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An assessment of Wal-Mart de Mexico (Walmex) Social Responsibility Reporting

Prepared by **Maquila Solidarity Network** for **Red Puentes Mexico** ■ December 2010



The **Maquila Solidarity Network** (MSN) is a Canadian-based labour and women's rights organization with a long history of work in Mexico. MSN promotes corporate accountability and decent wages and working conditions for workers in global supply chains. MSN is a member of Red Puentes Mexico. For more information, see: www.maquillasolidarity.org



Red Puentes México is part of **Red Puentes Internacional**, an association of civil society organizations formed in 2002, which monitors corporate behavior and promotes structural changes to enhance human rights, global sustainability, social and economic justice and democracy. Currently it has chapters in Argentina, Brazil, Chile, El Salvador, Mexico, Peru, Uruguay, Holland and Spain. The Mexican chapter of the Red Puentes Internacional is composed of seven organizations and civil society networks. For more information see: <http://www.redpuentes.org> and <http://www.cicemexico.org.mx>

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Introduction

This report is the result of a detailed analysis of Wal-Mart de Mexico's (Walmex) 2009 *Social Responsibility and Sustainable Development Report (SRSD Report)*.¹

It is part of a broader initiative of Red Puentes International (RP-International) to assess multi-national companies' Corporate Social Responsibility (CSR) reports and in particular to evaluate the extent to which companies have complied with the reporting guidelines published by the Global Reporting Initiative (GRI).^{*} The methodology for this assessment was developed initially by Red Puentes Chile to assess the CSR reports of several Chilean multi-nationals. It was adapted by Red Puentes Mexico for this current project.

Red Puentes Mexico coordinated the review of five Mexico corporations, all of which have registered their CSR reports with GRI. In addition to Walmex, CSR reports from Petróleos Mexicanos (PEMEX), Telefónica, S.A., CEMEX, and Industrias Peñoles were reviewed.

Each company's report was assessed by a different team of researchers, using a common methodology. Results across the five companies were not compared and/or contrasted given that the companies operate in very different sectors. While the GRI reporting requirements can be applied across sectors, some industries may place more emphasis on some areas than others, and may not report in other areas at all, making direct comparisons difficult.

The overall objectives of this initiative are to:

- improve the quality and scope of CSR reporting of these companies;
- influence the companies' social, economic and environmental policies and practices; and
- increase public awareness and understanding of the social and environmental performance of the companies reviewed as well as the internationally-accepted standards for CSR reporting against which company reports are being measured.

The Maquila Solidarity Network (MSN) was responsible for carrying out the assessment of Walmex's CSR reporting. MSN is a Canadian-based labour and women's rights organization with a long history of work in Mexico. MSN promotes corporate accountability and decent wages and working conditions for workers in global supply chains.

^{*}The Global Reporting Initiative (GRI) is an international network that has developed a widely used sustainability reporting framework which sets out the principles and indicators that organizations can use to measure and report on their economic, environmental, and social performance. The cornerstone of the GRI framework is the Sustainability Reporting Guidelines. The third version of the Guidelines – known as the G3 Guidelines – was published in 2006, and is the version used in this evaluation. For more information see: <http://www.gri.org>

MSN's analysis is based primarily on Walmex's *2009 SRSD Report*. It also relies on other, publicly available information about company policy and practice in order to supplement and compare with the company's own reporting. That information is also used to identify additional concerns expressed by outside stakeholders including workers, labour rights NGOs, environmental groups, consumers, and suppliers. This report also compares Walmex's CSR reporting in 2009 with its reporting in the previous year in order to chart progress between the two years.

This report identifies strengths, gaps and weaknesses in Walmex's *2009 SRSD Report*, points to social and environmental performance issues that arise from consideration of the company's CSR reporting, and puts forward a number of recommendations for improvements in policy, practice and reporting. It also discusses some of the company's underlying policies and practices that are of concern to outside stakeholders. The report begins with a brief company profile and historical review of Walmex and Wal-Mart CSR reporting, followed by a summary of the overall results of this evaluation of the *2009 SRSD Report*. Results in each of seven distinct subject areas are then reviewed individually, and a summary is provided of the company's score for each indicator evaluated. The report ends with general conclusions and a set of recommendations to Walmex to improve its CSR reporting and, where applicable, its policies and practices.

Prior to the publication of this report, Walmex was provided a draft for review. In early October of 2010, MSN and Red Puentes Mexico representatives met with Walmex officials to discuss that draft. Based on feedback and clarifications from Walmex at that meeting and in subsequent email exchanges, MSN made adjustments to the text and, in three cases, to the scores assigned.

On October 12, Walmex publicly released additional materials regarding its social responsibility programs and financial status.² Although we have reviewed the more recent CSR materials and make note in this report of any significant improvements, our analysis and scores are based solely on the *2009 SRSD Report*.

We believe our report was strengthened as a result of the dialogue with the company and look forward to discussion of the recommendations and possible collaboration on their implementation.

Methodology

Standards used

Walmex's 2009 SRSD Report was measured against a set of internationally-accepted CSR reporting indicators and standards developed by the Global Reporting Initiative (GRI) and outlined in the GRI's G3 Sustainability Reporting Guidelines.³

The G3 Guidelines include a total of 79 indicators which address a wide range of CSR issues such as the environment, labour practices, human rights, and product responsibility. GRI also includes a set of over 40 other Standard Disclosures, under which a company is asked to describe its organizational profile and management approach.

Of these, RP-International selected 71 GRI indicators and disclosures

(both of which are hereinafter referred to as "indicators") for use in this evaluation that best embodied seven core social responsibility subject areas⁴:

- Organizational Governance;
- Human Rights;
- Labour Practices;
- Environment;
- Fair Operating Practices;
- Consumer Issues; and
- Community Involvement and Development.

A full listing of the 71 indicators chosen, along with the complete results of our evaluation, is included in Appendix "B". These form the standards against which Walmex's 2009 SRSD Report was measured.

What we measured

Walmex's 2009 SRSD Report was evaluated to determine:

- Whether the company reported on each of the 71 selected GRI indicators applicable to the company's business;
- Whether the company provided sufficient information for each GRI indicator, in accordance with the content and purpose of the indicator; and
- Whether the company reported consistently on each indicator from year to year, in a manner allowing the public to track the company's progress or lack thereof.

How we measured

In order to determine whether the company provided sufficient information for each GRI indicator, RP-Mexico broke down each indicator into its required elements.

For example, GRI Indicator HR3 asks for "Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained." Based on the GRI description of Indicator HR3, RP-Mexico identified three required elements:

- Total number of hours devoted to employee training on HR policies;
- Total number of employees trained on HR policies; and
- Percentage of employees trained in HR policies.

Beyond GRI



The Global Reporting Initiative (GRI) should be seen as a baseline for reporting, not as an exhaustive guide to what a company should report. The value of the GRI

Guidelines is that they identify a fairly exhaustive set of corporate social responsibility issues for a variety of sectors and offer a common format for reporting on those issues. At this stage, there is no other system for CSR reporting that has the breadth, depth and stakeholder buy-in that GRI currently enjoys.

However, companies can and should use GRI indicators as a guide without limiting their reporting to those indicators. In consultation with stakeholders, a company may find that some matters are of particular interest and should be dealt with in more depth than GRI indicators suggest, whereas others, despite being included in the GRI, are of lesser concern and can be dealt with summarily.

The required elements for each of the 71 indicators are set out in Appendix B. In total, these indicators are comprised of 190 elements.

Once each indicator was broken down into its required elements, MSN determined whether Walmex had reported on each element of the indicator, and the company was awarded a rating of:

- 'Insufficient' where the company reported on less than 33% of the required elements in the indicator;
- 'Partial' where the company reported on 33-66% of the required elements in the indicator; and
- 'Sufficient' where the company reported on over 66% of the required elements in the indicator.

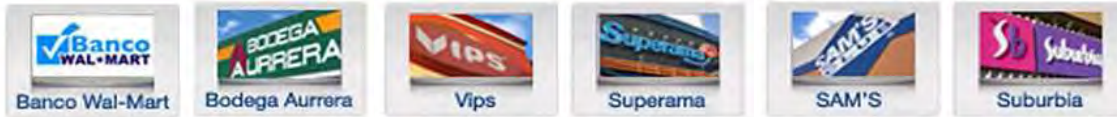
The ratings make it possible for stakeholders and the public to identify and compare the strengths, weaknesses and gaps in Walmex CSR reporting.

It should be noted that these ratings do not address whether the information provided – i.e. what is reported – is positive or negative, but only whether it is reported according to GRI requirements. A company, therefore, would receive the same points for reporting fully that it increased its carbon emissions in a given year as it would for reporting a substantial decrease in those emissions.

In order to determine whether Walmex has reported consistently each year in a manner that allows stakeholders and the public to determine whether it is improving its social responsibility performance from year

to year, the company's *2009 SRSD Report* was compared to its *2008 SRSD Report*. The company was awarded a point for each indicator that had been reported on sufficiently and consistently over the two years. (see Chart 3, page 5 for these results).

A. The Company



Wal-Mart de Mexico S.A. de C.V. (Walmex) is the largest retailer in Mexico and the country's largest private-sector employer. The company had net sales of almost \$235 billion pesos in the first three quarters of this year alone,⁵ more than triple the net sales of its largest competitor, and more than double those of its two major competitors combined.

Although it is an independently-traded company, Walmex is majority-owned by Wal-Mart Stores Inc. ("Wal-Mart") and, like most Wal-Mart national and regional companies, its operations are highly integrated with those of the global company, espe-

cially with regard to product sourcing and ethical standards. Walmex recently acquired Wal-Mart Central America.

Walmex names corporate social responsibility as "one of our three strategic priorities, along with profitable growth and people development."⁶

Walmex published its first Corporate Social Responsibility (CSR) report in 2004. The report was slim and photo-heavy, offering only 160 words on the company's impact on its employees, 450 words on the environment, 190 words on suppliers, and 220 words on its impacts on communities.

Since that initial effort, Walmex has published a Social Responsibility report on an annual basis. By 2009 the company was publishing over 2,700 words on suppliers, for example, and indexing its report to Global Reporting Initiative (GRI) standards, a practice initiated in 2007.

The volume of reporting has clearly increased, but the question is whether the company's most recent reports provide its stakeholders with more comprehensive, relevant and verifiable information on the company's social and environmental performance.

Wal-Mart de Mexico operations

Retail presence: Walmex has more than 2,122 retail units throughout Mexico and Central America mainly in the grocery, clothing and restaurant sectors, operating under a number of different names including Superama, Wal-Mart Supercenters, Sam's Club, Bodega Aurrera, Suburbia, Vips, and others. The company has also entered the banking sector in Mexico, opening its first branches of Banco Wal-Mart in 2007. As of October 2010, there were 240 Banco Wal-Mart branches in 26 cities in Mexico with over 400,000 accounts. The company has opened another 133 stores (120 in Mexico) so far this year.

Suppliers: The company reported using a total of 14,270 suppliers in 2008 and 17,129 in 2009.

Workers: As of September 2010, Walmex employs 204,723 "associates"* throughout its businesses in Mexico and Central America.⁷ The company reports that women account for 53% of its workforce. Walmex reports that in 2009 it had a total of 23,187 "youth baggers" between the ages of 14 and 16, of which 10,405 received "incentives."

For a comprehensive history and profile of the company, see Appendix "A".

* Wal-Mart and Walmex use the term "associates" to refer to employees. Critics suggest this is meant to instill the idea of a collaborative relationship between management and employees and counter any suggestion that employees might have collective interests that differ from those of the employer.

B. Walmex Social Responsibility Reporting



History of Social Responsibility reporting

Walmex reporting

Walmex has been issuing “Social Responsibility” reports annually since 2004. Their most recent report covered the year 2009.

International reporting

Walmex’s international majority owner, Wal-Mart Stores Inc. (Wal-Mart), published its first *Factory Certification Report* in 2004, followed by a 2004 Report on Standards for Suppliers (published in 2005), and a 2006 *Report on Ethical Sourcing* (published in 2006). By 2007 the reporting had been expanded to become a Sustainability Progress Report. In 2009 Wal-Mart published an integrated *Global Sustainability Report* which covers economic, environmental and social issues and includes sections on employees, community impact and sourcing issues for Wal-Mart’s global operations (including Walmex).

Unlike recent Walmex reports, the parent company’s *Global Sustainability Report* is not indexed to the Global Reporting Initiative (GRI) Indicators. While the *Global Sustainability Report* has less detail on corporate responsibility issues relating to Walmex, it does provide more information on Walmex’s supplier auditing and ethical sourcing, neither of which are addressed in Walmex’s reports.

In its 2009 *SRSD Report*, Walmex does not make clear the relationship between its supplier auditing and ethical standards programs and those of

Wal-Mart Stores Inc. We hope that in future Walmex reports this relationship will be made clear, and that comprehensive reporting on supplier auditing and audit results will be made available by Walmex either in their own publications or by directing readers to appropriate Wal-Mart materials.

Other reports

In 2008 Walmex participated in the GEI Mexico Program,⁸ a voluntary national program to quantify and report on Greenhouse Gas Emissions (GEI by its Spanish initials) and emission reduction projects.⁹ As part of the GEI Mexico Program, Wal-Mart Mexico prepared a *2008 Corporate Inventory Report on Greenhouse Gas Emissions*.¹⁰



Organization of Walmex report

Walmex's *2009 Social Responsibility and Sustainable Development Report (SRSD Report)* is 54 pages long and is divided into ten sections addressing employee issues, awards, governance, environmental performance, community involvement and other matters. The report includes a complete GRI Table of Contents, found at the end of the document, and each major section includes a table of relevant GRI Indicators and point-form summaries of company data on each indicator, as well as a re-cap of 2008 data on the same indicators for comparison purposes.

In the tables in its 2009 report, Walmex also includes a number of "Other Indicators" in which the company reports progress on additional matters. Some of these indicators overlap with the requirements of GRI indicators (such as "audits of private label textile suppliers" which is a requirement of GRI Indicator HR2). In other instances, they provide additional useful information specific to the company's operations (such as actions taken to prevent the use of harmful additives in meats).

Global Reporting Initiative report status

Walmex has registered its *2009 SRSD Report* with the Global Reporting Initiative (GRI).

The GRI allows companies to assign themselves a rating ("Application Level") for their CSR report based on a number of criteria. The rating is selected by the company, although it can be verified by an external source or GRI if the company requests.

Walmex assigned itself a "B" rating for its *2009 SRSD Report*.¹¹ Among other things, a "B" rating indicates that the company reported on a minimum of 20 Indicators (including at least one from each indicator category, including environment, human rights, labour, society, economic and product responsibility).¹² Wal-Mart de Mexico's *2009 SRSD Report* was not externally reviewed nor was its GRI Application Level verified by an external source.

Because the Application Level is self-assigned, the GRI is careful to note: "The GRI Application Level check does not represent GRI's view on the value or quality of the report and its content. It is simply a statement about the extent to which the GRI Reporting Framework was utilized."¹³

C. Assessment and Analysis

Walmex is one of twelve companies in Mexico (and the only retailer) to index its CSR report to GRI indicators. In fact, it is one of the only retailers to issue an annual CSR report. Its closest competitor, Organización Soriana S.A., has issued annual CSR reports for the last three years, but the reports are considerably less substantial in scope and depth than those of Walmex, and are not indexed to GRI or any other external indicators. For these reasons, Walmex's 2009 SRSD Report is clearly a step in the right direction for Mexican retailers. However, there is still considerable room for improvement.

Overall Findings

As highlighted in **Chart 1** below, in its 2009 SRSD Report Walmex only reported sufficiently on 30% of the applicable indicators included in RP-Mexico's assessment.¹⁴ This low

score is due to the fact that the company only reported adequately on 75 out of the 179 required elements in the applicable indicators.

We can learn something about Walmex's reporting – and its strengths and weaknesses – by disaggregating the company's overall rating as well as its ratings in the specific core subjects. For example, **Chart 2** (next page, top) illustrates that Walmex's reporting was relatively strong on Organizational Governance and Human Rights, but relatively weak on Labour Practices, Environment, Consumer Issues, and Community Involvement and Development.

How well did Walmex report on the indicators?

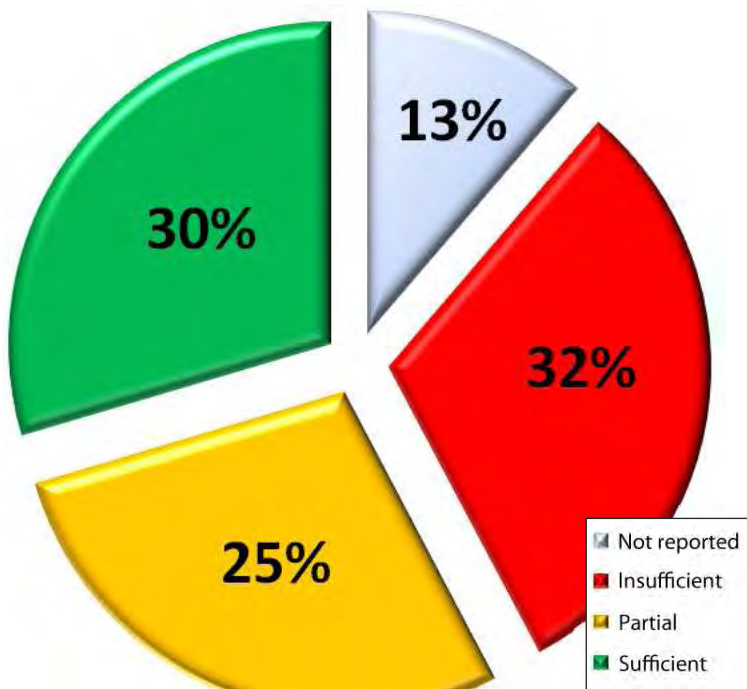


Chart 1

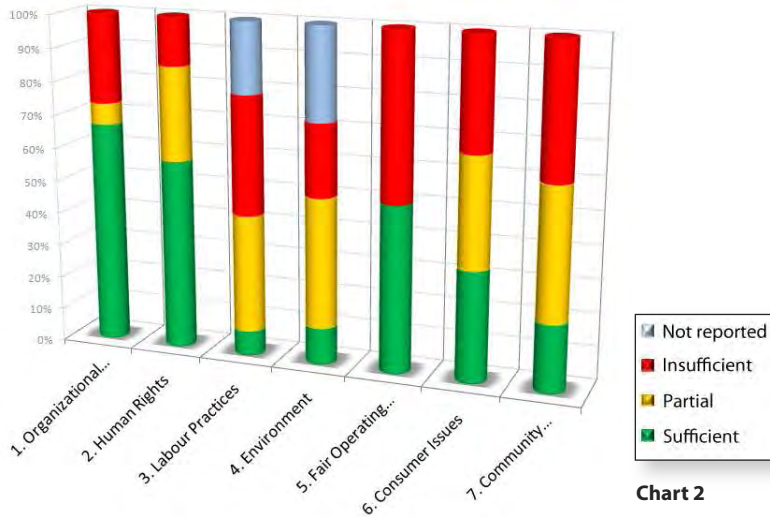


Chart 2

Chart 3 (below) compares Walmex reporting in 2008 and 2009. Where Walmex reported the same type of data in 2008 and 2009 using comparable measurements, year-on-year comparisons are possible.* For at least some of the indicators, particularly in the areas of Organizational Governance and Human Rights, outside stakeholders can measure improvements or deterioration in

Walmex's performance over time. Where the company did not report sufficiently on an indicator in either 2008 and 2009, however, it is not possible to make comparisons due to insufficient or incompatible data. Unfortunately, for the most part Walmex reporting on subjects such as Labour Practices, the Environment and Community Involvement and Development did not allow for signifi-

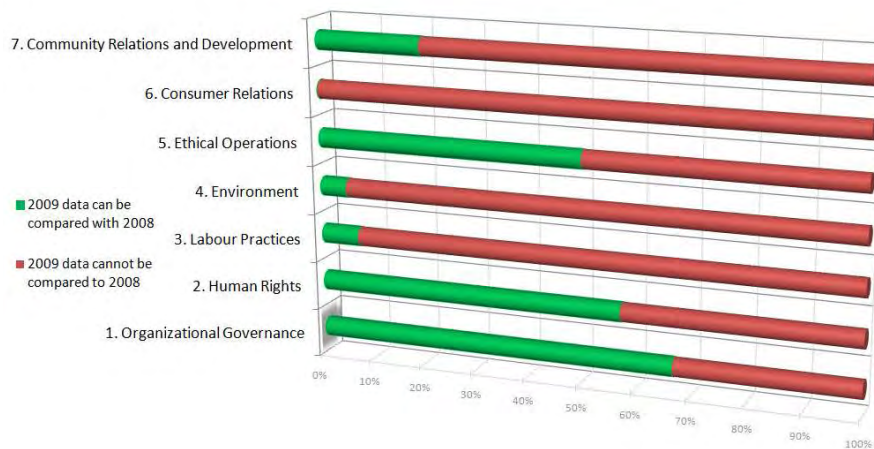
cant comparison of Walmex's performance with the previous year.

In the following sections, we review each of the seven core subjects of corporate social responsibility reporting under which the 71 chosen GRI indicators are grouped.

Each section begins with a brief overview of our results followed by a table showing the ratings given for each indicator included under that subject. Where low ratings are awarded, a brief explanation is provided. Each GRI indicator is identified by its short GRI code (e.g. EN28) indicating its place in GRI's Reporting Guidelines, along with a brief description of its primary requirements. A full listing of the specific elements of each indicator is provided in Appendix "B".

Each table is followed by discussion of key findings and concerns, listed in no particular order, focusing on indicators for which Walmex's reporting or lack thereof is of particular concern to civil society stakeholders.

Chart 3: Is Walmex reporting the same type of data from year to year (2008-2009)?



* When the company reports annual energy savings due to conservation and efficiency in kilowatt hours in both 2008 and 2009, for example, it is possible to note substantial changes in performance. If energy savings were reported using kilowatt hours one year but only as a percentage of total energy use the next year, or reported one year and not the other, comparisons are not possible.

Organizational Governance

Good and effective organizational governance should be based on accountability, transparency, ethical behaviour, respect for stakeholder interests, respect for human rights, respect for the rule of law, respect for international norms of behaviour and integration of these principles into decision-making and policy implementation.¹⁵

The GRI indicators identified by RP-Mexico to best address the subject of Organizational Governance focus on management responsibilities, government relations and incidents of non-compliance with laws and regulations and voluntary codes of conducts.

Walmex provided some information on all 15 GRI indicators in this section, reporting sufficiently on 10 (shown in green, facing page), partially on one (shown in yellow) and insufficiently on four (shown in red).

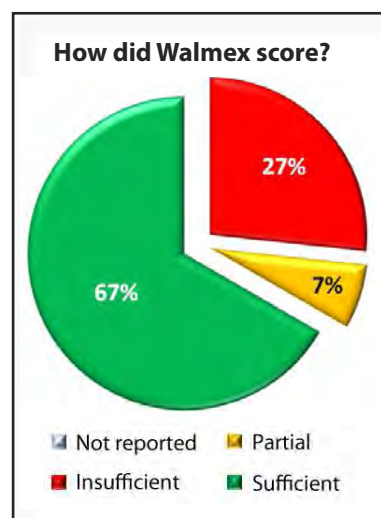
Key Findings and Concerns



Linking senior management compensation to social performance

GRI Governance, Commitments and Engagement Disclosure 4.5¹⁶ requires companies to describe any linkages in compensation of senior management, executives and board members to the performance of the company, including performance on social and environmental issues. Although Walmex claimed to report on this indicator in its 2009 SRSD Report, in fact the company reported only that “associates” receive annual productivity bonuses. This was

inconsistent with the intent of the indicator, and failed to demonstrate whether social and environmental performance is valued at the company’s highest levels and whether there are positive incentives for top management to reach or exceed social and environmental targets. As a result, Walmex received a 0 rating for this indicator. However, subsequent to its 2009 SRSD Report the company posted information on its website indicating that the President and Vice-Presidents of Operations do receive additional remuneration if annual sustainability goals are surpassed.¹⁷



Political influence and lobbying

As Mexico’s largest private-sector employer, Walmex has the ability to exercise considerable political influence.

Walmex has an active government relations program; its Board of Directors includes an Executive Vice President of Corporate Affairs and Government Relations, as well as a Director who also acts as an Advisor to the Government of the State of Nuevo Leon.¹⁸

Walmex is also a part of a number of Mexican industry associations including the National Retail Association (ANTAD), the Mexican Banking Association, the Executive Council of Global Companies and others, most of which carry out lobbying activities on behalf of their industries.¹⁹

Because of the actual or potential influence large corporations can have on governments, the GRI asks companies to disclose on areas such as:

SO5. Public policy positions and participation in public policy development and lobbying.

GRI INDICATORS	MSN ANALYSIS	
	% of elements reported	OBSERVATIONS
EN28. Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.	50%	<i>Walmex reports that there were no significant fines recorded; it does not clarify whether there were any non-monetary sanctions applied.</i>
SO8. Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.	100%	
PR9. Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	100%	
PR2. Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services, by type of outcomes.	100%	
PR4. Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes.	100%	
PR7. Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship, by type of outcomes.	100%	
PR8. Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data.	100%	
EC4. Significant financial assistance received from government.	0%	<i>Walmex reports only on direct financial aid. It does not address any of the other required categories (e.g. tax relief, subsidies, other financial incentives), and does not report on government presence as shareholder (if any).</i>
SO2. Percentage and total number of business units analyzed for risks related to corruption.	100%	
SO3. Percentage of employees trained in organization's anti-corruption policies and procedures.	0%	<i>Walmex does not distinguish between management and non-management personnel nor does it describe the training provided to each category.</i>
SO4. Actions taken in response to incidents of corruption.	100%	
GRI Governance, Commitments and Engagement Disclosure 4.1. The governance structure of the organization, including committees under the highest governance body responsible for tasks such as setting strategy or organizational oversight	66.7%	<i>Walmex reports the mandate and composition of the three Board committees, but does not identify direct responsibility for social and environmental performance.</i>
GRI Governance, Commitments and Engagement Disclosure 4.5. Linkage between compensation for members of the highest governance body, senior managers and executives (including arrangements for abandonment of post) and organizational performance (including social and environmental performance)	0%	<i>In its 2009 SRSD Report, Walmex reports only that associates receive productivity bonuses; it is required to report on compensation for executives and senior management.</i>
EC1. Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments.	100%	<i>Walmex refers to its annual financial reports which, although not in a single table as suggested by GRI, do contain all relevant financial information.</i>
SO5. Public policy positions and participation in public policy development and lobbying.	0%	<i>Walmex does not report on the issues it addresses in public lobbying, or the positions it takes.</i>

For this indicator Walmex acknowledges that it “carr[ies] out public participation activities through different national and local Chambers of Commerce. We also have recognized [lobbyist] firms that follow our corporate governance and integrity policies.” The company does not report on either the issues on which it lobbies governments or what positions it takes on these issues.

In other countries, Wal-Mart has wielded its influence on issues that relate to its business operations. In 2008, Wal-Mart Stores Inc. spent US\$5.22 million on in-house lobbyists (i.e. not including expenditures on external lobbyists).²⁰ Wal-Mart spent approximately US\$2.6 million on lobbying in the second quarter of 2009 alone.²¹ Wal-Mart has lobbied U.S. lawmakers on a range of issues including banking/finance, healthcare, immigration, labour, and taxes.²² Wal-Mart has spoken out against the Employee Free Choice Act, a law designed to make union organizing easier in the United States,²³ and in favour of the DR-CAFTA trade agreement.²⁴

Although Wal-Mart has been criticized for using its lobbying muscle to win business-friendly policies at the expense of workers and communities, in recent years it has also publicly lobbied governments on behalf of some initiatives that would be beneficial to workers and communities, including:

- co-signing a January 11, 2010 letter to the government of Bangladesh calling for review of the minimum wage for garment sector workers;
- co-signing a March 3, 2009 letter to the government of Cambodia arguing against proposed changes to the laws protecting contract workers;
- co-signing two public appeals dated November 7, 2006 and August 3, 2007 asking the government of the Philippines to ensure the protection of trade union and human rights leaders; and

- working with four industry associations on an August 18, 2008 letter to the government of Uzbekistan condemning the use of forced child labour in the production of Uzbek cotton.

Even at the international level, Wal-Mart’s disclosure on government lobbying is inadequate. The examples above come from public sources, but were not included in the company’s sustainability reporting. The company does not outline the range of issues on which it lobbies or the positions it takes.

Given the potential political influence available to Walmex and their acknowledgement that they engage in public activities through industry associations and lobbying firms in Mexico, Walmex should report publicly to Mexican customers and other stakeholders on its lobbying activities and positions advocated.²⁵



Fines and legal sanctions

Indicator SO8 asks that companies disclose the “[m]onetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.”

In both 2009 and 2008, Walmex reported no such fines or sanctions. In January 2010, however, one of Mexico’s daily newspapers *La Jornada* quoted Pericles Olivares Flores, Secretary of Labour and Competitiveness for the State of Puebla (*Secretaría de Trabajo y Competitividad del Estado de Puebla*), as saying that 135 complaints of wrongful dismissal have been filed against Walmex at the Labour Defense Office (*Procuraduría de Defensa del Trabajo*) since 2005, with 47 claims still pending. According to Mr. Olivares, 88 complaints have been settled through mediation, with the company being ordered to pay a total of 745,000 pesos (US\$61,000).²⁶ A number of wrongful dismissal claims were reported in the media in 2008 and 2009.²⁷

In September 2008, the Mexican Supreme Court ruled that Walmex’s distribution of Walmex vouchers in lieu of a portion of workers’ salaries was unconstitutional, even if done with workers’ consent. The Supreme Court compared this to a practice abolished in 1917 where large land owners and businessmen would pay their workers with merchandise from their own stores (*tiendas de raya*).²⁸

Walmex should clarify whether it did not receive any fines and sanctions at all during the reporting period or if they were ordered to pay fines or settlements but these were deemed insignificant for the purpose of reporting. Clearly identifying how the company defines ‘significant’ would be useful in this context.



Financial assistance from government

Under Indicator EC4, Walmex is asked to report on “significant financial assistance received from government,” which includes not only direct financial assistance (e.g. grants), but also on any tax credits or financial incentives, awards, or export credits received. In both 2008 and 2009, Walmex reported receiving no financial aid from government.

In the United States, Wal-Mart has a history of asking for and receiving incentives from governments to locate stores in particular areas, including tax breaks, land, and infrastructure assistance.²⁹ Critics also suggest that the heavy use of state-funded U.S. Medicaid by low-paid Wal-Mart employees is a hidden subsidy.³⁰

Though tax and incentive programs vary in different jurisdictions, and therefore the company’s practice in the U.S. is not necessarily evidence of similar practices in Mexico, Walmex has acknowledged receipt of some “minimal tax stimuli” in response to our queries. Any incentives from government should be made clear in Walmex’s social responsibility reports.

Human Rights

United Nations Special Representative to the Secretary General on human rights and transnational corporations John Ruggie said, “With rare exceptions, even large multinational companies lack fully fledged internal governance and management systems for conducting adequate human rights due diligence. Their approach in a sense has been highly ‘legalistic’: focused on the requirements of their legal license to operate, and only slowly discovering that in many situations meeting legal requirements alone may fall short of the universal expectation that they operate with respect for human rights – especially, but not only, where laws are inadequate or not enforced. Respecting rights is the very foundation of a company’s social license to operate.”³¹



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GRI INDICATORS	MSN ANALYSIS	
	% of elements reported	OBSERVATIONS
HR4. Total number of incidents of discrimination and actions taken.	100%	
HR9. Total number of incidents of violations involving rights of indigenous people and actions taken.	100%	
HR1. Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening.	0%	<i>Walmex’s reporting on this indicator addresses Indicator HR2, regarding supplier agreements, not investment agreements.</i>
HR2. Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken.	50%	<i>Walmex reports that all supplier agreements have a clause regarding labour law compliance. It notes a number of audits, but provides no data on audit results.</i>
HR6. Operations identified as having significant risk for incidents of child labor, and measures taken to contribute to the elimination of child labor.	100%	<i>Walmex reports on operations it considered to have significant risk for incidents of child labor, technically fulfilling the reporting requirements for this indicator. However it makes no mention of the well-established risk of child labour at its Mexican agricultural suppliers nor any programs to assess or mitigate that risk.</i>
HR7. Operations identified as having significant risk for incidents of forced or compulsory labor, and measures taken to contribute to the elimination of forced or compulsory labor.	100%	<i>Walmex reports that its own operations comply with labour laws, which include prohibitions on forced labour; that vendor agreements require compliance with labour law; and that some suppliers are audited for compliance with labour law. While technically fulfilling the requirements of this indicator, Walmex should say more about the risk of forced labour – especially the risk of forced overtime hours and withholding migrant workers’ travel documents – within its supply chain, both of which have been documented previously by Wal-Mart’s supplier audits.</i>
HR8. Percentage of security personnel trained in the organization’s policies or procedures concerning aspects of human rights that are relevant to operations.	50%	<i>Walmex makes no mention of whether the training being required for its security personnel is also required for any personnel contracted from third party organizations. Nor does it report the total number of security personnel.</i>

Providing comprehensive information on how the company is meeting this challenge is an essential part of CSR reporting. The GRI indicators identified by RP-Mexico to best address the subject of Human Rights focus on incidents of discrimination, violations of the rights of indigenous people, monitoring of human rights within supply chains, risks of child labour or forced labour, and training of security personnel.

Walmex reported sufficiently on four of the seven indicators (shown in green, previous page). For one indicator (rated “insufficient”, in red), the reporting was irrelevant to the question posed.* For the remaining two (rated “partial”, in yellow) Walmex missed critical elements.

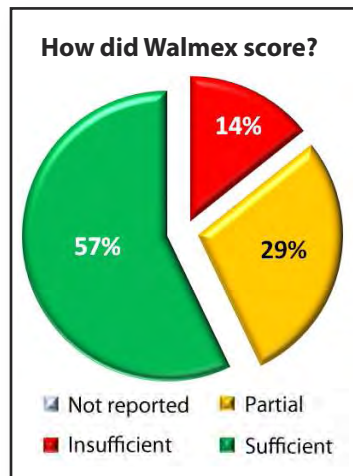
Key Findings and Concerns:



Supplier screening and compliance

GRI Indicator HR2 asks companies to report on the “percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken.” This human rights screening should include an assessment of the extent to which workers can exercise their right to freedom of association, which, GRI notes, is “a fundamental provision of the UN Universal Declaration of Human Rights.”

Walmex reports that its Social Compliance Program has been conducting audits of suppliers since 2007, starting with 16 audits of 15 of its suppliers in the first year, and increasing to 214 audits of 143 of its suppliers in the third year. However, with one exception regarding child



labour (reported separately under Indicator HR6), the company fails to report results from these audits, the audit methodology used and/or the standards to which it was auditing. The company also fails to report on the percentage of suppliers that required some form of corrective action or were refused contracts as a result of this screening.**

This lack of reporting on factory audits could be, at least in part, because of the division of responsibility between Walmex and Wal-Mart regarding supplier screening and sourcing. However, if Walmex is deferring to its parent company to report on these matters, this should be made clear to the reader of Walmex reports.

Wal-Mart last provided a detailed breakdown of issues encountered in supplier factory audits in its 2006 *Ethical Sourcing Report*. For the Americas region, it reported finding a significant incidence of problems with fire safety equipment and procedures, other health and safety hazards, “egregious” and “excessive” working hours, and failure to pay legal overtime premiums. In 2009, Wal-Mart re-

ported that “common challenges for factories [in the Americas] revolve around working hours and pay, such as excessive working, proper compensation and paychecks being incorrectly calculated.”

Neither report disaggregated the data to show issues specific to Walmex’s supplier factories or farms/fields in Mexico.

Walmex should address whether these “common challenges” reported by their parent company are issues arising in factories within their supply chains.

As a company with private label products and a large number of direct and indirect suppliers, especially in the apparel and footwear sector, Walmex should move to reporting on the GRI’s *Apparel and Footwear Sector Supplement (AFSS)*.³² The *Supplement* sets out additional indicators specific to supply chains, including labour rights compliance, audit programs and processes, remediation practices, and trade union presence within the supply chain.



Child labour in agricultural supply chain

Walmex reports that its Vendor Agreements contain “clauses related to prohibitions on the hiring of minors” however it does not report on any social compliance auditing of suppliers/vendors in the agricultural sector. (Walmex reports that its 214 social compliance audits were conducted at suppliers in the textile sector). Nor does the company report on any program to identify and eliminate child labour in Walmex supplier facilities in the agricultural sector.

An estimated 3.6 million children

* Indicator HR1 asks the company to report on “percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening.” The company reports instead on screening of supplier agreements, which is a subject covered under Indicator HR2.

** While Indicator HR2 asks only for the “percentage of contracts with significant suppliers and contractors that were either declined or imposed performance conditions, or were subject to other actions as a result of human rights screening,” many companies have reported aggregate audit results including the types of issues encountered and their frequency. Companies like Gap Inc., Nike Inc., adidas Group and others have regularly provided this information. Wal-Mart Stores Inc., in its 2007-08 Sustainability Progress Report, provides percentages of factories that received various general non-compliance ratings according to Wal-Mart’s own colour-coded system.

work in Mexico, approximately 1/3 of whom are working in the agricultural sector.³³ The US Bureau of International Labor Affairs lists green beans, chile peppers, coffee, cucumbers, eggplants, melons, onions, sugarcane, tobacco, and tomatoes as products from Mexico it has reason to believe are being produced using child labour.³⁴ Almost all of these products are sold in Walmex stores.

To our knowledge Walmex has not been publicly linked with suppliers found to be using child labour in the fields. However, the quantity of data showing a serious problem with child labour in the Mexican agricultural sector demands a diligent, transparent response from one of Mexico's largest buyers of agricultural products. Walmex should report on what efforts it has taken to identify any use of child labour by its agricultural suppliers, the number of violations it has registered, and any steps taken to remediate violations where they occur.



Youth Bagger Program

At least three Mexican studies have raised questions regarding Walmex's use of over 23,000

youths as "volunteer" baggers in its stores.³⁵ The issues of concern relate to the "volunteer" status of the baggers as well as apparent deficiencies in both compliance with and monitoring of a 1999 agreement between the *Asociación Nacional de Tiendas de Autoservicio y Departamentales* (ANTAD) and the Distrito Federal government (GDF) intended to ensure the baggers' protection.

Walmex's reporting on Indicator HR6 does address the company's Youth Bagger Program as a potential risk area for child labour, however the company claims that the conditions set out in the ANTAD Agreement are sufficient to mitigate those risks. We disagree.

Walmex reports that the ANTAD Youth Bagger Program "allows voluntary baggers to help out at Walmex

stores, offering services to its customers and trying to generate an income [through tips received from customers] without abandoning school." According to the company, youth baggers must be no less than 14 years of age and no more than 16, have parental permission, continue with their studies and obtain good grades, and work no later than 10:00 p.m.³⁶

Although Walmex and other grocery chains that utilize unpaid youth baggers refer to them as "volunteers" rather than "workers" who would be entitled to the minimum wage and other legal rights and benefits, the fact that the baggers are expected to follow company regulations and work in a subordinate relationship to supervisors has led some researchers to conclude that they should be considered workers under the Federal Labour Law.³⁷

The ANTAD/DF "Agreement for the protection of underage baggers in the Federal District" includes many of the Federal Labour Law provisions pertaining to workers between the ages of 14 and 16,³⁸ and sets out responsibilities for retailers as well as the DF government.

Among the responsibilities that the store owners commit to fulfill are:

- providing uniforms at no cost to the baggers;
- limiting their tasks to packing and transporting groceries no further than the parking lot of the retail establishment;
- guaranteeing that the baggers will not be subjected to arduous work;
- limiting working hours to six hours a day, with a one hour break, and six days a week;
- providing training suitable to youth in coordination with the government of the DF; and
- offering incentives to remain in school, including bonuses for good grades.³⁹

Aside from the contentious issue of the legal status of the youth bag-

gers, questions have also been raised concerning the implementation and enforcement of the 1999 Agreement. The three studies on Walmex's Youth Bagger Program, all of which were carried out after the Agreement was signed, found numerous violations of the Agreement and of provisions of the Federal Labour Law contained in the Agreement. These include: requiring baggers to purchase at least part of their uniforms, allowing or encouraging baggers to work overtime or double shifts, baggers working beyond the 10:00 p.m. limit, not being providing proper breaks, and incomplete and inconsistent provision of bonuses for good grades in school.⁴⁰

The agreement also commits the signatories to establishing monitoring and verification mechanisms to ensure compliance with its terms and conditions, however, based on the numbers of violations identified in the studies, it would appear that these mechanisms have been insufficient and/or that the monitoring and enforcement have been inadequate.



Discrimination

Walmex reports that there were no incidents of discrimination

recorded by the company in either 2009 or 2008 (Indicator HR4), although it does note that there were two complaints filed against staff by customers in 2008, which it says were unproven. There is no mention of discriminatory practices by management against staff. Walmex reports a number of initiatives to address gender equality within its organization, including that a "Gender Equality and Inclusion Advisory Board" was created in 2009 to address equal opportunity in job access, work conditions, training, development and participation in decision-making processes.⁴¹

The company has not, to our knowledge, responded to concerns raised by Mexican economic, social and cultural rights organization

ProDESC regarding discrimination in hiring. ProDESC's *Lo Barato Sale Caro* reports that 50% of women workers at Walmex stores it interviewed in 2007 said that during their job interviews they were asked whether they were pregnant and 8% were asked to take pregnancy tests.⁴² ProDESC also reports a case of sexual abuse by a supervisor.⁴³

We should also note that Walmex does not report on Indicator LA2, in the section below, which documents rate of employee turnover by age, gender and region. Walmex does report on turnover generally, saying that it improved retention of workers by 9% in 2009 as compared to 2008 but the company did not provide any numbers or baseline rate of retention in either year, and it did not disaggregate turnover by age, gender or re-

gion. Turnover rates can be a relevant indicator of discrimination within a company. As GRI suggests, for example, a high turnover rate of female employees at a given company could indicate unaddressed inequities within the company.⁴⁴

Gender-specific data on Walmex operations, on impacts of Walmex operations, and any gender-specific strategies for mitigating negative impacts should be part of future company CSR reporting. For example, Walmex reporting on employee training, employee representation on health and safety committees, and customer feedback could all be broken down to identify any differences by gender.⁴⁵ When assessing social and economic impacts of its operations on communities, Walmex could pay special attention to the impacts (both

positive and negative) on women in those communities, and develop strategies to address any negative impacts on women. Within its supply chain, Walmex should be identifying, addressing and reporting on any supplier policies and practices that discriminate against women, such as incidents of non-compliance with the *Wal-Mart Standards for Suppliers* on pregnancy and maternity rights.

The 2009 GRI publication *Embedding Gender in Sustainability Reporting: A Practitioner's Guide*, provides substantial guidance to organizations on "promoting gender equality and integrating gender into sustainability reports."⁴⁶ A thorough review of the *Guide* could assist Walmex in ensuring that any gender equity implications of its policies and practices are both measured and addressed.

Labour Practices

Good labour practices encompass the treatment of workers throughout their employment, from recruitment and training to termination and severance. A company's labour practices should respect internationally recognized universal standards, including the United Nations Universal Declaration of Human Rights and its Protocols, the International Covenant on Civil and Political Rights, the International Covenant on Economic, Social, and Cultural Rights, and the ILO Declaration on Fundamental Principles and Rights at Work (and, in particular, the core conventions of the ILO). Companies should ensure that their employees and those employed in their supply chains can enjoy the benefits of Decent Work: opportunity and income; rights, voice and recognition; family stability and personal development; and fairness and gender equality.⁴⁷

The GRI indicators identified by RP-Mexico to best address the subject of Labour Practices focus on employment relationships within the company's workforce, the presence of unions and collective bargaining agreements,

salary and benefit differentials within the workforce, training and advancement, and health and safety.

Walmex reported sufficiently on only one (green) of the 14 indicators in this section. The company ac-



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knowledges that it did not report on three indicators (grey). On five other indicators (red) company reporting was insufficient.

GRI INDICATORS	MSN ANALYSIS	
	% of elements reported	OBSERVATIONS
LA1. Total workforce by employment type, employment contract, and region.	50%	<i>Walmex reports the size of workforce; break down of permanent vs. temporary; part-time vs. full time; and number of seasonal workers. The company also reports seasonal variation due to Christmas employment. It does not report geographic distribution, or breakdown between supervisors and other staff.</i>
LA2. Total number and rate of employee turnover by age group, gender, and region.	0%	<i>Does not report.</i>
LA13. Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity.	0%	<i>Walmex does not break down numbers in each level of employment, does not list diversity indicators that the company uses internally, does not report fully on minority group membership or age breakdown in its work force, and does not break down composition of management and board by age/minority groups.</i>
LA4. Percentage of employees covered by collective bargaining agreements.	0%	<i>Does not report.</i>
HR5. Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk, and actions taken to support these rights.	0%	<i>Does not report.</i>
LA14. Ratio of basic salary of men to women by employee category.	50%	<i>Walmex reports on the ratio of male/female salaries, but not on base salaries in each pay bracket. Walmex says there are no differences in base salaries between men and women at any position.</i>
LA3. Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations.	100%	
LA6. Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs.	33.3%	<i>Walmex does not make clear whether the committees mentioned meet the criteria set out in the indicator (i.e. composed of management and workers, etc.); it also does not report the % of workers represented by committees, only the % of workers who participate in these committees.</i>
LA7. Rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities by region.	14.3%	<i>Walmex reports the number of fatalities. It reports "leave of absence days" but it is not clear whether this is accident-related or includes other types of leave. It does not define or report on lost days. It does not report on any occupational diseases, provide a regional breakdown of its statistics, or identify the system used to report statistics.</i>
LA9. Health and safety topics covered in formal agreements with trade unions. Health and safety topics covered in formal agreements with trade unions.	0%	<i>Walmex reports that it has health & safety rules, but makes no mention of unions or formal agreements with them.</i>
LA10. Average hours of training per year per employee by employee category.	33.3%	<i>Walmex does not break down the total hours of training by the requisite categories, and does not identify the total number employees in each category.</i>
LA11. Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.	50%	<i>Walmex provides no information on programs for retired workers, e.g. severance or other programs.</i>

GRI INDICATORS	MSN ANALYSIS	
	% of elements reported	OBSERVATIONS
HR3. Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained.	0%	<i>Walmex reports the number of training hours provided and number of employees trained, but it is not clear what the training consists of and how much of its content relates to human rights. There is some mention of human rights in its reporting on internal communications, but here again the focus seems to be on “respect, service and excellence” and its human rights content is unclear.</i>
SO3. Percentage of employees trained in organization’s anti-corruption policies and procedures.	0%	<i>Walmex does not distinguish between management and non-management personnel nor does it distinguish the training provided to each category.</i>

Key Findings and Concerns:



Freedom of association in Walmex retail stores

Walmex does not report at all on the presence of unions or collective bargaining agreements in its stores or in its supply chain. Walmex completely ignores the following GRI indicators:

LA4.Percentage of employees covered by collective bargaining agreements;

HR5. Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk, and actions taken to support these rights...

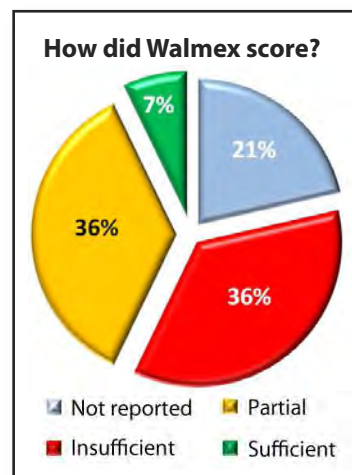
In its *2009 SRSD Report* the company reported for the first time on Indicator LA9, which refers to health and safety topics covered in formal agreements with trade unions. However the company only noted that health, safety and hygiene issues are covered by company rules and Fed-

eral Labor Law, making no mention of trade unions – reporting that was considered insufficient for Indicator LA9.

It is unfortunate that Walmex neglects to report on the presence of unions and collective agreements in its stores given that the company has been publicly criticized for utilizing “protection contracts” in stores throughout the country. A protection contract is a collective bargaining agreement signed by an employer and an “official union” or lawyer without the knowledge and/or consent of the workers covered by the agreement.* Most protection contracts in Mexico provide workers with few if any benefits beyond what they are entitled to by law.

The US State Department, the International Trade Union Confederation (ITUC) and Human Rights Watch have all recently issued statements on how protection contracts limit freedom of association in Mexico. All three have been drawing attention to this problem over many years.⁴⁸

The right of workers to choose whether or not to be represented by



a particular union is central to both the GRI standards and Wal-Mart’s own ethical standards.

The GRI defines freedom of association as follows: “Workers and employers may establish and join organizations of their own choosing without the need for prior authorization.”⁴⁹[emphasis added] The GRI references International Labour Organization Conventions 87 and 98

* Protection contracts “protect” employers because they serve to avoid genuine negotiations on wages and working conditions. Protection contracts typically require the company to meet only minimum legal obligations to workers, and are rarely changed through successive “re-negotiations”. Although protection contracts are technically legal documents since they have been registered with a Conciliation and Arbitration Board, they lack legitimacy because workers covered by these agreements do not have knowledge of such agreements or input into the negotiation process.

(on freedom of association and collective bargaining) as key elements in evaluating a company's observance of human rights.

Wal-Mart's Standards for Suppliers says that "suppliers must respect the right of workers to choose whether to lawfully and peacefully form or join trade unions of their choosing and to bargain collectively."⁵⁰ [emphasis added]

For these reasons, the presence of protection contracts in Walmex stores is of serious concern.

A chapter in the 2007 book *Protection Contracts in Mexico* that examined Walmex's stores in Mexico City lists 88 collective bargaining agreements covering Walmex stores registered with Mexico City's Local Conciliation and Arbitration Board.⁵¹ The Sindicato Nacional de Empleados y Trabajadores de Supermercados, Centros Comerciales Similares y Conexos de la República Mexicana, affiliated with the Confederación de Trabajadores Mexicanos (CTM) had title to the contracts for 43 stores and two administrative offices covering a total of 3,790 workers.⁵² The Asociación Sindical de Trabajadores, Empleados y Agentes de las Casas Comerciales, Similares y Conexos del Distrito Federal, also an affiliate of the CTM, had title to the contracts for 45 Walmex stores covering 2,960 workers. Although a thorough update of this 2007 study has not been conducted, a recent review of the collec-

tive bargaining agreements registered to Walmex in the Distrito Federal confirmed that between January 2008 and April 2010 these two unions registered an additional 102 contracts with Walmex.⁵³

According to the 2007 book, the 88 collective bargaining agreements were essentially the same, differentiated only by the name of the store that they covered.⁵⁴ These contracts offered workers little more than the minimums guaranteed by Mexico's Federal Labour Law while granting the company as much flexibility as legally possible with regards to workplace conditions such as working hours.⁵⁵

Notably, the majority of respondents to a telephone survey of 74 Walmex-owned stores in Mexico City in 2005 either denied, or were unaware of, the presence of a union at their store, even when the store had a collective bargaining agreement on record.⁵⁶ In a more recent set of interviews with 254 women workers in nine states in 2007 and 2008, 98% of the workers said they were not part of a union. Ninety-six percent of interviewees said the company did not inform them about any union at the store.⁵⁷

The proliferation of protection contracts within Walmex stores is an issue Walmex should address in policy, practice and, ultimately, in public reporting.



Freedom of association in the supply chain

In addition to Walmex's own stores, the company also needs to address the issue of union presence and risks related to freedom of association at supplier farms and factories both within and outside of Mexico. Unfortunately there is little information on these issues currently available. As noted above, Wal-Mart's *Standards for Suppliers* requires suppliers to respect freedom of association, but neither Walmex nor Wal-Mart reports to the public on instances of violations of this right within supplier factories.

Walmex does report that its suppliers must sign a Vendor Agreement that "includes a clause referring to compliance with labor law" and that a "Social Compliance program ... conduct[s] random labor compliance reviews through audits performed by an outside firm." However, Walmex provides little information on the program and/or the results of those audits, and provides no specific information on violations of freedom of association and collective bargaining rights or actions taken to address violations where they occur.



Environment

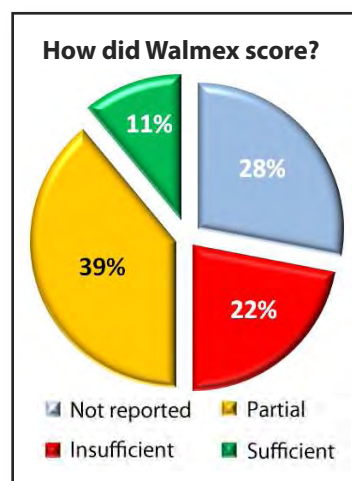
In order to assess a company’s impact on the environment and contribution to sustainable development, it is necessary to measure its use of resources, generation and disposal of wastes, where it is located and how its buildings, transportation networks and general operations affect its surroundings, and how the company evaluates and acts on the direct and indirect economic, social, health, and environmental implications of their decisions and activities.

The GRI indicators identified by RP-Mexico to best address the subject of the Environment relate primarily to energy, material and land use, waste management and recycling, water use and discharge, emissions, energy efficiency measures, and other environmental impacts.

Walmex reported sufficiently on only two of the 18 applicable indicators in this section (shown in green, facing page). These were, however, important indicators, EN5 and EN10, relating to reductions in energy and water use, respectively.

Walmex acknowledges that it does not report at all on four of the

18 applicable indicators in this section. As discussed below, Walmex’s explanation for not reporting on two of the indicators (EN20 and EN25 – shown in blue) was acceptable, however their claim that the other two did not apply to their business was deemed unacceptable, resulting in a zero grade for each of these indicators (shown in grey). The company also failed to report on another three indicators without explanation (also in grey). On the rest of the indicators that the company did report on, the company reported only partially on seven (in yellow) and insufficiently on four (in red).



Key Findings and Concerns:

Walmex devotes significant attention in its public reporting to waste reduction, energy use and resources. As one of Mexico’s largest corporations, even relatively small changes in the company’s daily practices can have very large impacts. A small reduction in energy use in one process, multiplied by thousands of stores, can produce very large energy savings across the whole company. This is one reason Wal-Mart’s environmental actions, both negative and positive, are highly significant.



Missing indicators

Walmex does not report on Indicators EN2, EN20, EN23, and EN25, saying they do not apply to its

type of business.

Indicator EN2 asks the company to measure the percentage of materials used that are recycled materials. This indicator *is* relevant to a company that builds multiple, large stores each year and could use recycled construction materials, reducing demand for new materials.

Indicator EN20 asks the company to report emissions of NOx, SOx, and other significant air emissions by type

and weight. Walmex should report on the emissions from its subcontracted trucking fleet, however, Walmex could report on these emissions under Indicator EN29, which looks at the environmental impacts of transporting products and materials (see below for further discussion of this indicator). For this reason we accept the company’s assertion that EN20 does not apply to their business.

Indicator EN23 asks the company to report on any spills (oil, fuel or chemicals), which could result from transportation, construction and cleaning operations, for example. It would be sufficient to report that

GRI INDICATORS	MSN ANALYSIS	
	% of elements reported	OBSERVATIONS
EN1. Materials used by weight or volume.	0%	Walmex reports only the amount of diesel used. The indicator asks for use of all renewable and non-renewable materials.
EN2. Percentage of materials used that are recycled input materials.	0%	Walmex says this indicator is not relevant to their business. It is relevant, however, especially regarding construction materials.
EN3. Direct energy consumption by primary energy source.	14.3%	Walmex only provides information on 1 required element of this indicator: non-renewable energy sources.
EN5. Energy saved due to conservation and efficiency improvements.	100%	
EN6. Initiatives to provide energy-efficient or renewable energy-based products and services, and reductions in energy requirements as a result of these initiatives.	33.3%	Walmex reports on energy use reductions for its stores and operations (properly reported under Indicator EN5), rather than reductions in the energy requirements of the products and services sold in 2009. When calculating reductions in the energy requirements of products, it is also necessary to document the company's assumptions on typical usage of the product (e.g. computer uses 10% less energy per average working day, assuming operation for 8 hours).
EN8. Total water withdrawal by source.	50%	In 2008, Walmex reports total water withdrawn. In 2009, the company says only that 100% was from municipal supplies, but does not report the total amount.
EN9. Water sources significantly affected by withdrawal of water.	0%	Not reported.
EN21. Total water discharge by quality and destination.	0%	Walmex only gives amount of water discharged per m2 of space, not total volume as required. It does not break down total volume by destination, method of treatment, and usage by another organization. It provides no information on quality of water discharged.
EN23. Total number and volume of significant spills.	0%	Indicator EN23 asks the company to report on any spills (oil, fuel or chemicals). It would be sufficient to report that there were no spills, if that is the case, rather than ignoring the question altogether.
EN10. Percentage and total volume of water recycled and reused.	100%	
EN22. Total weight of waste by type and disposal method.	50%	Walmex reports total amount of waste and the amount of waste by method of disposal (including recycling). It does not report the type of waste disposed (hazardous vs. non-hazardous) or its method of determination.
EN11. Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.	0%	Not reported.
EN12. Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas.	0%	Not reported.
EN25. Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organization's discharges of water and runoff.	N/A	This indicator does not apply to the company's business operations.

GRI INDICATORS	MSN ANALYSIS	
	% of elements reported	OBSERVATIONS
EN14. Strategies, current actions, and future plans for managing impacts on biodiversity.	0%	Walmex does not describe its strategy or assessments. Planting trees and recycling are more appropriately reported under other indicators.
EN16. Total direct and indirect greenhouse gas emissions by weight.	50%	Walmex provides no information on the methodology used to calculate emissions.
EN20. NOx, SOx, and other significant air emissions by type and weight.	N/A	This indicator does not apply to the company's business operations.
EN18. Initiatives to reduce greenhouse gas emissions and reductions achieved.	50%	Walmex reported initiatives and some quantitative data, including total greenhouse gas emissions, but the company does not provide total annual emissions reductions in tonnes of CO2 equivalent.
EN29. Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce.	33.3%	Walmex reports CO2 used in transportation and information on its reduction, but no information on other impacts (such as NOx, SOx and other air pollution), or on the methodology used for determining significant impacts. Walmex does report on steps to reduce trucking which would mitigate all impacts.
EN30. Total environmental protection expenditures and investments by type.	50%	Walmex reports on the costs of energy reduction, but does not report on costs for the reduction of wastes, or costs for the elimination/treatment of waste.

there were no spills, if that is the case, rather than ignoring the question altogether.

Indicator EN25 refers to water bodies significantly affected by the reporting company's discharge of water. This indicator is one that does not apply to Walmex's business. However, it should be noted that while the company is not required to report on discharges by suppliers, there may be significant water discharge issues with Walmex's suppliers in the agricultural and apparel sectors (e.g. jeans manufacturers).



Measuring impacts

For Indicators EN3, EN4, and EN21, the company reports impacts such as energy use and wastewater spillage "per square metre built" rather than totals across the company. According to the company's 2009 Annual Report, Walmex has approximately 4.4 million square metres of retail space across its vari-

ous divisions (not including the recent Wal-Mart Centroamerica acquisitions). Walmex's 2008 Annual Report notes another 1.7 million square metres of floor space at its distribution centres. Reporting total amounts, as required by the indicator, would provide the public with a better picture of the massive scale of Walmex environmental impacts and actions.

It is important to note that by the third quarter of 2010, Walmex had expanded floor space by adding another 133 stores.⁵⁸ As a result, while the company reported in 2009 that it would be reducing its energy use "per square metre built", given the planned expansion of floor space, Walmex's total environmental impact is actually increasing. This is why the GRI asks for both percentage and total measurements in most of its environmental indicators.



Calculating impacts

Many GRI Environmental Indicators provide specific formulas and methods for measuring impacts. Indicator EN16, for example, identifies a number of different methods for calculating greenhouse gas emissions, and asks the company to identify which method they use when reporting.

In its 2009 SRSD Report Walmex does not provide information on the methods used to calculate the figures reported under Environmental Indicators or whether these formulas conform to GRI standards. As a general rule, the company should provide information on how it collects and measures data for purposes of assuring reliability and to allow for meaningful comparisons.

Walmex did provide more detailed reporting on energy use and emissions, including sources of information, methods of calculation and total emission numbers in its 2008 Corpo-

rate Inventory Report on Greenhouse Gas Emissions⁵⁹ prepared for the GEI Mexico Program. Where more accurate and detailed data are publicly available, Walmex should provide a reference in its own *SRSR Report* so that the public can access these additional sources.



New store expansions

With regard to store expansions, it is significant that Walmex does not report on two environmental indicators related to biodiversity, without offering an explanation:

EN11. Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.

EN12. Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas.

The issue of biodiversity impacts of Walmex new store construction has been raised by Mexican citizens and civil society organizations in Mexico. One example concerns a 2007 proposed Walmex commercial centre in La Joyita, a 40 hectare forest in Xalapa, Veracruz. La Joyita is one of the last remaining areas of rainforest within Xalapa, beneath which lies a major source of groundwater that feeds the Las Ánimas lakes, a refuge

for local migratory birds.⁶⁰ Although construction had begun, after intense opposition from local citizens and environmentalists, in March 2008 the Veracruz environmental authority (Coordinación General de Medio Ambiente, CGMA) refused to accept the environmental impact assessment provided by the company, with the result that construction on the site was halted.⁶¹ According to Juan Carlos Olivo Escudero, chief of the Environmental Risk Assessment Department of the CGMA, the proponents of the development failed to provide a detailed study on the impact the project would have on local reptiles, mammals and vegetation.⁶²

In addition, there are undoubtedly risks of biodiversity impacts within Walmex supply chains, including those for agricultural products, seafood, and other items. For a company with the construction and sourcing footprint the size of Walmex's, measuring and reporting on the impact of its operations on biodiversity is essential. While the impacts themselves, if measured, may or may not be significant, the lack of information makes any full assessment of Walmex's environmental impacts impossible. However, it is worth noting that in its *Social Responsibility and Sustainable Development update* published on its website in October, the company included some information on actions to encourage soil conservation and reduction in the use of pesticides by suppliers, the importation of seafood products certified as "responsibly fished", and the use of certified forest products.⁶³



Trucking and transportation

Walmex reports that it has developed innovative programs to reduce the impact of its logistics network, especially with regard to greenhouse gases, which partially fulfills the requirements of GRI Indicator EN29.

EN29. Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce.

Walmex's reliance on massive supply chains with substantial transportation networks undoubtedly creates significant emissions and other environmental impacts. Walmex's efforts to reduce both costs and impacts in this area are welcome.

However, the GRI asks companies to report on the full range of impacts from transportation of goods and employees, including air pollution (NOx, SOx, and other air emissions), greenhouse gases, noise, packing waste, etc., using quantitative data. Companies are also asked to report on the criteria used to identify significant impacts. Walmex should improve reporting on this indicator in future reports.

Fair Operating Practices



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Fair operating practices concern the extent to which the company’s relationships with other companies, government agencies, competitors, and associations meet ethical and/or legal standards.

RP-Mexico identified two GRI indicators that best address the subject of Fair Operating Practices. EC6 asks for reporting on the use of locally-based suppliers, while SO7 asks for reporting on sanctions the company has received for anti-competitive behavior, anti-trust, and monopoly practices.

Walmex’s reporting on Indicator SO7 was considered sufficient. Reporting on Indicator EC6 was rated as insufficient as it satisfied only 25% of the required elements.

GRI INDICATORS	MSN ANALYSIS	
	% of elements reported	OBSERVATIONS
EC6. Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation.	25%	<i>Walmex provides no information on factors other than geography that affect choosing suppliers. It does appear the company has a practice of favouring Mexican suppliers, and while percentages of Mexican purchases are given, there is no definition of "local" provided so it is impossible to determine if the company has a genuine local purchasing policy.</i>
SO7. Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes.	100%	

Key Findings and Concerns:



Defining “local” in a globalized supply chain

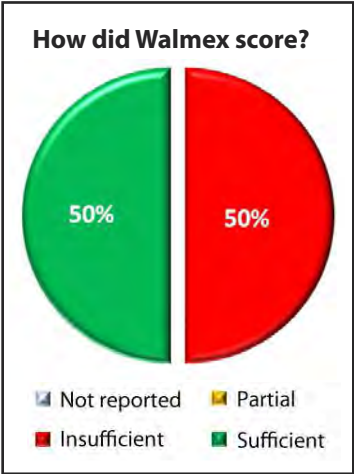
The company’s reporting on Indicator EC6 suffers from the absence of Walmex’s definition of “local” supplier, as required by GRI.

Walmex does identify percentages of products bought from Mexican suppliers, claiming that 86% of its suppliers are domestic, 92% of private label sales were from local suppliers and 95% of products sold in their stores are purchased in Mexico.⁶⁴

Based on its reporting on Indicator EC6, Walmex appears to be using a

working definition of “local” that considers the whole of Mexico as a local market. This makes it difficult to assess impacts on local communities,⁶⁵ the company’s support for local businesses, its relations with specific communities, and its efforts to reduce carbon emissions by limiting the distance that products must travel to market.⁶⁶

It is also important to note that a supplier may be based in Mexico and selling products in Mexico yet sourcing those products from other countries. Thus the claim that 95% of products were purchased in Mexico does not necessarily mean the prod-



ucts were manufactured or grown in Mexico.⁶⁷

U.S. exporters often use Mexican importers or distributors to deliver products to Mexican retailers.⁶⁸ For example, Grupo Almos S.A. de C.V. is a Mexico-based Walmex supplier, but Grupo Almos imports the frozen prepared foods it supplies to Walmex and other supermarket chains.⁶⁹ It is unclear in Walmex’s report whether Grupo Almos, amongst others, would be considered “local.”

While in some instances Walmex indicates that it is sourcing directly from Mexican producers (for example in meat products), information from the company on the quantity and value of products manufactured or grown in Mexico, the employment or other economic benefits provided to Mexican workers and communities, and the source of goods produced outside of Mexico is generally unclear or insufficient.



Supplier development

Despite its lack of specificity on the percentage of overall spending that is directed to “local suppliers,” the company’s report does

focus heavily on the involvement of Mexican suppliers in its business, including:

- A Supplier Development Program that advises small-and-medium-enterprises (SMEs) on improving “performance and quality and mak[ing] them more competitive”;
- A CAT-Mex (Textile Supply Chain) program aimed at developing “private label domestic textile suppliers”;
- Regional Fairs where “small and medium-sized producers” gain an opportunity to become Walmex suppliers; and
- A Supplier Advisory Board to “exchange ideas and promote best practices.”

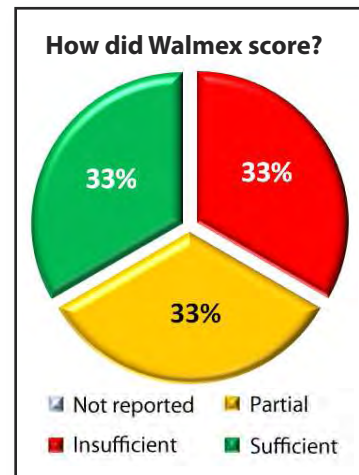


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Consumer Issues

Most companies and legal regimes recognize that business has responsibilities to its customers, including the provision of fair and accurate information about its products and services, using fair, transparent and helpful contractual processes, protection of health and safety, dispute resolution and redress, data and privacy protection, and access to essential products and services. Responsible companies also promote sustainable consumption, educate their customers, and design products and services that provide access to all and cater, where appropriate, to the vulnerable and disadvantaged.

The GRI indicators identified by RPPuentes to best address the subject of Consumer Issues focus on product labelling, consumer safety, and customer service. Walmex provided some information on all three indicators, however it reported sufficiently on only one indicator (PR5) and partially on one other (PR1). Reporting on the other indicator (shown in red, next page) did not meet any of the required elements and therefore earned ratings of “insufficient.”



Key Findings and Concerns:



Product labelling and health and safety

Walmex received low ratings on Indicators PR1 and PR3 because it did not provide adequate information on the analysis of health and safety impacts over the lifecycle of products, or on social and environmental product labelling requirements.

The company reports that products have expiry dates which are reviewed daily, and that a number of products are audited for quality and safety at Walmex's distribution centres and, for private label products, at

manufacturing facilities. Although Indicator PR1, asks the company to report whether it reviews and assesses potential health and safety impacts throughout the product's life cycle (including R&D, the product development stage, use, recycling and disposal), we gave Walmex points for reporting on the safety and quality assessments it does at the manufacturing and distribution stage. However, it is still unclear what percentage of product or service categories are assessed in this manner. Nor is it clear who is responsible for assessments of non-private label gen-

eral merchandise (eg toys, packaged foods, household goods, etc).

Walmex reports efforts to ensure compliance with Mexican product labelling regulations. Indicator PR3, however, asks companies to report whether additional social or environmental labelling information is required for product categories, including identifying components that might have environmental or social impacts, safe use instructions, or disposal instructions to minimize impacts.

GRI INDICATORS	MSN ANALYSIS	
	% of elements reported	OBSERVATIONS
PR1. Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures.	50%	<i>Walmex reports that it performs safety and quality inspections for a number of product categories at particular stages (eg at Distribution Centres) and, for private label products, at manufacturing facilities. There is no information on assessments for other stages of private label product life-cycles (e.g. R&D, use and disposal). It's not clear what is done to ensure quality and safety of branded general merchandise from other companies (e.g. toys, sports equipment, household goods) and therefore what percentage of overall product categories are assessed for health and safety compliance.</i>
PR3. Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements.	0%	<i>Walmex reports only about compliance with labelling laws. It does not report on the information required on labels or on the percentage of products labelled as such.</i>
PR5. Practices related to customer satisfaction, including results of surveys measuring customer satisfaction.	66.7%	<i>Walmex provides some information on a customer complaint call line (# of calls received and resolved) but it is not clear which services and locations the results apply to. Walmex did not provide results of customer complaint line for 2008.</i>

Community Involvement and Development



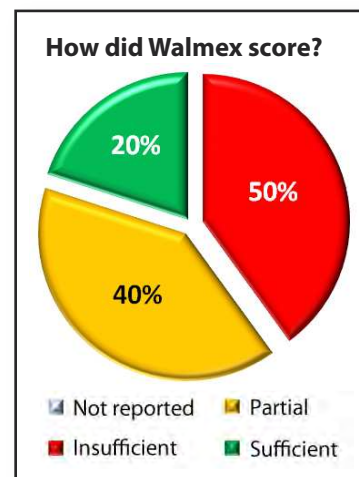
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Community involvement and development goes beyond simple philanthropy. While charitable works and giving are part of a company's contribution to the communities in which it operates, a company can have numerous economic and social impacts – direct and indirect, positive and negative. In addition to its own economic impacts, the company can also play a significant role in supporting local economic development initiatives, education and skills development programs, culture and the arts, and community health services, for example. On the negative side, a company may crowd out other local businesses or social and economic networks, drive down wages or working standards, or impose burdens on local services, infrastructure, or government.

The GRI indicators identified by RP-Mexico to best address the subject (Community Involvement and Development) include local social and economic impacts (both positive and negative) as well as relations with stakeholders.

The company reports some information on each of the 10 GRI indicators in this section.

Walmex reports sufficiently on two indicators, EC1 (concerning direct economic value generated) and 4.14 (which asks the company to report on stakeholders). Walmex provides partial information on four (shown in yellow, next page) but reports insufficiently by not meeting most of the required elements in the remaining four (in red).



GRI INDICATORS	MSN ANALYSIS	
	% of elements reported	OBSERVATIONS
EC1. Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments.	100%	<i>Walmex refers to its annual financial reports which, although not in a single table as suggested by GRI, do contain all relevant financial information.</i>
EC8. Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement.	50%	<i>Walmex describes extensive non-commercial services and facilities it provides to alleviate poverty and malnutrition, including both financial investments and volunteer hours. There is no mention of any community needs assessments.</i>
EC6. Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation.	25%	<i>Walmex provides no information on factors other than geography that affect choosing suppliers. It does appear the company has a practice of favouring Mexican suppliers. While percentages of Mexican purchases are given, there is no definition of "local" provided so it is impossible to determine if the company has a genuine local purchasing policy.</i>
EC7. Procedures for local hiring and proportion of senior management hired from the local community at significant locations of operation.	33.3%	<i>There is a policy for relocating employees to their own locality. The company reports that 99% of management and executives are Mexican, but fails to report whether they are considered "local". There is no definition of "senior management" or "local".</i>
EC9. Understanding and describing significant indirect economic impacts, including the extent of impacts.	33.3%	<i>Walmex provides some information on positive impacts including indirect employment, strengthening the textile sector, etc. There is no information on any impact assessment undertaken or on negative impacts, external benchmarks or stakeholder priorities used to determine significance.</i>
SO1. Nature, scope, and effectiveness of any programs and practices that assess and manage the impacts of operations on communities, including entering, operating, and exiting.	0%	<i>There is no reporting on impact assessments, methodology, what operations they apply to, effectiveness, or incorporation of feedback.</i>
GRI Governance, Commitments and Engagement Disclosure 4.14. Relationship with interest groups that the company has included.	100%	
GRI Governance, Commitments and Engagement Disclosure 4.15. Basis for identification and selection of stakeholders with which the organization is committed.	50%	<i>Walmex provides a weak definition of its stakeholders, and does not report the procedure it uses to identify them.</i>
GRI Governance, Commitments and Engagement Disclosure 4.16. Approaches to the inclusion of stakeholders, including frequency of engagement by type and category of interest groups.	0%	<i>Walmex does identify two types of approaches (a survey and a supplier advisory group). It does not discuss frequency of these approaches or whether Walmex has different approaches for each category of stakeholder.</i>
GRI Governance, Commitments and Engagement Disclosure 4.17. Main concerns and areas of concern which have arisen through the participation of interest groups and the way in which the organization has responded to them in the development of the report	0%	<i>Walmex says it reports on this indicator, but just refers to their mention of a supplier advisory council. It doesn't list any issues.</i>

Key Findings and Concerns:



Assessing community impacts

Undoubtedly Walmex has a significant impact on the economic life of communities throughout Mexico. It reports direct employment of over 170,000 associates. The company reports that it uses suppliers throughout Mexico that employ many more workers and that it has promoted Mexican small and medium enterprises (SMEs) through different company programs.

Wal-Mart has been accused in both the United States and Mexico of driving small one-unit retail stores out of business and of having negative impacts on retail workers by reducing wages and employment in the retail sector.

In the U.S., one study from the University of California - Berkeley found that Wal-Mart store openings reduced both average earnings and health benefits of local retail workers.⁷⁰ In particular, the arrival of a Wal-Mart store in a given metropolitan county was found on average to lead to a 1% and 1.5% earnings reduction for workers in the general merchandise and grocery sectors, respectively.⁷¹

Another study found that a Wal-Mart store opening reduced county-level retail employment in the U.S. by about 150 workers or 2.7%, implying that each Wal-Mart worker replaced approximately 1.4 retail workers.⁷²

While these studies are not necessarily representative of the situation in Mexican retail and labour markets, concerns about the potential negative effects of Wal-Mart on retail sector jobs have been raised repeatedly in Mexico as well.⁷³ A recent article in the Mexican daily *La Jornada*, for example, reported that within three months of a December 2009 Walmex

store opening in a neighbourhood in Puebla, eight out of 17 small retail stores in the immediate area went bankrupt.⁷⁴ In March 2009, Julio Galardo Martini, president of the National Chamber of Commerce (Canaco) of Atlixco, Puebla, claimed that the opening of a Bodega Aurrera seven years earlier in that municipality had resulted in the closure of 500 retail units and a loss of 1,500 jobs.⁷⁵

There is a need for independent, comprehensive and reliable research on the social and economic impacts of Walmex stores in Mexico. In the meantime, Walmex could contribute to addressing these concerns by reporting more fully on its own impact assessments.

Walmex does report on some of its positive direct economic impacts. When asked under Indicator EC9 to describe significant *indirect* economic impacts, Walmex reports that it has:

- created more than 24,400 indirect jobs;
- saved \$11.4 billion pesos for customers based on “price spread”;
- strengthened the country’s textile industry and indigenous product sales; and
- made medicines, products and services available to low income people.⁷⁶

The company does not report – as required by this indicator – on *how* economic impacts are measured, and provides no measurements of negative impacts. Further, no external standards are used to measure these impacts. Stakeholders reviewing the company’s performance are dependent wholly on Walmex’s self-evaluation, based on undisclosed standards.

Indicator SO1 requires companies to report on the nature, scope, and ef-

fectiveness of any programs and practices that assess and manage the impacts of operations on communities, including entering, operating, and exiting. Walmex repeats the list of local benefits outlined above (Indicator EC9) without providing any additional information.

Nor does the company report on how it assesses its economic and social impacts on communities when deciding where to establish new stores, how data is collected, how communities are engaged in assessment, or how Walmex mitigates negative impacts when they are found.

Although not specifically required to do so by these two GRI indicators, as a company with a large base of suppliers, Walmex should also report on how it assesses impacts of decisions to reduce or cease placing orders with particular suppliers, and how it mitigates the negative impacts of those decisions.⁷⁷



Stakeholder engagement

Walmex reports for the first time on engagement with stakeholders in its *2009 SRSD Report*. Walmex identified shareholders, customers, community, suppliers and “associates” as stakeholders. Notably absent, though suggested by GRI, is any reference to “civil society.”⁷⁸ The company reports that it conducted an opinion poll in three states to determine stakeholder expectations, and that it has also developed a Supplier Advisory Council to collect feedback from suppliers.

The company’s reporting on the following GRI Governance, Commitments and Engagement Disclosures, however, remains weak:

* Civil society generally refers to voluntary associations, community groups, NGOs, trade unions, faith groups, etc.

4.16. Approaches to the inclusion of stakeholders, including frequency of engagement by type and category of interest groups

4.17. Main concerns and areas of concern which have arisen through the participation of interest groups and the way in which the organization has responded to them in the development of the report

Engagement with stakeholders, both those who are supportive and those who are more critical, is an important element in corporate social responsibility programs. Constructive engagement with critics and outside experts can potentially assist a company in improving its corporate responsibility programs and, in turn,

make those programs more credible and reliable.

Walmex does not discuss its approach, strategy or timeline for engagement with outside stakeholders on its corporate responsibility programs or reporting, and more importantly it does not report any of the feedback or concerns raised by stakeholders.

Some companies involve outside stakeholders in reviewing their social responsibility reports to ensure that they are meeting community expectations. Gap Inc. and Nike, for example, both establish outside oversight committees that are empowered to review and comment on the company's social responsibility reporting, advising the company on its contents and providing commentary for inclusion in the publication.⁷⁸ Wal-Mart Canada also consults a range of

stakeholders annually in preparation for its own report.⁷⁹

The value of stakeholder review and involvement in a company's CSR reporting cannot be underestimated. It allows the company to better understand what issues need special attention, and to determine what additional indicators or data are necessary to address those issues. Without stakeholder engagement and feedback, the company risks underreporting on key stakeholder concerns and/or fostering misunderstandings among stakeholders about the company's own concerns and limitations in its public reporting. Through good-faith stakeholder engagement, Walmex could better determine how to ensure its CSR reporting is comprehensive, relevant and reliable.



D. General conclusions

Transparency is not an end in itself. Rather it is one tool that a company can use to inform its customers and other stakeholders of its social and environmental policies and practice and to engage with a range of stakeholders in order to improve practice within its own operations and throughout its supply chain.

Good CSR reporting provides meaningful, reliable data and thoughtful analysis of the challenges facing a company and the approaches the company is taking to meet these challenges. Good reporting is also measurable against exter-

nal benchmarks, so that the public is not entirely reliant on a company's word on its own performance. Lastly, good reporting includes measurable future targets for improved performance and follow-up in subsequent reports.

We have reviewed Walmex's annual CSR reports not only to assess the quality of the company's reporting, but to begin a dialogue with the company based on publicly available information about their social and environmental policies, practices and impacts. As companies improve their CSR reporting, they often find that

new opportunities arise for constructive engagement, collaboration and innovation. Increased access to information for both critics and customers can open the door to constructive dialogue.

It is our hope that, by adopting better reporting practices and addressing the recommendations presented here, Walmex will begin a process of engagement with various stakeholders that can lead to new and better practices throughout its operations.

Findings

As mentioned in the introduction, Walmex is one of the only retailers in Mexico to issue an annual CSR report, and its reports are substantially more complete in both scope and depth than those of its competitors. Walmex has broadened the scope of its reporting since it first began issuing social responsibility reports in 2004. Since 2007, Walmex has

been one of a very few companies in Mexico (and the only retailer) to index its CSR report to GRI indicators, which provide clearly defined measurements of the desired content and scope of social responsibility reporting. Furthermore, the company is clearly undertaking initiatives to address some key issue areas, such as environmental impacts and

supplier development.

For these reasons, Walmex's *2009 Social Responsibility and Sustainable Development Report* is clearly a step in the right direction for Mexican retailers.

However, Walmex's *2009 SRSD Report* presents an incomplete picture of the company's social responsibility programs and their impacts.

Specific concerns with Walmex reporting on each indicator are outlined in the matrix in Appendix B. Further discussion on some of these concerns is outlined within the body of this report. Leaving aside smaller concerns with reporting on individual indicators and their elements, we noted thirteen significant deficiencies in the 2009 report, listed in no particular order of importance:

- Walmex does not report on union presence or freedom of association within its own operations or its supply chain, despite this being a major concern raised by Mexican stakeholders and a GRI requirement;
- Walmex does not report on the results of supplier screening or auditing, nor does it refer the reader to other sources (e.g. Wal-Mart Stores Inc.) for that data;
- Walmex does not report on any monitoring programs or efforts to ensure that agricultural products sold in Walmex stores are not produced using child labour;
- Walmex's reporting on a number of employee data indicators is insufficient. Failure to report on workforce composition by category, including status and turnover, for example, makes it difficult to identify and act on potential gender and/or other forms of discrimination in the workplace;
- Walmex's reporting on its Youth Bagger Program fails to address concerns expressed by stakeholders or to provide adequate assurances that the rights of children and young workers are being respected;
- Despite its considerable size and economic power, Walmex does not report on its government relations programs, including public policy positions and lobbying;
- Walmex does not make clear how it calculates environmental impacts under a number of indicators, making their reported results difficult to assess;
- Walmex neglects to report on a number of environmental indicators;
- The company does not report on the results of any engagement with stakeholders or on any program to solicit input from civil society stakeholders;
- Walmex did not report any linkages in compensation of senior management, executives and board members to the performance of the company, including performance on social and environmental issues;
- Wall-Mex does not appear to measure negative economic impacts on communities, nor does it indicate how its positive economic impacts are measured;
- Walmex does not define key terms such as "local" when making claims about sourcing from Mexico, rendering it impossible to fully assess the company's economic impacts; and
- Walmex appears to under-report fines, sanctions and formal complaints levelled against it.

Some of the deficiencies noted above can be resolved by more thorough reporting or explanation of existing data. Some require the collection, analysis and presentation of additional data by the company. Some are merely a matter of more fully adopting GRI formulas and requirements as a standard for reporting.

Others, however, go beyond the question of public reporting and point to deeper policy issues and practices that require consideration by the company. For example, the presence of "protection contracts" in Walmex stores and supply chain is an issue that will require a range of actions to ensure that Walmex workers are aware of their rights and have access to existing collective bargaining agreements and to their union representatives, and can freely select those representatives. While transparent reporting on these issues would be a step forward, reporting alone is not sufficient to seriously address these issues. A number of recommendations addressing Walmex policy and practice are therefore included below.

Recommendations

Below we present a number of recommendations that flow from our analysis of the Walmex 2009 SRSD Report.

1. Improve Walmex public reporting:

- a) Pay closer attention to all of the specific requirements of each GRI indicator in order to ensure that reporting fully addresses the applicable issue in a consistent and reliable manner.
- b) Clearly define terms and methodologies used so that the public can better understand the meaning of claims made in the social responsibility report. Where the company's terms and/or methodologies are different from the GRI terms and methodologies, explain the reasons for the use of different terms and methodologies.
- c) Expand the number of GRI indicators addressed in Walmex reports to include areas not covered in 2009, including union presence, employee data broken down by gender and other relevant employee characteristics such as ethnicity, impacts on areas of high biodiversity value, environmental impacts of supply chain operations, and stakeholder engagement.
- d) Where the company does not report on a particular indicator, provide an explanation for its omission. If the company's reporting on an indicator is found in another location (e.g. company website, annual report, or other report), provide an explanation and link to the appropriate materials.
- e) Where applicable, compare the current year's results for each indicator with the prior year's results, reporting not only the required data for each year but also any variances from year-to-year.
- f) Where appropriate, differentiate by gender when reporting on Walmex operations, impacts, mitigation strategies and supplier compliance in order to ensure that impacts on women are identified and addressed. The GRI's *Embedding Gender in Sustainability Reporting* publication may provide additional guidance on gender-specific reporting.
- g) Expand reporting on supply chain issues including human and labour rights compliance and environmental performance. A variety of additional indicators that may be used for supply chain reporting can be found in the GRI's *Apparel and Footwear Sector* and *Food Processing Sector Supplements*. Where these areas are being addressed by Wal-Mart's international Ethical Standards or Global Sourcing divisions, provide explanations and links to the appropriate materials.

2. Improve Walmex policy and performance:

Public Policy and Lobbying

- a) Where Walmex is taking public policy positions that may impact on worker rights, the environment, and/or community development, these positions and activities should be a) transparent, and b) developed in social dialogue with relevant stakeholders including civil society organizations.

Youth Bagger Program

- b) Address stakeholder concerns with the Youth Bagger Program by initiating – on its own or in cooperation with ANTAD — a transparent third-party investigation to determine whether adolescents engaged in the Youth Bagger Program are working under terms and conditions that comply with the 1999 Agreement and the Federal Labour Law. Such an investigation should be carried out by a credible organization that is acceptable to Walmex and civil society stakeholders, and the investigative findings and recommendations for changes in the program and/or corrective action should be made available to the public.

Freedom of Association

- c) Ensure that workers in Walmex stores and throughout the Walmex supply chain that are covered by a Collective Bargaining Agreement (CBA) are aware of the identity of the union that holds title to the CBA and have access to a copy of the current CBA. The company and its suppliers should maintain a policy of non-interference in a union's internal affairs, including in the democratic election of union representatives and in authentic bilateral and collective bargaining, and should strictly enforce Wal-Mart's prohibition on retaliation against any workers who exercise their rights to freedom of association and collective bargaining.
- d) Facilitate training for workers and management personnel at Walmex stores on freedom of association, including training on international labour Conventions and Human Rights Declarations, national laws, and company policies and expectations. Such training should be carried out by credible and independent trade union organizations, labour rights NGOs, or academic institutions of higher learning.

Stakeholder Engagement

- e) Develop and implement a plan for ongoing stakeholder engagement including
 - i) Participation in fora organized by multi-stakeholder initiatives within Mexico and the region, involving companies, NGOs, trade unions and governments where applicable;
 - ii) Establishing direct dialogue with NGOs, independent unions, and other key civil society actors raising concerns with specific aspects of Walmex's operations; and
 - iii) Stakeholder review, including civil society actors, of future social responsibility reporting.

Supplier Standards and Compliance

- f) Develop, implement and report on, in cooperation with Wal-Mart Stores Inc. where applicable, a policy and plan of action to ensure that *all* Walmex suppliers are complying with labour and environmental laws, international Conventions and Declarations, and code of conduct standards, and to ensure that Walmex's own buying practices support and promote social compliance and decent work at the supplier level. This plan of action should pay special attention to specific risks identified in the Mexican context, including the well-documented risk of child labour within the agricultural sector and the presence of protection contracts in retail stores and supplier facilities.

Appendix A:

Company Profile

History⁸⁰

In 1991, Mexican Grupo Cifra S.A., whose holdings included grocery chains Aurrera (first opened in 1958) and Superama, discount store Bodega Aurrera, clothing retailer Suburbia and restaurant chain Vips, signed a joint venture agreement with Wal-Mart Stores Inc. to operate stores in Mexico. The first Sam's Club opened in Mexico later that year.

In 1993, the companies began to convert the Aurrera supermarkets into Wal-Mart Supercenters. In 1994 Vips restaurants and Suburbia retail stores were added to the CIFRA-Wal-Mart joint venture.

In 1997 Wal-Mart and Grupo Cifra merged, becoming Cifra S.A. de C.V. Wal-Mart acquired a controlling interest in this new company, although Cifra remained a public company. Cifra continued to operate all Wal-Mart's businesses in Mexico, including Aurrera, Bodega Aurrera, Sam's Club, Suburbia, Superama, Vips, and Wal-Mart Supercenters.

In 2000 shareholders approved a name change for the company from Cifra S.A. de C.V. to Wal-Mart de Mexico S.A. de C.V. By 2001, all the Aurrera stores had been converted into 24 Wal-Mart Supercenters and 10 Bodegas Aurrera. In 2007, Walmex launched its Banco Wal-Mart banking business.

By 2009, Walmex had become the largest private employer in Mexico operating 1,472 units throughout 265 cities nationwide, including self-service stores, membership wholesale clubs, apparel stores, and restaurants.⁸¹ The company had a market capitalization value of 491.7 billion

pesos as of December 31, 2009.⁸²

In December of 2009, Walmex announced it had purchased Wal-Mart Centroamerica (Central America) adding 519 stores to the company in Guatemala, El Salvador, Costa Rica, Honduras and Nicaragua.⁸³

Store formats

Walmex has more than 2,122 units throughout Mexico and Central America mainly in the grocery, clothing and restaurant sectors. Walmex's stores include several different formats that cater to different sections of the market. Walmex's formats include:⁸⁴

- Superama
- Wal-Mart Supercenters
- Sam's Club
- Bodega Aurrera stores
- Suburbia
- Vips restaurants (Porton, Ragazzi, Café San Remo, etc)

The company has also entered the banking sector in Mexico, opening its first branches of Banco Wal-Mart in 2007. As of October 2010, there were 240 Banco Wal-Mart branches in 26 cities in Mexico, with over 400,000 accounts.⁸⁵

The company has opened another 133 stores (120 in Mexico) so far this year.⁸⁶

Corporate structure

Walmex is majority owned by Wal-Mart Stores Inc. and, like most Wal-Mart national and regional companies, its operations are highly integrated with the global company, especially with regard to product sourcing and ethical standards.

At the national level Walmex is led by a ten-member Board of Directors. The current Chairman of the Board is Eduardo Solórzano.⁸⁷

The Chief Executive Officer is accountable to and appointed by the Board.⁸⁸ The current CEO is Scot Rank. Following Walmex's acquisition of Wal-Mart Centroamerica, former Walmex CEO Eduardo Solórzano was promoted to Chief Executive for Wal-Mart Latin America.⁸⁹

Workforce

Size:

As of September 2010, Walmex employs 204,723 "associates" throughout its businesses in Mexico and Central America.⁹⁰ According to the company's 2009 SRSD Report, 90% of its workers in 2009 were permanent full-time employees, while 6% were temporary full-time "associates." The company reports an additional 3% permanent part-time employees, 0.6% temporary part-time employees, and 16,542 temporary employees hired only for the Christmas season.⁹¹

Women:

The company reports that women account for 53% of its workforce. That percentage drops significantly as one moves up the management chain with only 15% of Vice Presidents being women. Walmex says that in 2009 women comprised 50% of the Board of Directors and 67% of the Audit and Corporate Practices Committees.⁹²

Children:

Walmex reports that in 2009 it had a total of 23,187 “youth baggers” between the ages of 14 and 16, of which 10,405 received “incentives.” These incentives, which totalled 3.2 million pesos in 2009, were given “for baggers with outstanding grades, awards for sports and different events.”⁹³

Market share

Walmex is the largest retailer in Mexico and the largest private sector employer. The company had net sales of almost \$235 billion pesos in the first three quarters of this year alone,⁹⁴ more than triple those of its largest competitor, and more than double those of its two major competitors combined. Walmex’s largest competitor is Organización Soriana S.A., which runs the Soriana supermarket

chain,⁹⁵ followed by Controladora Comercial Mexicana S.A, which owns a number of different stores in Mexico including Comercial Mexicana, Mega, Bodega, Costco and California Restaurantes.⁹⁶

Suppliers

Wal-Mart defines a “supplier” as “a company that sells merchandise to Wal-Mart,”⁹⁷ which can mean a manufacturer or grower, an importer, or a branded company that subcontracts production to other suppliers. Walmex reported using a total of 14,270 suppliers in 2008⁹⁸ and 17,129 in 2009.⁹⁹

Awards

Walmex reports that it received numerous corporate social responsibil-

ity awards in 2009.¹⁰⁰ While the list of awards appears impressive, the company does not provide any information on the criteria or evaluation methods used to determine the recipients of these awards. For example, Walmex reports that it received a “Socially Responsible Company” award from the Mexican Center for Philanthropy (CEMEFI) and the Alliance for Social Responsibility (AliaRSE) for the ninth year in a row. A closer look at the award shows that it is based on self-reported information and the payment of a subscription fee (\$50,000 in 2010 for companies with over 250 employees). CEMEFI itself says the award is “not to be confused with a certification as it makes no provision for auditing or direct inspection procedures by the promoting agencies.”¹⁰¹

Appendix B: GRI Indicators and Elements

Indicator	Elements	Reported: Yes/No	Rating (%)	Comparable to last year?	Comments
Organizational Governance					
EN28. Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.	Administrative or judicial sanctions for failure to comply with environmental laws and regulations.	<input checked="" type="checkbox"/>	50	<input checked="" type="checkbox"/>	Walmex reports that there were no significant fines recorded; it does not clarify whether there were any non-monetary sanctions applied.
	Significant fines and non-monetary sanctions.	<input checked="" type="checkbox"/>			
SO8. Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.	Administrative or judicial sanctions levied against the organization for failure to comply with laws or regulations.	<input checked="" type="checkbox"/>	100	<input checked="" type="checkbox"/>	
	Report significant fines and non-monetary sanctions in terms of: Total monetary value of significant fines; Number of non-monetary sanctions; and Cases brought through dispute resolution mechanisms.	<input checked="" type="checkbox"/>			
PR9. Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services.	Administrative or judicial sanctions levied against the organization for failure to comply with laws or regulations, including international declarations/conventions/ treaties, and national, sub-national, regional, and local regulations concerning the provision and use of the reporting organization's products and services.	<input checked="" type="checkbox"/>	100	<input checked="" type="checkbox"/>	
	Total monetary value of significant fines.	<input checked="" type="checkbox"/>			
PR2. Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services, by type of outcomes.	Total number of incidents of non-compliance with regulations and voluntary codes concerning the health and safety of products and services during the reporting period.	<input checked="" type="checkbox"/>	100	<input checked="" type="checkbox"/>	
		<input checked="" type="checkbox"/>			
PR4. Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes.	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labelling during the reporting period.	<input checked="" type="checkbox"/>	100	<input checked="" type="checkbox"/>	
		<input checked="" type="checkbox"/>			
PR7. Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship, by type of outcomes.	Total number of incidents of non-compliance with regulations concerning marketing communications during the reporting period.	<input checked="" type="checkbox"/>	100	<input checked="" type="checkbox"/>	

Indicator	Elements	Reported: Yes/No	Rating (%)	Comparable to last year?	Comments
PR8. Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data.	Total number of complaints regarding breaches of customer privacy during the reporting period.	<input checked="" type="checkbox"/>	100	<input checked="" type="checkbox"/>	
	Complaints received from outside parties and substantiated by the organization.	<input checked="" type="checkbox"/>			
	Complaints received from outside parties and substantiated by the organization.	<input checked="" type="checkbox"/>			
EC4. Significant financial assistance received from government.	Tax relief/credits; Subsidies; investment grants, research and development grants, and other relevant types of grants; Awards; Royalty holidays; Financial assistance from Export Credit Agencies (ECAs); Financial incentives; and Other financial benefits received or receivable from any government for any operation.	<input checked="" type="checkbox"/>	0	<input checked="" type="checkbox"/>	Walmex reports only on direct financial aid. It does not address any of the other required categories (e.g. tax relief, subsidies, other financial incentives), and does not report on government presence as shareholder (if any).
	Report whether the government is present in the shareholding structure.	<input checked="" type="checkbox"/>			
SO2. Percentage and total number of business units analyzed for risks related to corruption.	Total number of business units analyzed for risks related to corruption.	<input checked="" type="checkbox"/>	100	<input checked="" type="checkbox"/>	
	Percentage of business units analyzed for risks related to corruption.	<input checked="" type="checkbox"/>			
SO3. Percentage of employees trained in organization's anti-corruption policies and procedures.	Total number of employees, distinguishing between management and non-management employees, using the data from LA1.	<input checked="" type="checkbox"/>	0	<input checked="" type="checkbox"/>	Walmex does not distinguish between management and non-management personnel nor does it describe the training provided to each category.
	Percentage of total number of management and non-management employees who have received anti-corruption training during the reporting period.	<input checked="" type="checkbox"/>			
SO4. Actions taken in response to incidents of corruption.	The total number of incidents in which employees were dismissed or disciplined for corruption.	<input checked="" type="checkbox"/>	100	<input checked="" type="checkbox"/>	
	The total number of incidents when contracts with business partners were not renewed due to violations related to corruption.	<input checked="" type="checkbox"/>			
	Report any concluded legal cases regarding corrupt practices brought against the reporting organization or its employees during the reporting period and the outcomes of such cases.	<input checked="" type="checkbox"/>			
GRI Governance, Commitments and Engagement Disclosure 4.1. The governance structure of the organization, including committees under the highest governance body responsible for tasks such as setting strategy or organizational oversight	Describe the mandate of such committees.	<input checked="" type="checkbox"/>	66.7	<input checked="" type="checkbox"/>	In its 2009 SRSD Report, Walmex reports the mandate and composition of the three Board committees, but does not identify direct responsibility for social and environmental performance.
	Describe the composition (including number of independent members and/or nonexecutive members) of such committees	<input checked="" type="checkbox"/>			
	Indicate any direct responsibility for economic, social, and environmental performance.	<input checked="" type="checkbox"/>			

Indicator	Elements	Reported: Yes/No	Rating (%)	Comparable to last year?	Comments
GRI Governance, Commitments and Engagement Disclosure 4.5. Linkage between compensation for members of the highest governance body, senior managers and executives (including departure arrangements), and the organization's performance (including social and environmental performance)	Linkage between compensation for members of the highest governance body, senior managers, and executives (including departure arrangements), and the organization's performance (including social and environmental performance).	<input checked="" type="checkbox"/>	0	<input checked="" type="checkbox"/>	Walmex reports only that associates receive productivity bonuses; it is required to report on compensation for executives and senior management.
	EC1. Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments.	Revenues: Net sales plus revenues from financial investments and sales of assets Operating costs: Payments to suppliers, non-strategic investments, royalties, and facilitation payments Employee wages and benefits: Total monetary outflows for employees (current payments, not future commitments) Payments to providers of capital: All financial payments made to the providers of the organization's capital. Payments to government: Gross taxes Community investments: The amount included should account for actual expenditures in the reporting period, not commitments.	<input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input checked="" type="checkbox"/>	100	<input checked="" type="checkbox"/>
SO5. Public policy positions and participation in public policy development and lobbying.	Report the significant issues that are the focus of the reporting organization's participation in public policy development and lobbying.	<input checked="" type="checkbox"/>	0	<input checked="" type="checkbox"/>	Walmex does not report on the issues it addresses in public lobbying, or the positions it takes.
	Report the core positions held on each of the reported issues above and explain any significant differences between lobbying positions and stated policies, sustainability goals, or other public positions.	<input checked="" type="checkbox"/>			
Human Rights					
HR4. Total number of incidents of discrimination and actions taken.	Report the total number of incidents of discrimination during the reporting period.	<input checked="" type="checkbox"/>	100	<input checked="" type="checkbox"/>	
	Report the status of the incidents and the actions taken.	<input checked="" type="checkbox"/>			
HR9. Total number of incidents of violations involving rights of indigenous people and actions taken.	Report the total number of identified incidents involving indigenous rights during the reporting period.	<input checked="" type="checkbox"/>	100	<input checked="" type="checkbox"/>	
	Report the status of the incidents and actions taken.	<input checked="" type="checkbox"/>			

Indicator	Elements	Reported: Yes/No	Rating (%)	Comparable to last year?	Comments
HR1. Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening.	Percentage of significant investment agreements that include human rights clauses or that have undergone human rights screening. Total number of significant investment agreements that include human rights clauses or that have undergone human rights screening.	<input checked="" type="checkbox"/>	0	<input checked="" type="checkbox"/>	Walmex's reporting on this indicator addresses Indicator HR2 , regarding supplier agreements, not investment agreements.
HR2. Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken.	Percentage of contracts with significant suppliers and contractors that included criteria or screening on human rights. Percentage of contracts with significant suppliers and contractors that were either declined or imposed performance conditions, or were subject to other actions as a result of human rights screening.	<input checked="" type="checkbox"/> <input checked="" type="checkbox"/>	50	<input checked="" type="checkbox"/>	Walmex reports that all supplier agreements have a clause regarding labour law compliance. It notes a number of audits, but provides no data on audit results.
HR6. Operations identified as having significant risk for incidents of child labor, and measures taken to contribute to the elimination of child labor.	Identify operations considered to have significant risk for incidents of: Child labour; and/or Young workers exposed to hazardous work. Report on any measures taken by the organization in the reporting period intended to contribute to the elimination of child labour.	<input checked="" type="checkbox"/> <input checked="" type="checkbox"/>	100	<input checked="" type="checkbox"/>	Walmex reports on operations it considered to have significant risk for incidents of child labour; technically fulfilling the reporting requirements for this indicator. However it makes no mention of the well-established risk of child labour at its Mexican agricultural suppliers nor any programs to assess or mitigate that risk.
HR7. Operations identified as having significant risk for incidents of forced or compulsory labor, and measures taken to contribute to the elimination of forced or compulsory labor.	Identify operations considered to have significant risk for incidents of forced or compulsory labour. Report on any measures taken by the organization in the reporting period intended to contribute to the elimination of forced or compulsory labour.	<input checked="" type="checkbox"/> <input checked="" type="checkbox"/>	100	<input checked="" type="checkbox"/>	Walmex reports that its own operations comply with labour laws, which include prohibitions on forced labour; that vendor agreements require compliance with labour law; and that some suppliers are audited for compliance with labour law. While technically fulfilling the requirements of this indicator, Walmex should say more about the risk of forced labour – especially the risk of forced overtime hours and withholding migrant workers' travel documents – within its supply chain, both of which have been documented previously by Wal-Mart's supplier audits.
HR8. Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights that are relevant to operations.	Percentage of security personnel who have received formal training in the organization's policies on, or specific procedures for, human rights issues and their application to security. Report whether training requirements also apply to third party organizations providing security personnel.	<input checked="" type="checkbox"/> <input checked="" type="checkbox"/>	50	<input checked="" type="checkbox"/>	Walmex makes no mention of whether the training being required for its security personnel is also required for any personnel contracted from third-party organizations. Nor does it report the total number of security personnel.
Labour Practices					
LA1. Total workforce by employment type, employment contract, and region.	Report the total workforce broken down by region, using a geographic breakdown based on the scale of the organization's operations. Identify the total workforce (employees and supervised workers) working directly for the reporting organization at the end of the reporting period. If a substantial portion of the organization's work is performed by workers who are legally recognized as self-employed, or by individuals other than employees or supervised workers, this should be reported.	<input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input checked="" type="checkbox"/>	50	<input checked="" type="checkbox"/>	Walmex reports the size of workforce; break down of permanent vs. temporary; part-time vs. full time; and number of seasonal workers. The company also reports seasonal variation due to Christmas employment. It does not report geographic distribution, or breakdown between supervisors and other staff.

Indicator	Elements	Reported: Yes/No	Rating (%)	Comparable to last year?	Comments
	Report the total number of employees broken down by type of employment contract.	<input checked="" type="checkbox"/>			
	Report the total number of permanent employees broken down by employment type.	<input checked="" type="checkbox"/>			
	If applicable, explain any significant seasonal variations in employment numbers (e.g., in the tourism or agricultural industries).	<input checked="" type="checkbox"/>			
LA2. Total number and rate of employee turnover by age group, gender, and region.	Report the total number and rate of employees leaving employment during the reporting period.	<input checked="" type="checkbox"/>	0	<input checked="" type="checkbox"/>	Does not report.
	Broken down by gender, age group (e.g., <30; 30-50; >50), and region.	<input checked="" type="checkbox"/>			
LA13. Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity.	Identify the diversity indicators used by the reporting organization in its own monitoring and recording that may be relevant for reporting.	<input checked="" type="checkbox"/>	0	<input checked="" type="checkbox"/>	Walmex does not break down numbers in each level of employment, does not list diversity indicators that the company uses internally, does not report fully on minority group membership or age breakdown in its work force, and does not break down composition of management and board by age/minority groups.
	Report the percentage of employees in each of the following categories: (% of employees) Gender: Female / Male; Minority groups; Age groups: Under 30 years old, 30-50 years old, over 50 years old	<input checked="" type="checkbox"/>			
	Report the percentage of individuals within the organization's governance bodies (e.g., the board of directors, management committee, or similar body for non-corporate reporting organizations) in each of the following categories: Gender: Female / Male; Minority groups; Age groups: Under 30 years old, 30-50 years old, over 50 years old	<input checked="" type="checkbox"/>			
LA4. Percentage of employees covered by collective bargaining agreements.	Identify the total number of employees covered by collective bargaining agreements.	<input checked="" type="checkbox"/>	0	<input checked="" type="checkbox"/>	Does not report.
	Report the percentage of total employees covered by collective bargaining agreements.	<input checked="" type="checkbox"/>			
HR5. Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk, and actions taken to support these rights.	Report operations identified in which employee rights to exercise freedom of association or collective bargaining may be at risk.	<input checked="" type="checkbox"/>	0	<input checked="" type="checkbox"/>	Does not report.
	Report on any measures taken by the organization in the reporting period intended to support rights to freedom of association and collective bargaining.	<input checked="" type="checkbox"/>			
	Measures taken to protect those rights.	<input checked="" type="checkbox"/>			
LA14. Ratio of basic salary of men to women by employee category.	Identify the basic salary for women and for men in each employee category.	<input checked="" type="checkbox"/>	50	<input checked="" type="checkbox"/>	Walmex reports on the ratio of male/female salaries, but not on base salaries in each pay bracket. Walmex says there are no differences in base salaries between men and women at any position.
	Report the ratio of the basic salary of women to the basic salary of men for each employee category.	<input checked="" type="checkbox"/>			
LA3. Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations.	Identify benefits offered to all employees.	<input checked="" type="checkbox"/>	100	<input checked="" type="checkbox"/>	
	Report which of the following benefits are standard for full-time employees of the organization but are not provided to temporary or part-time employees, by major operations: Life insurance; Health care; Disability/invalidity coverage; Maternity/paternity leave; Retirement provision; Stock ownership; and Others.	<input checked="" type="checkbox"/>			

Indicator	Elements	Reported: Yes/No	Rating (%)	Comparable to last year?	Comments
<p>LA6. Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs.</p>	Identify formal health and safety committees that help monitor and advise on occupational safety programs at the facility level or higher with joint management/labor representation.	<input checked="" type="checkbox"/>	33.3	<input checked="" type="checkbox"/>	Walmex does not make clear whether the committees mentioned meet the criteria set out in the indicator (i.e. composed of management and workers, etc.); it also does not report the % of workers represented by committees, only the % of workers who participate in these committees.
	Report the percentage of the total workforce represented in formal joint management-worker health and safety committees.	<input checked="" type="checkbox"/>			
	Report the level(s) at which the committee(s) typically operates (e.g., at facility level and/or at multi-facility, region, group, or company levels).	<input checked="" type="checkbox"/>			
<p>LA7. Rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities by region.</p>	The total workforce (i.e., total employees plus supervised workers).	<input checked="" type="checkbox"/>	14.3	<input checked="" type="checkbox"/>	Walmex reports the number of fatalities. It reports "leave of absence days" but it is not clear whether this is accident-related or includes other types of leave. It does not define or report on lost days. It does not report on any occupational diseases, provide a regional breakdown of its statistics, or identify the system used to report statistics.
	Independent contractors working on-site to whom the reporting organization is liable for the general safety of the working environment.	<input checked="" type="checkbox"/>			
	Since some reporting organizations include minor (first-aid level) injuries in their data, indicate whether such injuries are included or excluded.	<input checked="" type="checkbox"/>			
	In calculating 'lost days' indicate: Whether 'days' means 'calendar days' or 'scheduled work days'; and At what point the 'lost days' count begins (e.g., the day after the accident or 3 days after the accident).	<input checked="" type="checkbox"/>			
	Report injury, occupational diseases, lost days, and absentee rates in the reporting period using the following formulas by region.	<input checked="" type="checkbox"/>			
	Report fatalities in the reporting period using an absolute number, not a rate.	<input checked="" type="checkbox"/>			
	Report the system of rules applied in recording and reporting accident statistics.	<input checked="" type="checkbox"/>			
	Report whether formal agreements (either local or global) with trade unions cover health and safety.	<input checked="" type="checkbox"/>			
<p>LA9. Health and safety topics covered in formal agreements with trade unions. Health and safety topics covered in formal agreements with trade unions.</p> <p>LA10. Average hours of training per year per employee by employee category.</p>	Identify the total number of employees in each employment category across the organization's operations at the end of the reporting year (e.g., senior management, middle management, professional, technical, administrative, production, maintenance, etc.).	<input checked="" type="checkbox"/>	33.3	<input checked="" type="checkbox"/>	Walmex does not break down the total hours of training by the requisite categories, and does not identify the total number employees in each category.
	Identify total hours devoted to training personnel within each employee category.	<input checked="" type="checkbox"/>			
	Report the average number of hours of training per year per employee by employee category.	<input checked="" type="checkbox"/>			

Indicator	Elements	Reported: Yes/No	Rating (%)	Comparable to last year?	Comments
<p>LA11. Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.</p>	<p>Employee training or assistance programs to upgrade skills which provide any of the following: Internal training courses; Funding support for external training or education; and The provision of sabbatical periods with guaranteed return to employment.</p>	<input checked="" type="checkbox"/>	50	<input checked="" type="checkbox"/>	<p>Walmex provides no information on programs for retired workers, e.g. severance or other programs.</p>
	<p>Transition assistance programs that support employees who are retiring or who have been terminated and provide any of the following: Pre-retirement planning for intended retirees; Retraining for those intending to continue working; Severance pay; If severance pay is provided, does it take into account employee age and years of service; Job placement services; and Assistance (e.g., training, counseling) on transitioning to a non-working life.</p>	<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>	<p>Walmex reports the number of training hours provided and number of employees trained, but it is not clear what the training consists of and how much of its content relates to human rights. There is some mention of human rights in its reporting on internal communications, but here again the focus seems to be on "respect, service and excellence" and its human rights content is unclear.</p>
<p>HR3. Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained.</p>	<p>Number of employees who have received formal training in the organization's policies and procedures on human rights issues and their applicability to the employees' work.</p>	<input checked="" type="checkbox"/>	0	<input checked="" type="checkbox"/>	<p>Walmex does not distinguish between management and non-management employees, using the data from LA1.</p>
	<p>Report the total number of hours in the reporting period devoted to training on policies and procedures concerning aspects of human rights that are relevant to operations.</p>	<input checked="" type="checkbox"/>		<p>Walmex does not distinguish between management and non-management personnel nor does it distinguish the training provided to each category</p>	
	<p>Report the percentage of employees in the reporting period trained in policies and procedures concerning aspects of human rights that are relevant to operations.</p>	<input checked="" type="checkbox"/>			
<p>SO3. Percentage of employees trained in organization's anti-corruption policies and procedures.</p>	<p>Total number of employees, distinguishing between management and non-management employees, using the data from LA1.</p>	<input checked="" type="checkbox"/>	0	<input checked="" type="checkbox"/>	<p>Walmex reports only the amount of diesel used. The indicator asks for use of all renewable and non-renewable materials.</p>
	<p>Percentage of total number of management and non-management employees who have received anti-corruption training during the reporting period.</p>	<input checked="" type="checkbox"/>			
Environment					
<p>EN1. Materials used by weight or volume.</p>	<p>Total materials used, including materials purchased from external suppliers and those obtained from internal sources (captive production and extraction activities).</p>	<input checked="" type="checkbox"/>	0	<input checked="" type="checkbox"/>	<p>Walmex reports only the amount of diesel used. The indicator asks for use of all renewable and non-renewable materials.</p>
	<p>Identify non-renewable and direct materials used.</p>	<input checked="" type="checkbox"/>			
	<p>Total weight or volume of : Non-renewable materials used; and Direct materials used.</p>	<input checked="" type="checkbox"/>			

Indicator	Elements	Reported: Yes/No	Rating (%)	Comparable to last year?	Comments
EN2. Percentage of materials used that are recycled input materials.	Total weight or volume of materials used as reported under EN1.	<input checked="" type="checkbox"/>	0	<input checked="" type="checkbox"/>	Walmex says this indicator is not relevant to their business. It is relevant, however, especially regarding construction materials.
	Identify the total weight or volume of recycled input materials. If estimation is required, state the estimation methods.	<input checked="" type="checkbox"/>			
	Report the percentage of recycled input materials used by applying the following formula: EN2= (Total recycled input materials used/Input materials used)x100	<input checked="" type="checkbox"/>			
EN3. Direct energy consumption by primary energy source.	Direct non-renewable energy sources used.	<input checked="" type="checkbox"/>	14.3	<input checked="" type="checkbox"/>	Walmex only provides information on 1 required element of this indicator: non-renewable energy sources.
	Direct renewable energy sources.	<input checked="" type="checkbox"/>			
	Amount of primary energy the reporting organization acquires by producing, extracting, harvesting, collecting, or converting it from other forms of energy in joules or multiples.	<input checked="" type="checkbox"/>			
	Amount of primary energy exported outside the reporting boundary in joules or multiples.	<input checked="" type="checkbox"/>			
	Total energy consumption in joules or multiples such as gigajoules (one billion joules or 109 joules) using the following equation: Total direct energy consumption = direct primary energy purchased + direct primary energy produced- direct primary energy sold.	<input checked="" type="checkbox"/>			
	Report total direct energy consumption in joules or multiples by non-renewable primary source.	<input checked="" type="checkbox"/>			
	Report total direct energy consumption in joules or multiples by non-renewable primary source.	<input checked="" type="checkbox"/>			
	EN5. Energy saved due to conservation and efficiency improvements.	Total amount of energy saved in joules or multiples, such as gigajoules (one billion joules or 109 joules). Take into consideration energy saved due to: Process redesign; Conversion and retrofitting of equipment; and Changes in personnel behavior.			
EN6. Initiatives to provide energy-efficient or renewable energy-based products and services, and reductions in energy requirements as a result of these initiatives.	Report quantified reductions in the energy requirements of products and services achieved during the reporting period.	<input checked="" type="checkbox"/>	33.3	<input checked="" type="checkbox"/>	Walmex reports on energy use reductions for its stores and operations (properly reported under Indicator EN5), rather than reductions in the energy requirements of the products and services sold in 2009. When calculating reductions in the energy requirements of products, it is also necessary to document the company's assumptions on typical usage of the product (eg computer uses 10% less energy per average working day, assuming operation for 8 hours).
	If use-oriented figures are employed (e.g., energy requirements of a computer), clearly report any assumptions about underlying consumption patterns or normalization factors.	<input checked="" type="checkbox"/>			
	Report existing initiatives to reduce the energy requirements of major products/product groups or services.	<input checked="" type="checkbox"/>			

Indicator	Elements	Reported: Yes/No	Rating (%)	Comparable to last year?	Comments
EN8. Total water withdrawal by source.	Total volume of water withdrawn from any water source that was either withdrawn directly by the reporting organization or through intermediaries such as water utilities. This includes the abstraction of cooling water.	<input checked="" type="checkbox"/>	50	<input checked="" type="checkbox"/>	In 2008, Walmex reports total water withdrawn. In 2009, the company says only that 100% was from municipal supplies, but does not report the total amount
	Break down volume of water withdrawn in cubic meters per year (m ³ /year) by the following sources: Surface water; Ground water; Rainwater collected directly and stored by the reporting organization; Waste water from another organization; and Municipal water.	<input checked="" type="checkbox"/>			
EN9. Water sources significantly affected by withdrawal of water.	Identify water sources significantly affected by water withdrawal by the reporting organization.	<input checked="" type="checkbox"/>	0	<input checked="" type="checkbox"/>	Not reported.
	Report the total number of significantly affected water sources by type according to the criteria above, indicating the following: Size of water source in cubic meters (m ³); Whether or not the source is designated as a protected area (nationally and/or internationally); and Biodiversity value (e.g., species diversity and endemism, number of protected species).	<input checked="" type="checkbox"/>			
EN21. Total water discharge by quality and destination.	Identify planned and unplanned water discharges (excluding collected rainwater and domestic sewage) by destination and indicate how it is treated.	<input checked="" type="checkbox"/>	0	<input checked="" type="checkbox"/>	Walmex only gives amount of water discharged per m ² of space, not total volume as required. It does not break down total volume by destination, method of treatment, and usage by another organization. It provides no information on quality of water discharged.
	Report the total volume of planned and unplanned water discharges in cubic meters per year (m ³ /year) by: Destination; Treatment method; and Whether it was reused by another organization.	<input checked="" type="checkbox"/>			
	Report water quality in terms of total volumes of effluent	<input checked="" type="checkbox"/>			
EN23. Total number and volume of significant spills.	Report the total number and total volume of recorded significant spills.	<input checked="" type="checkbox"/>	0	<input checked="" type="checkbox"/>	Indicator EN23 asks the company to report on any spills (oil, fuel or chemicals). It would be sufficient to report that there were no spills, if that is the case, rather than ignoring the question altogether by saying it is not relevant.
	For spills that were reported in the organization's financial statement, report the additional following information for each such spill: Location of spill; Volume of spill; and Material of spill, categorized by...	<input checked="" type="checkbox"/>			
	Report the impacts of significant spills.	<input checked="" type="checkbox"/>			
EN10. Percentage and total volume of water recycled and reused.	Report the total volume of water recycled/reused by the organization in cubic meters per year (m ³ /year)	<input checked="" type="checkbox"/>	100	<input checked="" type="checkbox"/>	
	Report the total volume of water recycled/reused by the organization as a percentage of the total water withdrawal reported under Indicator EN8	<input checked="" type="checkbox"/>			

Indicator	Elements	Reported: Yes/No	Rating (%)	Comparable to last year?	Comments
EN22. Total weight of waste by type and disposal method.	Identify the amount of waste created by the organization's operations.	<input checked="" type="checkbox"/>	50	<input checked="" type="checkbox"/>	Walmex reports total amount of waste and the amount of waste by method of disposal (including recycling). It does not report the type of waste disposed (hazardous vs. non-hazardous) or its method of determination.
	Broken down by: Hazardous waste (as defined by national legislation at the point of generation); and Non-hazardous waste (all other forms of solid or liquid waste excluding wastewater).	<input checked="" type="checkbox"/>			
	Report the total amount of waste in tonnes by type as identified in 2.1 for each of the following disposal methods: Composting; Reuse; Recycling; Recovery; Incineration (or use as fuel); Landfill; Deep well injection; On-site storage; and Other (to be specified by the reporting organization).	<input checked="" type="checkbox"/>			
	Report how the method of disposal has been determined.	<input checked="" type="checkbox"/>			
EN11. Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.	Operational sites owned, leased, managed in, located in, adjacent to, or that contain protected areas and areas of high biodiversity value outside protected areas.	<input checked="" type="checkbox"/>	0	<input checked="" type="checkbox"/>	Not reported.
	Geographic location of these sites.	<input checked="" type="checkbox"/>			
	Size of operational site that are of high biodiversity value in protected zones.	<input checked="" type="checkbox"/>			
EN12. Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas.	Significant impacts on biodiversity associated with activities, products, and services of the reporting organization, including both direct impacts as well as indirect impacts (e.g., in the supply chain), positive and negative.	<input checked="" type="checkbox"/>	0	<input checked="" type="checkbox"/>	Not reported.
	EN25. Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organization's discharges of water and runoff.	<input checked="" type="checkbox"/>			
EN14. Strategies, current actions, and future plans for managing impacts on biodiversity.	Identify water bodies significantly affected by the reporting organization's water discharges that meet one of more of the following criteria...	<input checked="" type="checkbox"/>	N/A	<input checked="" type="checkbox"/>	This indicator does not apply to the company's business operations.
	Report water bodies significantly affected by water discharges based on the criteria above, adding information on: Size of water body in cubic meters (m3); Whether the source is designated as a protected area (nationally and/or internationally); and Biodiversity value (e.g., number of protected species).	<input checked="" type="checkbox"/>			
	If national regulations have influenced the specific strategies, actions, or plans reported under this indicator, this should be noted. Report the organization's strategy for achieving its policy on biodiversity management.	<input checked="" type="checkbox"/>			
EN14. Strategies, current actions, and future plans for managing impacts on biodiversity.	Report actions underway to manage biodiversity risks identified in EN11 and EN12, or plans to undertake such activities in the future.	<input checked="" type="checkbox"/>	0	<input checked="" type="checkbox"/>	Walmex does not describe its strategy or assessments. Planting trees and recycling are more appropriately reported under other indicators.
		<input checked="" type="checkbox"/>			

Indicator	Elements	Reported: Yes/No	Rating (%)	Comparable to last year?	Comments
EN16. Total direct and indirect greenhouse gas emissions by weight.	Indicate the standard used, and indicate the methodology associated with the data. Identify direct emissions of greenhouse gases from all sources owned or controlled by the reporting organization.	<input checked="" type="checkbox"/>	50	<input checked="" type="checkbox"/>	Walmex provides no information on the methodology used to calculate emissions.
EN20. NOx, SOx, and other significant air emissions by type and weight.	Since calculating certain air emissions such as NOx requires complex quantification efforts, indicate the methodology used for calculations. NOx SOx Persistent organic pollutants (POP) Volatile organic compounds (VOC) Hazardous air pollutants (HAP) Stack and fugitive emissions Particulate matter (PM) Other standard categories of air emissions identified in regulations.	<input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input checked="" type="checkbox"/>	N/A	<input checked="" type="checkbox"/>	This indicator does not apply to the company's business operations.
EN18. Initiatives to reduce greenhouse gas emissions and reductions achieved.	Identify emissions reductions from all sources owned or controlled by the reporting organization as reported under EN16 and resulting from indirect energy use and activities of the reporting organization as reported under EN17. Distinguish between mandatory and voluntary emissions reductions. Report initiatives to reduce greenhouse gas emissions, include the areas where the initiatives were implemented.	<input checked="" type="checkbox"/> <input checked="" type="checkbox"/>	50	<input checked="" type="checkbox"/>	Walmex reported initiatives and some quantitative data, including total greenhouse gas emissions, but the company does not provide total annual emissions reductions in tonnes of CO2 equivalent
EN29. Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce.	Identify the significant environmental impacts of the modes of transportation used by the organization, including: Energy use (e.g., oil, kerosene, fuel, electricity); Emissions (e.g., greenhouse gas emissions, ozone-depleting substances, NOx, SOx, and other air emissions); Effluents (e.g., different kinds of chemicals); Waste (e.g., different types of packaging material); Noise; and Spills (e.g., spills of chemicals, oils, and fuels). Indicate the criteria and methodology used to determine which environmental impacts are significant. Report how the environmental impacts of transporting products, members of the organization's workforce, and other goods and materials are mitigated.	<input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input checked="" type="checkbox"/>	33.3	<input checked="" type="checkbox"/>	Walmex reports CO2 used in transportation and information on its reduction, but no information on other impacts (such as NOx, SOx and other air pollution), or on the methodology used for determining significant impacts. Walmex does report on steps to reduce trucking which would mitigate all impacts.
EN30. Total environmental protection expenditures and investments by type.	Identify waste disposal, emissions treatment, and remediation costs Identify prevention and environmental management costs.	<input checked="" type="checkbox"/> <input checked="" type="checkbox"/>	50	<input checked="" type="checkbox"/>	Walmex reports on the costs of energy reduction, but does not report on costs for the reduction of wastes, or costs for the elimination/treatment of waste.

Indicator	Elements	Reported: Yes/No	Rating (%)	Comparable to last year?	Comments
Fair Operating Practices					
EC6. Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation.	Report whether the organization has a policy or common practices for preferring locally based suppliers either organization-wide or for specific locations.	<input checked="" type="checkbox"/>	25	<input checked="" type="checkbox"/>	Walmex provides no information on factors other than geography that affect choosing suppliers. It does appear the company has a practice of favouring Mexican suppliers, and while percentages of Mexican purchases are given, there is no definition of "local" provided so it is impossible to determine if the company has a genuine local purchasing policy.
	Percentage of the procurement budget used for significant locations of operation that is spent on suppliers local to that operation	<input checked="" type="checkbox"/>			
	Indicate the factors that influence supplier selection (e.g., costs, environmental and social performance) in addition to their geographic location.	<input checked="" type="checkbox"/>			
	Report the organization's geographic definition of 'local'.				
SO7. Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes.	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices.	<input checked="" type="checkbox"/>	100	<input checked="" type="checkbox"/>	
	The main outcomes of such actions, including any decisions or judgements.	<input checked="" type="checkbox"/>			
	Identify legal actions pending or completed during the reporting period.	<input checked="" type="checkbox"/>			
Consumer Issues					
PR1. Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures.	Life cycle stages where the health and safety impacts of products and services are assessed for improvement.	<input checked="" type="checkbox"/>	50	<input checked="" type="checkbox"/>	Walmex reports that it performs safety and quality inspections for a number of product categories at particular stages (eg at Distribution Centres) and, for private label products, at manufacturing facilities. There is no information on assessments for other stages of private label product life-cycles (eg R&D, use and disposal). It's not clear what is done to ensure quality and safety of branded general merchandise from other companies (eg toys, sports equipment, household goods) and therefore what percentage of overall product categories are assessed for health and safety compliance.
	Report the percentage of significant product or service categories that are covered by and assessed for compliance with such procedures.	<input checked="" type="checkbox"/>			
PR3. Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements.	Report whether the following product and service information is required by the organization's procedures for product and service information and labelling: The sourcing of components of the product or service; Content, particularly with regard to substances that might produce an environmental or social impact; Safe use of the product or service; Disposal of the product and environmental/social impacts; Other (explain)	<input checked="" type="checkbox"/>	0	<input checked="" type="checkbox"/>	Walmex reports only about compliance with labelling laws. It does not report on the information required on labels or on the percentage of products labelled as such.
	Percentage of significant product or service categories covered by and assessed for compliance with such procedures.	<input checked="" type="checkbox"/>			

Indicator	Elements	Reported: Yes/No	Rating (%)	Comparable to last year?	Comments
<p>PR5. Practices related to customer satisfaction, including results of surveys measuring customer satisfaction.</p>	Report on organization-wide practices in place to assess and maintain customer satisfaction, such as: Frequency of measuring customer surveys; Standard requirements regarding methodologies of surveys; and Mechanisms for customers to provide feedback.	<input checked="" type="checkbox"/>	66.7	<input checked="" type="checkbox"/>	Walmex provides some information on a customer complaint call line (# of calls received and resolved) but it is not clear which services and locations the results apply to. Walmex did not provide results from the customer complaint line for 2008.
	Report the results or key conclusions of surveys (based on statistically relevant sample sizes) conducted in the reporting period that were related to information about: The organization as a whole; A major product/service category; or Significant locations of operation.	<input checked="" type="checkbox"/>			
	For any survey results reported, identify the product/service category or locations of operations to which they apply.	<input checked="" type="checkbox"/>			
Community Involvement and Development					
<p>EC1. Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments.</p>	Revenues: Net sales plus revenues from financial investments and sales of assets	<input checked="" type="checkbox"/>	100	<input checked="" type="checkbox"/>	Walmex refers to its annual financial reports which, although not in a single table as suggested by GRI, do contain all relevant financial information.
	Operating costs: Payments to suppliers, non-strategic investments, royalties, and facilitation payments	<input checked="" type="checkbox"/>			
	Employee wages and benefits: Total monetary outflows for employees (current payments, not future commitments)	<input checked="" type="checkbox"/>			
	Payments to providers of capital: All financial payments made to the providers of the organization's capital.	<input checked="" type="checkbox"/>			
	Payments to government: Gross taxes	<input checked="" type="checkbox"/>			
	Community investments: The amount included should account for actual expenditures in the reporting period, not commitments.	<input checked="" type="checkbox"/>			
		<input checked="" type="checkbox"/>			
<p>EC8. Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement.</p>	Development (e.g., size, cost, duration) of significant investments and support, and the current or expected impacts (positive or negative) on communities and local economies. Indicate whether these investments and services are commercial, in-kind, or pro bono engagement	<input checked="" type="checkbox"/>	50	<input checked="" type="checkbox"/>	Walmex describes extensive non-commercial services and facilities it provides to alleviate poverty and malnutrition, including both financial investments and volunteer hours. There is no mention of any community needs assessments
	Report whether the organization conducted a community needs assessment to determine infrastructure and other services needed. If so, briefly explain the results of the assessment.	<input checked="" type="checkbox"/>			

Indicator	Elements	Reported: Yes/No	Rating (%)	Comparable to last year?	Comments
<p>EC6. Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation.</p>	<p>Report whether the organization has a policy or common practices for preferring locally based suppliers either organization-wide or for specific locations.</p>	☑	25	☑	<p>Walmex provides no information on factors other than geography that affect choosing suppliers. It does appear the company has a practice of favouring Mexican suppliers. While percentages of Mexican purchases are given, there is no definition of "local" provided so it is impossible to determine if the company has a genuine local purchasing policy.</p>
	<p>Percentage of the procurement budget used for significant locations of operation that is spent on suppliers local to that operation</p>	☑			
	<p>Indicate the factors that influence supplier selection (e.g., costs, environmental and social performance) in addition to their geographic location.</p>	☑			
	<p>Report the organization's geographic definition of 'local'.</p>	☑			
<p>EC7. Procedures for local hiring and proportion of senior management hired from the local community at significant locations of operation.</p>	<p>Report whether the organization has a global policy or common practices for granting preference to local residents when hiring in significant locations of operation.</p>	☑	33.3	☑	<p>There is a policy for relocating employees to their own locality. The company reports that 99% of management and executives are Mexican, but fails to report whether they are considered "local". There is no definition of "senior management" or "local".</p>
	<p>If so, report the proportion of senior management in significant locations of operation from the local community. Use data on full-time employees to calculate this percentage.</p>	☑			
	<p>Report the definition of 'senior management' used.</p>	☑			
	<p>Explain work undertaken to understand the indirect economic impacts the organization has at the national, regional, or local level.</p>	☑			
<p>EC9. Understanding and describing significant indirect economic impacts, including the extent of impacts.</p>	<p>Report examples of indirect economic impacts; both positive and negative, such as...</p>	☑	33.3	☑	<p>Walmex provides some information on positive impacts including indirect employment, strengthening the textile sector, etc. There is no information on any impact assessment undertaken or on negative impacts, external benchmarks or stakeholder priorities used to determine significance.</p>
	<p>Report the significance of the impacts in the context of external benchmarks and stakeholder priorities, such as national and international standards, protocols, and policy agendas.</p>	☑			
	<p>Report whether there are programs in place for assessing the impacts of operations on local communities; Prior to entering the community; While operating in the community; and While making decisions to exit the community.</p>	☑			
	<p>Report whether programs or policies define: How data is collected for such programs, including by whom; and How to select community members (individual or group) from whom information will be gathered.</p>	☑			
<p>SO1. Nature, scope, and effectiveness of any programs and practices that assess and manage the impacts of operations on communities, including entering, operating, and exiting.</p>	<p>Report the number and percentage of operations to which the programs apply.</p>	☑	0	☑	<p>There is no reporting on impact assessments, methodology, what operations they apply to, effectiveness, or incorporation of feedback.</p>
	<p>Report whether the organization's programs for managing community impacts have been effective in mitigating negative impacts and maximizing positive impacts, including the scale of persons affected.</p>	☑			
	<p>Report examples of how feedback and analysis of data on community impacts have informed steps toward further community engagement on the part of the reporting organization.</p>	☑			

Indicator	Elements	Reported: Yes/No	Rating (%)	Comparable to last year?	Comments
GRI Governance, Commitments and Engagement Disclosure 4.14. Relationship with interest groups that the company has included.	List of stakeholder groups engaged by the organization.	<input checked="" type="checkbox"/>	100	<input checked="" type="checkbox"/>	
GRI Governance, Commitment Disclosure 4.15. Basis for identification and selection of stakeholders with which the organization is committed.	Basis for identification and selection of stakeholders with whom to engage. This includes the organization's process for defining its stakeholder groups.	<input checked="" type="checkbox"/> <input checked="" type="checkbox"/>	50	<input checked="" type="checkbox"/>	Walmex provides a weak definition of its stakeholders, and does not report the procedure it uses to identify them.
GRI Governance, Commitment Disclosure 4.16. Approaches to the inclusion of stakeholders, including frequency of engagement by type and category of interest groups.	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group.	<input checked="" type="checkbox"/>	0	<input checked="" type="checkbox"/>	Walmex does identify two types of approaches (a survey and a supplier advisory group). It does not discuss frequency of these approaches or whether Walmex has different approaches for each category of stakeholder
GRI Governance, Commitment Disclosure 4.17. Main concerns and areas of concern which have arisen through the participation of interest groups and the way in which the organization has responded to them in the development of the report.	Key topics and concerns that have been raised through stakeholder engagement. How the organization has responded to those key topics and concerns, including through its reporting.	<input checked="" type="checkbox"/> <input checked="" type="checkbox"/>	0	<input checked="" type="checkbox"/>	Walmex says it reports on this indicator, but just refers to their mention of a supplier advisory council. It doesn't list any issues.

Endnotes

- ¹ Walmart's 2009 *Social Responsibility and Sustainable Development Report* can be found here: http://www.walmartmexico.com.mx/downloads/salaprensa/informes_rs/2009report.pdf
- ² The additional information on Walmart's social responsibility programs is available in English on the company's website at: <http://www.walmex.mx/en/social-responsibility/social-responsibility-and-sustainable-development.html>
- ³ For more information on the G3 Guidelines see: <http://www.globalreporting.org/ReportingFramework/G3Guidelines/>
- ⁴ The seven subjects used by RP-International to organize this report correspond with the seven core subjects identified in the draft ISO 26000 International Standard on social responsibility. For more information on the draft ISO 26000 International Standard see: http://isotc.iso.org/livelink/livelink/9236926/N19_1_ISO_26000_REVISADO_DRAFT_21May.pdf?func=doc.Fetch&nodeid=9236926
- ⁵ Wal-Mart de Mexico. *Resultados Del Tercer Trimestre de 2010*. October 11, 2010. Available at: <http://www.walmex.mx/es/informacion-financiera/trimestral.html>
- ⁶ Wal-Mart de Mexico. *2009 Social Responsibility and Sustainable Development Report (2009 SRSD Report)*, p. 1.
- ⁷ Wal-Mart de Mexico website: <http://www.walmex.mx/es/quienes-somos/descripcion-empresa.html>
- ⁸ Wal-Mart de Mexico. *2008 Social Responsibility and Sustainable Development Report (2008 SRSD Report)*, p. 5.
- ⁹ Programa GEI Mexico website: www.geimexico.org/acerca.html
- ¹⁰ Wal-Mart de Mexico. *2008 Corporate Inventory Report on Greenhouse Gas Emissions*: http://www.geimexico.org/downloads/reportes/68_inventario_GEI_2008_Wal-Mart.pdf
- ¹¹ Wal-Mart de Mexico. *2009 SRSD Report*, p. 5.
- ¹² GRI. *Application Levels Primer*, p. 2: <http://www.globalreporting.org/NR/rdonlyres/FB8CB16A-789B-454A-BA52-993C9B755704/0/ApplicationLevels.pdf>
- ¹³ Ibid.
- ¹⁴ Two of the 71 indicators included in RP-Mexico's assessment were not applicable to Walmart's business. See page 16 for more information.
- ¹⁵ International Standards Organization. *ISO26000 Bracketed Working Draft*. May 21, 2010, p.21.
- ¹⁶ GRI Governance, Commitments and Engagement Disclosures are part of a set of general requirements for company reporting on general profile, reporting parameters, governance, management approach, and strategy.
- ¹⁷ Environment update available at: <http://www.walmex.mx/assets/files/Responsabilidad-Social/Eng/Environment.pdf>
- ¹⁸ Wal-Mart de Mexico. *Annual Report 2009*, p.39.
- ¹⁹ Wal-Mart de Mexico. *2009 SRSD Report*, p.8.
- ²⁰ Wal-Mart Stores Inc. First, Second and Third Quarter 2008 lobbying filings, accessed using the Lobbying Disclosure Act database on October 7, 2008, referenced at: http://www.waltoninfluence.com/index.php/influence/pages/what_the_money_buys
- ²¹ Levine, Carrie. *The Blog of Legal Times*. August 14, 2009: <http://legaltimes.typepad.com/blt/2009/08/walmart-adds-to-lobbying-ranks.html>
- ²² Supra note 20.
- ²³ Maher, Kris. "Corporations step up drive against bill to ease unionization," *Wall Street Journal*, March 7, 2009.
- ²⁴ Herkert, Craig and Eaton, Ken. Letter to the Honorable Charles E. Grassley, Senate Finance Committee, May 24, 2005.
- ²⁵ Nike Inc., for example, highlights public policy positions it has taken in its *FY2007-2009 CSR Report*. See: <http://www.nikebiz.com/crreport/content/public-policy-and-advocacy/7-2-1-trade.php?cat=public-policy>
- ²⁶ Damian Jimenez, Tania. "Existen 47 denuncias laborales contra la empresa Wal Mart en el estado: STC," *La Jornada Oriente*, January 28, 2010: www.lajornadadeorientemexico.com.mx/2010/01/28/puebla/eco404.php
- ²⁷ See for example: <http://www.lajornadasanluis.com.mx/2008/06/13/pol1.php>; <http://www.lajornadamichoacan.com.mx/2009/01/21/index.php?section=sociedad&article=012n1soc>; <http://www.lajornadadeorientemexico.com.mx/2009/07/13/puebla/eco408.php>; and <http://www.jornada.unam.mx/2009/08/05/index.php?section=estados&article=033n3est>
- ²⁸ Otero, Silvia. "Corte deja a Wal-Mart sin su "tienda de raya": Daba sueldos con vales sólo para sus cajas," *El Universal*, September 5, 2008: <http://www.eluniversal.com.mx/nacion/162154.html>
- ²⁹ Mattera, Philip and Purinton, Ann, "Shopping for Subsidies: How Wal-Mart Uses Taxpayer Money to Finance Its Never Ending Growth." *Good Jobs First*, May 2007: <http://www.goodjobsfirst.org/pdf/wmtstudy.pdf>. State and local governments justify these incentives by pointing to potential job creation and increased tax revenues (see Garmoe, Patrick. "Huntley hopefuls defend incentive decision: Most say Home Depot, Wal-Mart wouldn't have come otherwise," *Chicago Daily Herald*, March 20, 2007). Critics describe these so-called incentives as a misuse of public funds with uncertain benefits. See: Thomas, Kenneth P. "Investment incentives: Growing use, uncertain benefits, uneven controls." *Global Subsidies Initiative*, November 2007: http://www.globalsubsidies.org/files/assets/GSI_Investment_Incentives.pdf
- ³⁰ See: <http://www.walmartsubsidywatch.org>
- ³¹ Ruggie, John. Opening Statement to the United Nations Human Rights Council. October 5, 2009. p.3. Available at: http://www.unglobalcompact.org/docs/news_events/9.6/Ruggie_Remarks_5_Oct2009.pdf
- ³² Available at: www.globalreporting.org/ReportingFramework/SectorSupplements/ApparelFootwear/
- ³³ US Department of State. *2009 Human Rights Report: Mexico*. March 11, 2010. Available at: <http://www.state.gov/g/drl/rls/hrrpt/2009/wha/136119.htm>
- ³⁴ Bureau of International Labor Affairs. *The Department of Labor's List of Goods Produced by Child Labor or Forced Labor*. September 10, 2009, pp. 17-18.
- ³⁵ See: Proyecto de Derechos Económicos, Sociales y Culturales A.C. *Lo Barato Sale Caro: Violaciones a Los Derechos Humanos Laborales en Wal-Mart México*, November, 2008, pp. 31-39, 89-94; Ricardo Ramirez Bautista, Carmen Zambrano Canales e Iván Zamora Aguilar, Universidad Autónoma Metropolitana, Unidad Iztapalapa. *Ética corporativa y practicas indebidas en México: una aproximación del trabajo de los empacadores en Wal-Mart*, June 2005, pp. 38-80; Thais Desarrollo Social. *El Trabajo Infantil en el Distrito Federal*, 2007, pp. 20-25.
- ³⁶ Wal-Mart de Mexico. *2008 SRSD Report*, p.20 (HR6).
- ³⁷ Art. 8 of the FLL defines a worker as "a natural person who provides subordinated work to another person, natural or legal." Art. 20 defines a labour relationship as "any act which gives rise to the providing of work subordinated to another person, through the payment of a salary." All three studies referred to above argue that the baggers do in fact meet the legal definition of worker.

- ³⁸ The Federal Labour Law allows youths between the ages of 14 and 16 to work, though subject to a differentiated set of terms and conditions in order to ensure their safety.
- ³⁹ Asociación Nacional de Tiendas de Autoservicio y Departamentales (ANTAD) and the government of the Federal District. *Convenio de Protección a Menores Empacadores en el Distrito Federal*. July, 1999.
- ⁴⁰ *Supra*, footnote 35.
- ⁴¹ Wal-Mart de Mexico. *2009 SRSD Report*, p.15.
- ⁴² *Lo Barato Sale Caro*, p. 43.
- ⁴³ *Ibid.*
- ⁴⁴ Global Reporting Initiative. *Indicator Protocols Set LA*, p. 6.
- ⁴⁵ Walmex has reported some data by gender, for example on percentage of promotions for women and men, which should be encouraged. Wal-Mart Stores Inc. has also reported extensive gender-differentiated data on its U.S. employees in its *Sustainability Progress to Date 2007-2008* report, pages 30-31, available at <http://walmartfacts.com/reports/2006/sustainability/document/s/SustainabilityProgressToDate2007-2008.pdf>
- ⁴⁶ Global Reporting Initiative. *Embedding Gender in Sustainability Reporting: A Practitioner's Guide*. 2009. p.2. Available at: <http://www.globalreporting.org/LearningAndSupport/GRIPublications/ResearchPublications/Topics.htm>
- ⁴⁷ For more on Decent Work, see: http://www.ilo.org/global/About_the_ILO/Mainpillars/WhatisDecentWork/lang-en/index.htm
- ⁴⁸ US Department of State. *2008 Human Rights Report: Mexico*: <http://www.state.gov/g/drl/rls/hrrpt/2008/wha/119166.htm>; International Trade Union Confederation *2009 Annual Survey of Violations of Trade Union Rights: Mexico*: <http://survey09.ituc-csi.org/survey.php?IDContinent=2&IDCountry=MEX&Lang=EN>; and Human Rights Watch *World Report, 2009: Mexico*: <http://www.hrw.org/en/node/79216>. For further discussion of the problem of protection contracts in Mexico, see Maquila Solidarity Network, <http://en.maquilasolidarity.org/node/968>
- ⁴⁹ Global Reporting Initiative. *Indicator Protocols Set, Version 3.0: Human Rights*. p.7.
- ⁵⁰ Wal-Mart Stores Inc. *Standards for Suppliers*. October 2009.
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