing sources of high carbon emissions.³⁷ Moreover, a study conducted by Climate Smart found that refrigerants can account for up to 90% of emissions for retailers that distribute food and beverages.³⁸ In addition to operational emissions, supply chain GHG emissions also pose significant environmental risks. CDP's Global Supply Chain Report 2020,³⁹ found that environmental risks to companies' supply chains can cost up to 120 billion USD.⁴⁰ Supply chain GHG emissions are estimated to be 11.4 times larger than operational emissions.⁴¹ It is estimated that over a billion metric tonnes of GHG emissions can be abated if just 125 multinational companies increased their consumption of renewable electricity by 20%.⁴² Therefore, it becomes vital for multinational retailers, such as Walmart, to pave the path of decarbonization in global supply chains.

Walmart has created initiatives to address the impact of its operational footprint, including increasing the energy efficiency of its own facilities; powering its operations with renewable energy; improving the performance of its refrigeration systems; and maximizing the sustainability of its fleet. Given the significance of its environmental footprint, a portion of the proceeds from Walmart's green bonds will be used to continue the Company's efforts to reduce GHG emissions within its facilities as well as in its supply chains. Sustainalytics notes that Walmart is actively working on reducing GHG emissions in its supply chains through Project Gigaton; a global program that empowers Walmart's suppliers to reduce emissions by setting SMART (specific, measurable, achievable, relevant, time limited) goals. From its inception in 2017 through the end of Walmart's FY 2021, participating suppliers have helped avoid over 416 million MT CO₂e.⁴³

³⁵ Walmart, "Ethics and Compliance", (2021), at: <https://corporate.walmart.com/esgreport/esg-issues/ethics-compliance>.

³⁶ Recent cases include, for example, the settlement in 2020 of a pregnancy discrimination case involving 4,000 workers who alleged that they were denied accommodations while pregnant. In July 2021, a Wisconsin jury returned a verdict in favor of the U.S. Equal Employment Opportunity Commission (EEOC) on three claims of disability discrimination against Walmart; final judgment has not yet been entered in this case as of the publication of this Second Party Opinion.

³⁷ Retail Forum for Sustainability, "Measurement and reduction of carbon footprint of stores", at: <https://ec.europa.eu/environment/industry/retail/pdf/Issue%20Paper%206.pdf>.

³⁸ A Climate Smart Industry Brief, "Carbon Emissions in the Food and Beverage Sector", at: https://drive.google.com/file/d/1zEPtJ-wMLxHxzj_5b5NE-emMMfmYu-G/view.

³⁹ CDP, "Transparency to Transformation: A Chain Reaction, CDP Global Supply Chain Report 2020", (2021), at: https://6fefcbb86e61af1b2fc4-c70d8ead6ced550b4d987d7c03fcdd1d.ssl.cf3.rackcdn.com/cms/reports/documents/000/005/554/original/CDP_SC_Report_2020.pdf?1614160765.

⁴⁰ International Institute for Sustainable Development (IISD), "CDP Estimates Environmental Supply Chain Risks to Cost Companies USD 120 Billion by 2026", (2021), at: <https://sdg.iisd.org/news/cdp-estimates-environmental-supply-chain-risks-to-cost-companies-usd-120-billion-by-2026/>.

⁴¹ IISD, "CDP Estimates Environmental Supply Chain Risks to Cost Companies USD 120 Billion by 2026", (2021).

⁴² CDP, "Supply chains hold the key to one gigaton of emissions savings, finds new report", (2019), at: <https://www.cdp.net/en/articles/media/supply-chains-hold-the-key-to-one-gigaton-of-emissions-savings-finds-new-report>.

⁴³ Walmart, "Climate Change", at: <https://corporate.walmart.com/esgreport/esg-issues/climate-change>.

Sustainalytics is of the opinion that Walmart's investments under the Framework will help reduce carbon emissions across the Company's value chain, leading to an overall positive environmental impact.

Alignment with/contribution to SDGs

The Sustainable Development Goals (SDGs) were set in September 2015 and form an agenda for achieving sustainable development by the year 2030. This Green Financing Framework advances the following SDG goals and targets:

Use of Proceeds Category	SDG	SDG target
Renewable energy	7. Affordable and Clean Energy	7.2 By 2030, increase substantially the share of renewable energy in the global energy mix.
High Performance Buildings	7. Affordable and Clean Energy 9. Industry, Innovation and Infrastructure	7.3 By 2030, double the global rate of improvement in energy efficiency. 9.4 By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities.
Sustainable Transport	11. Sustainable Cities and Communities	11.2 By 2030, provide access to safe, affordable, accessible and sustainable transport systems for all, improving road safety, notably by expanding public transport, with special attention to the needs of those in vulnerable situations, women, children, persons with disabilities and older persons.
Zero Waste and Circular Economy	12. Responsible Consumption and Production	12.4 By 2020, achieve the environmentally sound management of chemicals and all wastes throughout their life cycle, in accordance with agreed international frameworks, and significantly reduce their release to air, water and soil in order to minimize their adverse impacts on human health and the environment. 12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse.
Water Stewardship	6. Clean Water and Sanitation	6.3 By 2030, improve water quality by reducing pollution, eliminating dumping and minimizing release of hazardous chemicals and materials, halving the proportion of untreated wastewater and substantially increasing recycling and safe reuse globally. 6.4 By 2030, substantially increase water-use efficiency across all sectors and ensure sustainable withdrawals and supply of freshwater to address water scarcity and substantially reduce the number of people suffering from water scarcity.
Habitat Restoration and Conservation	14. Life Below Water	14.2 By 2020, sustainably manage and protect marine and coastal ecosystems to avoid significant adverse impacts, including by strengthening their resilience, and take action

	<p>15. Life on Land</p>	<p>for their restoration in order to achieve healthy and productive oceans.</p> <p>15.1 By 2020, ensure the conservation, restoration and sustainable use of terrestrial and inland freshwater ecosystems and their services, in particular forests, wetlands, mountains and drylands, in line with obligations under international agreements</p>
--	-------------------------	--

Conclusion


Walmart has developed the Walmart Inc. Green Financing Framework under which it will issue green bonds, loans and other Green Financing Instruments and use the proceeds to finance and/or refinance projects that will help reduce the carbon footprint associated with the Company’s own operations and across its entire value chain. By using proceeds to finance and/or refinance renewable energy projects; high performance buildings; clean transportation; zero waste and circular economy; water stewardship and habitat restoration and conservation projects, Walmart’s Green Financing Instruments will yield positive environmental impact. Sustainalytics views these activities as aligned with the overall sustainability strategy of the Company and believes that the green use of proceeds categories will contribute to the advancement of the UN Sustainable Development Goals 6, 7, 9, 11, 12, 14 and 15.

Walmart’s project evaluation and selection process as well as its management of proceeds and reporting commitments are aligned with market practice. Additionally, Sustainalytics is of the opinion that Walmart has sufficient measures to identify, manage and mitigate environmental and social risks commonly associated with the eligible projects funded by the use of proceeds.

Based on the above, Sustainalytics is confident that Walmart Inc. is well-positioned to issue Green Financing Instruments and that Walmart Inc. Green Financing Framework is robust, transparent, and in alignment with the four core components of the Green Bond Principles 2021 and Green Loan Principles 2021.

Appendices

Appendix 1: Overview of the LEED Green Building Certification Scheme

	LEED ⁴⁴
Background	Leadership in Energy and Environmental Design (LEED) is a US Certification System for residential and commercial buildings used worldwide. LEED was developed by the non-profit U.S. Green Building Council (USGBC) and covers the design, construction, maintenance and operation of buildings.
Certification levels	Certified Silver Gold Platinum
Areas of Assessment: Environmental Performance of the Building	<ul style="list-style-type: none"> • Energy and atmosphere • Sustainable Sites • Location and Transportation • Materials and resources • Water efficiency • Indoor environmental quality • Innovation in Design • Regional Priority
Requirements	Prerequisites (independent of level of certification) + Credits with associated points These points are then added together to obtain the LEED level of certification There are several different rating systems within LEED. Each rating system is designed to apply to a specific sector (e.g. New Construction, Major Renovation, Core and Shell Development, Schools-/Retail-/Healthcare New Construction and Major Renovations, Existing Buildings: Operation and Maintenance).
Performance display	
Accreditation	LEED AP BD+C LEED AP O+M
Qualitative considerations	Widely recognised internationally, and strong assurance of overall quality.

⁴⁴ USGBC, LEED: www.usgbc.org/LEED

Appendix 2: Green Bond / Green Bond Programme - External Review Form

Section 1. Basic Information

Issuer name:	Walmart Inc.
Green Bond ISIN or Issuer Green Bond Framework Name, if applicable:	Walmart Inc. Green Bond Framework
Review provider's name:	Sustainalytics
Completion date of this form:	August 26, 2021
Publication date of review publication:	

Section 2. Review overview

SCOPE OF REVIEW

The following may be used or adapted, where appropriate, to summarise the scope of the review.

The review assessed the following elements and confirmed their alignment with the GBPs:

- | | |
|--|--|
| <input checked="" type="checkbox"/> Use of Proceeds | <input checked="" type="checkbox"/> Process for Project Evaluation and Selection |
| <input checked="" type="checkbox"/> Management of Proceeds | <input checked="" type="checkbox"/> Reporting |

ROLE(S) OF REVIEW PROVIDER

- | | |
|---|--|
| <input checked="" type="checkbox"/> Consultancy (incl. 2 nd opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification | <input type="checkbox"/> Rating |
| <input type="checkbox"/> Other (<i>please specify</i>): | |

Note: In case of multiple reviews / different providers, please provide separate forms for each review.

EXECUTIVE SUMMARY OF REVIEW and/or LINK TO FULL REVIEW (*if applicable*)

Please refer to Evaluation Summary above.

Section 3. Detailed review

Reviewers are encouraged to provide the information below to the extent possible and use the comment section to explain the scope of their review.

1. USE OF PROCEEDS

Overall comment on section (*if applicable*):

The eligible categories for the use of proceeds –Renewable Energy, High Performance Buildings, Sustainable Transport, Zero Waste and Circular Economy, Water Stewardship, and Habitat Restoration and Conservation – are aligned with those recognized the Green Bond Principles and the Green Loan Principles. Sustainalytics considers that investments in the eligible categories will lead to positive environmental impacts and advance the UN Sustainable Development Goals, particularly Goals 6, 7, 9, 11, 12, 14 and 15.

Use of proceeds categories as per GBP:

- | | |
|--|---|
| <input checked="" type="checkbox"/> Renewable energy | <input checked="" type="checkbox"/> Energy efficiency |
| <input checked="" type="checkbox"/> Pollution prevention and control | <input checked="" type="checkbox"/> Environmentally sustainable management of living natural resources and land use |
| <input type="checkbox"/> Terrestrial and aquatic biodiversity conservation | <input checked="" type="checkbox"/> Clean transportation |
| <input checked="" type="checkbox"/> Sustainable water and wastewater management | <input type="checkbox"/> Climate change adaptation |
| <input checked="" type="checkbox"/> Eco-efficient and/or circular economy adapted products, production technologies and processes | <input checked="" type="checkbox"/> Green buildings |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with GBP categories, or other eligible areas not yet stated in GBPs | <input type="checkbox"/> Other (<i>please specify</i>): |

If applicable please specify the environmental taxonomy, if other than GBPs:

2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section (if applicable):

A dedicated Sustainable Finance Committee will be responsible for assessing project eligibility and making the final decision on project selection. Walmart Inc. has due diligence processes in place to manage and mitigate environmental and social risks, which are applicable for all allocations under the Framework. Sustainalytics considers the risk management processes to be adequate and the project selection to be in line with market practice.

Evaluation and selection

- | | |
|--|---|
| <input checked="" type="checkbox"/> Credentials on the issuer’s environmental sustainability objectives | <input checked="" type="checkbox"/> Documented process to determine that projects fit within defined categories |
| <input checked="" type="checkbox"/> Defined and transparent criteria for projects eligible for Green Bond proceeds | <input checked="" type="checkbox"/> Documented process to identify and manage potential ESG risks associated with the project |

- Summary criteria for project evaluation and selection publicly available Other (*please specify*):

Information on Responsibilities and Accountability

- Evaluation / Selection criteria subject to external advice or verification In-house assessment
- Other (*please specify*):

3. MANAGEMENT OF PROCEEDS

Overall comment on section (*if applicable*):

The company's Treasury team will monitor and track the net proceeds via its internal recording system using a portfolio approach. Pending full allocation of the Green Financing Instruments, unallocated proceeds will be managed in accordance with Walmart's normal liquidity practices. Sustainalytics considers this to be aligned with market practice.

Tracking of proceeds:

- Green Bond proceeds segregated or tracked by the issuer in an appropriate manner
- Disclosure of intended types of temporary investment instruments for unallocated proceeds
- Other (*please specify*):

Additional disclosure:

- Allocations to future investments only Allocations to both existing and future investments
- Allocation to individual disbursements Allocation to a portfolio of disbursements
- Disclosure of portfolio balance of unallocated proceeds Other (*please specify*):

4. REPORTING

Overall comment on section (*if applicable*):

Walmart Inc. intends to publish allocation and impact reporting on an annual basis, within one year from the date of issuance of the Green Financing and until full allocation. The allocation reporting will include amounts allocated to each category of proceeds as well as share of financing vs refinancing. Impact reporting will include, where feasible, relevant KPIs for each of the eligible green categories. This is in line market practice.

Use of proceeds reporting:

- Project-by-project
 On a project portfolio basis
- Linkage to individual bond(s)
 Other (please specify):

Information reported:

- Allocated amounts
 Green Bond financed share of total investment
- Other (please specify):

Frequency:

- Annual
 Semi-annual
- Other (please specify):

Impact reporting:

- Project-by-project
 On a project portfolio basis
- Linkage to individual bond(s)
 Other (please specify):

Frequency:

- Annual
 Semi-annual
- Other (please specify):

Information reported (expected or ex-post):

- GHG Emissions / Savings
 Energy Savings
- Decrease in water use
 Other ESG indicators (please specify): Various, refer to Framework.

Means of Disclosure

- Information published in financial report
 Information published in sustainability report
- Information published in ad hoc documents
 Other (please specify):
- Reporting reviewed (if yes, please specify which parts of the reporting are subject to external review):

Where appropriate, please specify name and date of publication in the useful links section.

USEFUL LINKS (e.g. to review provider methodology or credentials, to issuer's documentation, etc.)

SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE

Type(s) of Review provided:

- | | |
|--|--|
| <input type="checkbox"/> Consultancy (incl. 2 nd opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification / Audit | <input type="checkbox"/> Rating |
| <input type="checkbox"/> Other (<i>please specify</i>): | |

Review provider(s):

Date of publication:

ABOUT ROLE(S) OF REVIEW PROVIDERS AS DEFINED BY THE GBP AND THE SBP

- i. **Second-Party Opinion:** An institution with sustainability expertise that is independent from the issuer may provide a Second-Party Opinion. The institution should be independent from the issuer's adviser for its Sustainability Bond framework, or appropriate procedures such as information barriers will have been implemented within the institution to ensure the independence of the Second-Party Opinion. It normally entails an assessment of the alignment with the Principles. In particular, it can include an assessment of the issuer's overarching objectives, strategy, policy, and/or processes relating to sustainability and an evaluation of the environmental and social features of the type of Projects intended for the Use of Proceeds.
- ii. **Verification:** An issuer can obtain independent verification against a designated set of criteria, typically pertaining to business processes and/or sustainability criteria. Verification may focus on alignment with internal or external standards or claims made by the issuer. Also, evaluation of the environmentally or socially sustainable features of underlying assets may be termed verification and may reference external criteria. Assurance or attestation regarding an issuer's internal tracking method for use of proceeds, allocation of funds from Sustainability Bond proceeds, statement of environmental or social impact or alignment of reporting with the Principles may also be termed verification.
- iii. **Certification:** An issuer can have its Sustainability Bond or associated Sustainability Bond framework or Use of Proceeds certified against a recognised external sustainability standard or label. A standard or label defines specific criteria, and alignment with such criteria is normally tested by qualified, accredited third parties, which may verify consistency with the certification criteria.
- iv. **Green, Social and Sustainability Bond Scoring/Rating:** An issuer can have its Sustainability Bond, associated Sustainability Bond framework or a key feature such as Use of Proceeds evaluated or assessed by qualified third parties, such as specialised research providers or rating agencies, according to an established scoring/rating methodology. The output may include a focus on environmental and/or social performance data, process relative to the Principles, or another benchmark, such as a 2-degree climate change scenario. Such scoring/rating is distinct from credit ratings, which may nonetheless reflect material sustainability risks.

Disclaimer

Copyright ©2021 Sustainalytics. All rights reserved.

The information, methodologies and opinions contained or reflected herein are proprietary of Sustainalytics and/or its third party suppliers (Third Party Data), and may be made available to third parties only in the form and format disclosed by Sustainalytics, or provided that appropriate citation and acknowledgement is ensured. They are provided for informational purposes only and (1) do not constitute an endorsement of any product or project; (2) do not constitute investment advice, financial advice or a prospectus; (3) cannot be interpreted as an offer or indication to buy or sell securities, to select a project or make any kind of business transactions; (4) do not represent an assessment of the issuer's economic performance, financial obligations nor of its creditworthiness; and/or (5) have not and cannot be incorporated into any offering disclosure.

These are based on information made available by the issuer and therefore are not warranted as to their merchantability, completeness, accuracy, up-to-dateness or fitness for a particular purpose. The information and data are provided "as is" and reflect Sustainalytics' opinion at the date of their elaboration and publication. Sustainalytics accepts no liability for damage arising from the use of the information, data or opinions contained herein, in any manner whatsoever, except where explicitly required by law. Any reference to third party names or Third Party Data is for appropriate acknowledgement of their ownership and does not constitute a sponsorship or endorsement by such owner. A list of our third-party data providers and their respective terms of use is available on our website. For more information, visit <http://www.sustainalytics.com/legal-disclaimers>.

The issuer is fully responsible for certifying and ensuring the compliance with its commitments, for their implementation and monitoring. In case of discrepancies between the English language and translated versions, the English language version shall prevail.

About Sustainalytics, a Morningstar Company

Sustainalytics, a Morningstar Company, is a leading ESG research, ratings and data firm that supports investors around the world with the development and implementation of responsible investment strategies. The firm works with hundreds of the world’s leading asset managers and pension funds who incorporate ESG and corporate governance information and assessments into their investment processes. The world’s foremost issuers, from multinational corporations to financial institutions to governments, also rely on Sustainalytics for credible second-party opinions on green, social and sustainable bond frameworks. In 2020, Climate Bonds Initiative named Sustainalytics the “Largest Approved Verifier for Certified Climate Bonds” for the third consecutive year. The firm was also recognized by Environmental Finance as the “Largest External Reviewer” in 2020 for the second consecutive year. For more information, visit www.sustainalytics.com.

