



BSR Conference 2010

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The Sustainable Product Index: In Conversation With Matt Kistler

Breakout Session Summary

Thursday, November 4, 2010 | 4-5 p.m.

Speakers

- » **Matt Kistler**, Senior Vice President, Marketing, Walmart
- » **Aron Cramer**, President and CEO, BSR (moderator)

Highlights

- » Walmart's open-source Sustainability Index could potentially revolutionize the way that companies scrutinize their suppliers on environmental and social criteria.
- » Walmart also helped launch the Sustainability Consortium, a partnership with academia and thought leaders to develop a scientific foundation that will be used to support the Sustainability Index and other initiatives.
- » The Index launched with 15 key questions for Walmart's suppliers. Over time, questions will be refined to extract more detail, and they will also be customized depending on key issues for each product.

Memorable Quotes

"The information from the Sustainability Index today is a blunt instrument. But no matter the size of the suppliers answering it or their complexity, their ability to answer the questions tells you a great deal about what that supplier is doing with sustainability. If they answer it with no problems, that says something." —Matt Kistler, Walmart

"Everything that we have done in sustainability has been very good for our business and very positive. As most of you know, we are cheap. We wouldn't be doing it if it weren't good for business. For companies that haven't started this yet, I hope they find the same results." —Matt Kistler, Walmart

Overview

Cramer introduced Kistler as Walmart's former senior vice president of sustainability who recently transitioned to his new position as the company's senior vice president of marketing.

Cramer kicked off the conversation by asking Kistler for an overview of Walmart's Sustainability Index. Kistler emphasized the importance of the company's use of sound science to inform the Index and ultimately the decisions that the company makes regarding the products it carries in its stores. The Index has four focus areas: energy, materials efficiency and waste, natural resources, and people and communities.

The company worked with suppliers, retailers, global operations, NGOs, thought leaders, and academics to create the index and develop its 15 questions. Walmart continues to depend on this multistakeholder group to sharpen the process and help the Index continually evolve.

In Kistler's marketing role, he will focus on how the company communicates its sustainability initiatives to consumers. Kistler believes that the Index is a tool that can drive innovation and lead



to not only improved environmental and social performance throughout the company's supply chain, but also as a way to enhance product development. He noted that although most suppliers don't know the answers to all of the questions, the Index at least starts the conversation and will help the company develop new solutions to sustainability and social issues.

Cramer asked Kistler about the recently announced Sustainability Consortium that Walmart committed to fund. The consortium is a multistakeholder initiative that involves companies, investors, and thought leaders who are working with selected universities to develop research and data gathering techniques on the environmental and social impacts of products. This independent initiative will help the company and others use hard scientific data to inform their sustainable supply chain initiatives. Kistler made clear that the Consortium is entirely separate from the Index and that it is open source, meaning that other companies can tap into the findings of the Consortium and use it for their own purposes.

Kistler next discussed sustainability communications, and he stated his strong belief that these communications should be simple and enable customers to make purchasing decisions based on what is most important to them. If consumers are passionate about the environment, then they should be able to select products that are more environmentally friendly based on clear labeling. He noted that the Index is another way to understand the performance and quality of a product, but that the Index itself will not include a performance or quality rating, as these characteristics are subjective and based on consumer preferences.

From the audience, GreenBiz's Joel Makower asked Kistler about whether there is confusion among suppliers around how Walmart will make its decisions on working with them. Kistler admitted that there are struggles in how the Index was initially communicated, and it could have been clearer that the Index and the Consortium are two independent functions. In response to another audience question, Kistler noted that his performance goals both in his former sustainability role and now in his new marketing role include sustainability as a factor against which he will be evaluated.

Another participant asked how customers can get updated information on a product's sustainability ratings. Kistler highlighted the importance of technology to this initiative in providing customers with real-time rating information on Walmart's website. He spoke about how sustainability product labeling is only the beginning of the information that will be available to consumers, and soon the company will be able to share information on an ongoing basis through new technology innovations.

Finally, a question from the audience was raised regarding the long-term ownership of the Index, and whether it made sense for governments to get involved in the standardization of it. These uncertainties underline the broader questions of who should ultimately be responsible for supply chain sustainability. These are important discussions that are happening, and there are key roles that both the private and public sector can play in continuing them.

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