Walmart

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June 11, 2021

The Honorable Gary Gensler
Chair
U.S. Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549

Re: Request for Comment on Climate Change Disclosures (March 15, 2021)

Dear Chair Gensler:

Walmart Inc. welcomes the opportunity to respond to the request for comments on the Commission's regulation of climate change disclosures.

We wholeheartedly support the Commission's objective of facilitating the disclosure of consistent, comparable, and reliable information on climate change and other environmental, social, and governance (ESG) topics. We believe the Commission can and should take a leading role in developing, establishing, and overseeing a framework for climate change disclosures, and we look forward to a rulemaking proceeding in which the Commission can solicit and consider more focused input on the appropriate elements of such a framework.

Walmart has been reporting climate-related information for 15 years and on certain other ESG issues for longer. Based on this experience and the forces that shape our disclosures, we offer three points for consideration:

1. The field of ESG reporting—including climate reporting—is developing rapidly but is not mature. Companies prioritize topics differently, have distinct goals and objectives (even when they prioritize the same topics), and report information based on their objectives and stakeholder interest. For climate change information to be useful to investors, it should focus on the aspects of climate change that are useful for understanding a company's climate strategy, those that are common among companies and industries, and those that materially[1] impact companies' businesses. Because the industry has not yet aligned on a uniform system of disclosure controls and procedures for climate reporting, any new disclosure requirements should recognize that, depending on the nature and specificity of the information required, it may take time for companies to develop disclosures that are suitable for inclusion in Commission filings.
2. We believe that the Commission could increase and improve the quality of climate change disclosures by adopting rules requiring foundational, principles-based reporting on climate and ESG strategies and governance in Commission filings. This would help spur the consistent, comparable, and reliable disclosure Walmart and the Commission want to make commonplace, as it would require companies to assess and disclose their risks and opportunities and undertake a materiality analysis to ensure disclosures are complete. As the Commission considers rules requiring disclosures, though, it should keep in mind that the materiality of this information differs from industry to industry and company to company; for that reason, we believe that specific targets and metrics should be required in a Commission filing only where material.
3. We also believe the Commission should act to move the industry towards more consistent, comparable, and reliable reporting of ESG information outside Commission filings. We believe that the vast majority

[1] As defined in Securities Act Rule 405 (17 CFR § 230.405) and Exchange Act Rule 12b-2 (17 CFR § 240.12b-2) and as used by the courts in interpreting the federal securities laws.

of ESG reporting will continue to be reported outside filings under the federal securities laws for a number of years to come because its relevance and materiality are not universal or well-established. Nevertheless, there is great value in enhancing the rigor, regularity, and maturity of those disclosures. The Commission could start down this path by designing a process for recognizing standard setters and creating new requirements for ESG reporting outside Commission filings. Reporting on Scope 1 and Scope 2 emissions pursuant to the GHG Protocol Corporate Accounting and Reporting Standard could be a good first step. We believe investors and other stakeholders would value improvement in the consistency, comparability, and reliability of these disclosures, and progress towards standardizing ESG disclosures outside Commission filings will allow for a body of practice to be developed, paving the way for potential future integration of ESG information into such filings as appropriate.

I. Walmart's ESG Priorities and Reporting

We have seen the field of ESG reporting grow and evolve rapidly in the last several years. We share some of our experiences with ESG reporting here because we think it may help address several of the Commission's questions about whether and how certain climate and other ESG information can be reported.

Walmart's ESG Priorities. Walmart believes that we enhance value for shareholders by serving our stakeholders: delivering value to our customers, creating economic opportunity for associates and suppliers, strengthening local communities, and enhancing the environmental and social sustainability of our business and product supply chains. The topics that are most relevant to serving our stakeholders in this way are our ESG priorities.

Priority topics for Walmart include environmental topics like climate, waste, and nature; social topics like workforce management and people in supply chains; and governance topics like board composition and qualifications (including board diversity), ethics and compliance, and digital citizenship. Even within the retail sector, though, different companies have different ESG priorities and seek to achieve different outcomes even where they prioritize the same topic.

ESG Reporting. We publicly report on ESG topics where required and where investors and other stakeholders have expressed an interest in understanding Walmart's strategies and progress. The Commission's rules already require Walmart to make certain of these disclosures. For example, Walmart's most recent annual report on Form 10-K discussed ESG topics in its Description of Business and Risk Factors sections, including attractiveness as an employer, human capital management, employee turnover, and labor strategy; weather and climate change; compliance (including anti-corruption and health and wellness compliance); and information security and cybersecurity. Corporate governance matters—including Board qualifications and diversity and executive compensation—are discussed in our annual Proxy Statement, with a number of those disclosures being incorporated by reference into our Form 10-K.

We also report on most ESG matters through voluntary, dedicated ESG reporting that is refreshed at least annually. In these reports, we describe Walmart's strategies, goals, metrics, and progress on our ESG priorities. This reporting is tailored to Walmart's ESG priorities and strategies—the topics that we believe are most relevant to value creation—although we also include reference tables to common sustainability reporting frameworks, including the Sustainability Accounting Standards Board (SASB) and Global Reporting Initiative (GRI). We also make disclosures through other channels, including climate change disclosures through CDP and diversity and inclusion disclosures through a twice-annual Culture, Diversity, Equity & Inclusion Report.

Investor-Focused Disclosures. We make these voluntary ESG disclosures because our stakeholders—including investors—have expressed interest in information on these topics. Each year we conduct shareholder outreach and speak with shareholders representing a substantial portion of our public float. Typical topics include traditional shareholder engagement topics like strategy and governance (including topics such as board composition/refreshment and executive compensation) and—increasingly—ESG topics like environmental sustainability (including climate change initiatives), diversity (management and board), our efforts during the COVID-19 pandemic, and associate pay and benefits. Within these areas, shareholders have told us that they want to understand Walmart's strategy, goals/objectives, and progress so that they can determine which companies have strong ESG management and oversight practices and which do not. Shareholders also tell us that they have created their own models for how to incorporate this information into their decision-making, that there are a wide range of factors that go into those models, and that they use the outputs in a variety of ways. And finally, they tell us that they make decisions on to how to vote on ESG-related shareholder proposals based on a number of factors—including views and information from their clients—and not always because they agree that the topic is material or with the specific terms of the proposal.

Climate Change Assessments and Reporting. Climate change topics—including physical risk, transition risk, and emissions—are priority ESG topics for Walmart. We have assessed the impacts of climate change on our business using an approach informed by recommendations from the Task Force on Climate-related Financial Disclosures (TCFD). Our latest analysis used Intergovernmental Panel on Climate Change representative concentration pathway (RCP) 8.5, the most aggressive scenario of assumed greenhouse gas emissions, and the impact of five associated climate effects—flood (riverine and coastal), heat, drought, extreme precipitation, and extreme winds—across five key geographies (Canada, China, India, Mexico, and the United States) for 2030 and 2050. We evaluated direct impacts of climate change on Walmart's physical assets (retail stores and retail-related facilities), supply chain, and communities, and also assessed transition risk. We've set goals aligned with the Science-based Targets Initiative to eliminate emissions in our operations (scopes 1 and 2) by 2040—without the use of offsets—and to reduce our upstream and downstream (scope 3) emissions in our value chain. We believe a strong climate strategy over the course of many years will help us manage the physical and transition risks associated with climate change, strengthen the resilience of our business, and help us create value for all stakeholders, including shareholders.

We report on our climate strategy initiatives and emissions annually through a response to the CDP Climate Investor Questionnaire and in our ESG reporting. Our Scope 1, 2 and partial Scope 3 GHG emissions are estimated in accordance with the GHG Protocol Corporate Accounting and Reporting Standard. We have made the CDP climate change "A List" for two straight years based on CDP's assessment of Walmart's climate change transparency and action, and shareholders tell us they appreciate the clarity and transparency of our disclosures.

Climate Reporting Processes. We have controls and procedures to help ensure the information we publish regarding climate change and emissions is materially accurate and complete. However, those controls and procedures are not as developed as the disclosure controls and procedures that exist for information included in Commission filings.

For example, Walmart makes its CDP Climate Investor Questionnaire submission annually in summer. These reports, however, are based on the prior year's data; our September 2020 disclosure was for calendar year 2019. The process of gathering the relevant data from each market in which we do business and from third parties, formatting it for conversion, and calculating emissions takes several months and cannot currently be completed on the schedule necessary to report with the corresponding fiscal year's 10-K or Proxy Statement.

Moreover, while Walmart and similar companies are reporting specific metrics using the best standards that exist today, standards and controls are not as universal or mature as those used for financial reporting in Commission filings. In the absence of a U.S. GAAP-like standard for calculating emissions, Walmart has developed its own Greenhouse Gas Inventory Methodology which describes the company's carbon accounting procedures and sources. This methodology adheres closely to the guidance of the GHG Protocol Corporate Accounting and Reporting Standard, a standard that is widely—but not universally—used. Different companies have different standards, guidelines, and procedures for similar topics. And while certain of our operating business units have systems that capture all information necessary to calculate emissions, data is collected manually in most of those business units. Certain third-party information—including grid electricity emissions factors—is also manually imported. As data is collected, quality assurance inputs are built into workbooks and a third party performs an external review of our data for errors, omissions, and anomalies. A different third party conducts a limited assurance review of our emissions calculations pursuant to ISO 14064-3, resulting in a formal letter and report. This assurance, however, is not akin to a financial audit.

We believe the processes we are using are among the most mature in the industry, and we work continuously to improve them. As the Commission considers its next steps, we believe it should consider carefully companies' ability to report the information within the timeframes required and with the necessary level of rigor, accuracy and assurance, as well as the cost of producing the information and companies' potential exposure to liability for inaccurate reporting.

II. Requiring Climate and ESG Disclosures

We believe that, consistent with the Commission's primary mission of acting in the public interest and for the protection of investors and the mutually shared objective of consistent, comparable and reliable disclosures, the creation of certain new climate reporting requirements would be both reasonable and advisable. We also believe, however, that the Commission must consider traditional concepts of materiality as it designs new reporting requirements.

Requiring Climate and ESG Disclosures. In our experience, reasonable, mainstream investors are interested in and make investment decisions based on companies' ESG management strategies and disclosures, including strategies and disclosures relating to climate change. Given the potential impact it may have on companies, we think they are right to consider climate-related information in making investment decisions. We therefore would support the Commission proposing principles-based rules requiring companies to include in Commission filings such things as a company's governance around climate-related topics, climate-related risks and opportunities and the process for identifying them, the company's strategy for addressing climate-related risks and opportunities, and—to the extent material—any metrics and targets the company uses to manage climate-related risks and opportunities. We would also support the Commission proposing principles-based rules requiring companies to include in Commission filings a description of the company's key ESG strategies (beyond climate) and the manner in which ESG is governed. Finally, as further discussed in Section III below, we support increased disclosure of certain other climate and ESG information outside Commission filings.

Relevance and Materiality of ESG Issues. ESG topics are generally relevant to the business of companies and are an important component of many mainstream investment strategies. With respect to climate change, there are many potential impacts on a company: physical risks include flooding, water scarcity, storm frequency and intensity, precipitation patterns, and temperature changes; transition risks include carbon pricing, increased regulation, and changing consumer behavior; and opportunities include increased efficiency, reduced prices for goods and services, and the emergence of new customers, products, and services. Which of these is most financially relevant or material for a company depends on that company's industry, business model, strategy, and other factors. For these reasons, we support the Commission requiring principles-based disclosure of a company's climate governance, climate-related risks and opportunities, and climate strategies in Commission filings, so that investors can understand these factors from the company's perspective. Moreover, on issues like climate change, investors may be as interested in the impact a company has on the issue as they are in the impact of the issue on a company's financial performance. That is why we support the Commission requiring disclosures of other climate-related information, including Scope 1 and Scope 2 emissions, outside Commission filings based on designated rigorous standards (as described below).

We believe that instituting principles-based disclosure on climate change and other ESG matters would cause companies to assess a wide range of topics and information to determine their materiality—a major step forward—leading to new and enhanced disclosures. This process can be expected to spur more—and more rigorous and comparable—ESG and climate disclosures, both inside and outside Commission filings. Moreover, materiality can change over time as risks and opportunities change, the information that a "reasonable investor" needs to know evolves, and empirical data becomes available showing stronger connections between ESG information and financial performance. When that happens, we believe more ESG disclosures will be included in Commission filings without any further action on the Commission's part.

III. The Commission Should Take Steps to Promote the Development of Generally Accepted Accounting Principles for ESG

The fundamental question the Commission posed is how to "facilitate[e] the disclosure of consistent, comparable, and reliable information" on climate change and other ESG matters. We believe there is value in reporting on these matters in a consistent, comparable, and reliable way even when they are reported outside Commission filings. The Commission can and should take steps to help make this happen.

Fundamentally, to achieve its objectives, the Commission should foster the development of a set of generally accepted accounting principles for ESG matters, including climate change. This "GAAP for ESG" is necessary for the overall advancement of reporting on ESG matters and greater integration of non-financial matters with financial reporting. The financial reporting field has taken 80 years to mature to where it is today: detailed standards and interpretations informed by experience, a robust body of practice, and processes to assure accuracy and integrity. We believe ESG reporting will mature far more quickly but needs to follow a similar path.

We think a FASB-like model is ideal: a professional body creating accounting standards and interpretations for ESG with the Commission setting rules for which information must be publicly reported using those standards in the public interest and for the protection of investors. Over time, existing standard-setting bodies could become good candidates for designation as a FASB-like Commission-approved standard-setting body on ESG topics deemed important for integration. For example, TCFD's framework is widely regarded as standard for climate, CDP has created model standards for reporting climate information, and SASB's structure and recognition that the most relevant ESG metrics vary across industries are good features. We believe the Commission needs to design a process by which these or other organizations' standards can become designated, including by demonstrating that they have the expertise, independence, governance, due process procedures, and funding necessary to fulfill the mission of protecting investors, and consistent with the Commission's other mission responsibilities of maintaining fair, orderly and efficient markets and the facilitation of capital formation.

There are rules the Commission might propose—apart from mandating particular disclosures in Commission filings—to spur the development of a "GAAP for ESG" by leveraging third-party standards. One would be to require registrants to annually report their Scope 1 and 2 emissions pursuant to the GHG Protocol Corporate Accounting and Reporting Standard outside a Commission filing. The Commission could encourage the furnishing of these Scope 1 and 2 reports and other ESG reports under the federal securities laws and set a timetable by which it expects to add certain topical disclosures to the list of matters required to be discussed in an annual report or proxy statement. Additionally, the Commission could propose a rule stating that, where an ESG topic or metric is included in a filed or furnished document under the federal securities laws, the company must report on that topic or metric using a designated standard. Each of these actions would jumpstart activity to ensure the selected frameworks are relevant and develop in the manner necessary to meet that expectation. Companies will begin reporting under these frameworks outside Commission filings, just as U.S. GAAP is used in unfiled financial documents. Promotion of a "GAAP for ESG" and development of a body of practice around disclosures will also allow for an accumulation of evidence as to the relevance and materiality of different ESG topics, giving the Commission further basis for designation of topics for disclosure in the future.

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We appreciate the opportunity to provide these comments and look forward to continuing to contribute constructively to the Commission's deliberation on these important questions.

Sincerely,

Walmart Inc.

June 11, 2021 | 08:29 PDT

Kathleen McLaughlin, Executive Vice President, Chief Sustainability Officer

David Chojnowski

June 11, 2021 | 10:40 CDT

David Chojnowski, Senior Vice President, Controller

Gordon Allison

June 11, 2021 | 08:49 PDT

Gordon Y. Allison, Senior Vice President, Office of the Corporate Secretary and Chief Counsel for Finance and Corporate Governance