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Remarks as Prepared for Lee Scott
CEO and President of Wal-Mart Stores, Inc.
"The Company of the Future"
Wal-Mart U.S. Year Beginning Meeting
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Thank you. Let me add my thanks to John Menzer for all he has accomplished at Wal-Mart during his career. He has made a real difference. Thank you, John.

I hope you will forgive me for delivering a more formal speech than I usually do. Sometimes you need to say things exactly as you intend for them to be said, so you can be certain they are heard ... that they carry ... and that they last.

Now it certainly would be easy to talk about our merchandise and customer service. And just because I am not talking about these things doesn't mean they are not important. They are. But because of your success and the success of your company, the world has great expectations of you. They expect you to play a bigger role. And you have both an opportunity and a responsibility to do that.

27 months ago today, I spoke with you about leadership in the 21st century. I discussed a range of issues where we could lead and set specific goals to guide our progress.

With the environment, we said that our goals are to be supplied 100% by renewable energy ... to create zero waste ... and to sell products that sustain our resources and our environment. We also pledged to become more engaged with working conditions in factories ... to work for more affordable and accessible health care for associates and customers ... and to reflect to an even greater extent the diverse needs and nature of the communities we serve.

Of course these goals meant little without the people to pursue them. So perhaps most importantly, we called on all of you to make this effort your own. We asked you for courage. We asked you for patience. We asked you for commitment. You gave your company all of these things and more. And you built a better and a more sustainable Wal-Mart in the process. On behalf of your chairman and myself, we thank you.

We have so much to be proud of here at Wal-Mart. Perhaps more than ever before, we are delivering on our core mission to save people money so they can live better. And we are doing so at a time when people here in the U.S. and in all the countries we serve need us most.

That is what our strategy during the Holiday season was all about. Customers liked our easier, quicker and friendlier checkout experience. We had great merchandise – whether it was our brand name HDTVs or my personal favorite, the "Are You Smarter than a Fifth Grader?" board game. And we were clear in communicating that Wal-Mart will always be the undisputed price leader.

The result: Our customers rewarded us with a 2.4% comp store sales increase in the U.S. as our competitors were having decreases. Internationally, they rewarded us with an 18.2% increase in net sales. But above all, they rewarded us with the privilege to help them and their families live better – to give the special gift that their children dreamed about and to put a good meal on the dinner table on Christmas day. That is what your Wal-Mart is all about.

We have helped our customers live better in so many ways. By reducing our prices on hundreds of common prescriptions to \$4, we saved our customers in the U.S., Mexico, Puerto Rico and Brazil more than \$850 million. Here in the U.S., you sold 145 million compact fluorescent lightbulbs. You saved our customers \$4 billion over the life of those bulbs. And in the process, you eliminated the need for three coal-fired power plants. Incredible.

These are just a couple of examples of how your Wal-Mart has led over the past 27 months. But I do not want to spend my time with you today recapping the history of what we have accomplished. Leadership is not about looking over your shoulder and living in the past. Leadership is about looking over the horizon and envisioning the future.

It is important for all of us to understand that there are a number of issues facing the world that will profoundly affect our lives and our company. I am talking to you about issues like international trade, climate change, water shortages, social and economic inequities, infrastructure and foreign oil.

You may be wondering: "What can Wal-Mart do about issues as big as these? What can I do?" I will tell you that people have always looked at Wal-Mart as a problem solver. Over the course of nearly a half-century, we have helped hundreds of millions of people stretch their monthly budgets and make ends meet. But now people are looking at your company in a brand new light. They are seeing a retailer take on tough challenges and make a difference.

This is powerful for all of us. We live in a time when people are losing confidence in the ability of government to solve problems. But at Wal-Mart, we don't see the sidelines that politicians see. And we do not wait for someone else to solve problems that might hurt our business or affect our customers in a negative way. We have a culture of teamwork ... a culture of innovation ... and above all, a culture of action.

In the years ahead, we might not be able do everything that everyone wants us to do. But we will do things that need to be done and that you and your company can do. Wal-Mart can take a leadership role ... get out in front of the future ... and make a difference that is good for our business and the world.

### More Affordable Health Care Through Efficiency

Let me start with an area where we have made tremendous progress already ... and that is health care. Earlier this week, we announced that our improved benefits have helped more Wal-Mart associates get health insurance this year. The number of associates with health insurance is up

almost 3% and now stands at nearly 93%. This is excellent progress. Nationally ... only 82% of Americans are insured.

But we have more opportunities to make a difference in health care for both our associates and our customers. What your company does best is exactly what the U.S. health care system needs the most. It needs more affordability. It needs more accessibility. It needs to be more efficient. And it needs leaders with a genuine desire to work together for positive change.

We think we can even do more with prescription costs. This year we will be contracting with select employers in the U.S. to help them manage how they process and pay prescription claims. Our approach will be based on taking out unnecessary costs while providing high quality health care products and services. With this effort, we believe we can save employers more than \$100 million this year alone.

We also believe we can help with how prescriptions are filled. We will partner with doctors and other providers to increase the number of electronic prescriptions we fill in the U.S. to 8 million by the end of year. This will be a nearly 400% increase in e-prescriptions at Wal-Mart. There are an estimated 7,000 deaths per year due to medication errors. E-prescribing will be more convenient for our customers. But most importantly, it will be safer.

Another area in health care where we will apply our technological know-how is health records. Wal-Mart will provide electronic health records to U.S. associates and their family members – including retirees and including all of you – by the end of 2010. These records will be personal, private and portable. They will drive down costs and improve quality and safety.

#### A More Energy Efficient Future

Like health care, one of the biggest issues in the world today is the rising cost of energy. It is on the front page of every newspaper. Every presidential candidate talks about it in his or her speeches. And they all wrestle over who has the best plan to reduce energy costs when they debate. But so much of this talk is either about geopolitics that are difficult to change or technology that is years away.

Every day in our stores, we see the impact of \$100 a barrel oil and high natural gas and electricity prices. We see our customers having to choose between filling up their gas tanks or buying food and medicine and clothes. In America, out of pocket energy costs for working families have doubled over the past decade. These families now spend an estimated 17% of their monthly income on energy. Somebody has to do something. And your Wal-Mart will.

Let me ask you this: What if we extended our mission of saving people money so they can live better -- to saving people money on energy? We believe we can do this. Wal-Mart can help our customers <u>use less energy</u> and <u>spend less on energy</u>. This will also help every country where we operate reduce their dependence on foreign oil.

Our first commitment has to do with products that we sell. A household is made up of hundreds of items that contribute to energy use -- sometimes wastefully. Microwaves, televisions,

computers and portable phones, for example, draw standby power even when they are not in use. Energy is also wasted when heat leaks out of our homes and cold leaks in.

Our goal is to work with suppliers to make the most energy intensive products in our stores, anywhere in the world, 25% more energy efficient within three years. We do not know exactly how we will get there. We do not even know if our suppliers can make items like hair dryers use 25% less energy. But we do know that our approach works – to partner with suppliers, to help customers make better decisions, and to use our business model to drive out waste.

If we achieved our 25% goal just in the U.S., we would save enough electricity to power 3 million homes per year or the equivalent of 10 million barrels of oil.

Today we are announcing initial steps that we hope to achieve by 2010: every air conditioner that we sell in the U.S. will be Energy Star rated; and all our flat-panel televisions will be 30% more energy efficient. The energy savings on televisions alone would be enough to power over 53,000 single family homes for an entire year.

Price is perhaps the most important factor in helping motivate consumers to make the right decision. Unfortunately, energy efficient products – like environmentally friendly products – often come at a premium. We think we can change this. At Wal-Mart, we do not want our customers to have to choose between products they can afford and energy efficient products.

We will bring everyday low prices to energy-saving merchandise. Let me give you an example. Clean air filters save energy because HVAC systems do not have to work as hard to heat or cool a home. Today, while you are sitting in this meeting, we are rolling back 3M Allergen Air Filters by \$2 -- from \$12.88 to \$10.88. Your company is the price leader – and that will apply to energy efficient products too.

In the coming months, we will work with our suppliers to reduce prices on more items that have a significant impact on energy use for our customers. Our goal is to double the sale of products that help make homes more energy efficient.

Let me give you an idea of what your company can do with just one item. By doubling the amount of weather stripping that we sell, we can save customers \$285 million in heating costs and save the energy equivalent of over 4,000 tanker trucks of gasoline. This is a huge opportunity.

Now let me turn to something that you might think is completely out there. I have been talking with the heads of the major auto manufacturers over the past few weeks. And I have been asking them if there is a place for Wal-Mart in the hybrid electric or plug-in electric car market, so our customers do not have to spend so much money filling up their gas tanks. Maybe there isn't room for Wal-Mart in this right now. But something tells me that there may be some role for us in the future, and we are going to continue taking a look at this.

Let me throw another idea out there. What if we looked at whether Wal-Mart could provide ecofriendly energy to our customers? What could we do in the U.S. -- where per capita energy use is among the highest in the world?

Imagine your customers pulling into your parking lot, and seeing wind turbines and solar panels, and being able to charge their cars while they shop. I think that would make them feel good about shopping at your stores. It would also make them feel good if they could save money in the process. What if we fed the power generated by those wind turbines and solar powers back into the electrical grid? Just imagine the impact of our customers being able to buy eco-friendly energy at the unbeatable Wal-Mart price.

Everything I have talked about will help our customers use less energy and spend a smaller portion of their hard-earned money on energy. We also want to work with our suppliers to help them use less energy too. Working together, we believe our suppliers can reduce the amount of energy they use to make our products by 20%.

Of course, all these efforts will also help the environment and address the challenge of climate change. Taking waste and non-renewable energy out of our supply chain reduces the amount of pollution and greenhouse gases our suppliers send into the atmosphere. Helping customers buy more sustainable products and be better stewards of the environment reduces their own carbon footprint. This is something that I think all of us can be proud of.

## Supply Chain of the Future

One of the most difficult issues that every major company faces is ensuring that the products they buy from outside suppliers are made well and made right. We all saw it this year as we headed into Christmas. No company has the perfect blueprint for making sure every factory is a good steward of the environment ... that every factory is ethical in how it treats its workers ... and that every factory manufactures products perfectly to specifications.

I want to be clear that with sourcing we are already on par with our competitors. But let me ask you this: When are we ever satisfied with being on par with our competitors? Are we ever satisfied with being on par with price ... or sales ... or how we treat our associates? No we are not. And we will not be satisfied with being on par with our competitors when it comes to how our products are made or how the people who make our products are treated.

But you know ... our customers won't be satisfied either. Our customers want products that make them feel good about their purchases. They want to walk into our stores and be confident that the products on our shelves are safe and durable. They also want products that are made in a way that is consistent with their own personal values.

We believe the progress we can make here will be good for our business. Why? Because suppliers that cheat on the environment ... cheat on laws ... and cheat on the treatment of their people ... will cheat on the quality of product they sell us. But suppliers that are ethical and responsible in how they do business are much more likely to care about quality and, in doing so, care about the customers in your stores.

Now it is one thing to say you want to do this. It is a whole different ballgame to actually do it, especially for a retailer of our size. But your Wal-Mart will do this.

Our first action will apply to all suppliers who work with us through global procurement ... who are domestic importers ... or who are manufacturers of Sam's Club or Wal-Mart private brands. We will require these suppliers to demonstrate that their factories meet specific environmental, social and quality standards. We have already started doing this, and we hope to extend the requirement to all the suppliers I mentioned within the next three to five years.

Second, we will only work with suppliers who maintain our standards throughout our relationship. So we will make certification and compliance part of our supplier agreements and ask suppliers to report to us regularly. Any supplier that fails to keep its word will be required to take prompt and serious action. If a supplier fails to improve and fix the problem, we will stop working with that supplier.

Third, we will favor -- and in some cases even pay more -- for suppliers that meet our standards and share our commitment to quality and sustainability. Paying more in the short term for quality will mean paying less in the long term as a company. Higher quality products will mean better value, fewer problems, fewer returns and greater trust with our customers. Saving people money is a commitment to our customers throughout the life of the product.

While we do these things, we will also work on more far reaching change. Many of our supplier factories have multiple customers, including multinational corporations and local retailers. Each retailer often imposes different standards and requires separate inspections. This often results in duplication of efforts without a real improvement in performance. And in some cases, it allows a competitor to have lower standards and, at times, lower costs.

In the next three years, we would like to build a very different system. We believe that there should be one framework of social and environmental standards for all major global retailers. And there should be one third party auditing system for everyone. This will ensure improvement can occur across the board on a level playing field.

The leading global retail and consumer goods network, CIES, is working on this, and we are working with them and a number of global retailers to achieve this vision. The effort is now focused on social standards, and I believe it should be expanded to environmental standards as well. Today I call on all major global retailers to join this effort. I stand ready to meet to meet with the CEOs of our competitors and make socially and environmentally responsible sourcing a reality across the entire retail industry.

Now there has been a lot of discussion over the last few months about China's specific role in global sourcing. Clearly, China has an important role to play. It is a major manufacturing force today, and it will be an even greater economic force in the years ahead.

Over the last few months, we have spent a lot of time talking with leaders in the Chinese government and the NGO community. As the growth of China has exploded, the environment has become an increasingly important issue in that country.

We believe we can make a major contribution here. Wal-Mart will work with the Chinese government and NGOs to make sure suppliers comply with Chinese environmental laws and regulations. We will require our suppliers who export from China to certify that they meet key standards. We will include this certification in our supplier contracts. And we will have a mechanism in place to make sure our suppliers meet these standards throughout the term of our relationship. We commit to doing these things as quickly as possible. And we hope to see significant results within three to five years.

Ultimately, we would like to see this effort combined with the industry wide effort I described above. But if it is not, Wal-Mart will in fact lead. We will move forward by ourselves.

## The Heart of our Company

The truth is, and you know this, we cannot accomplish any of what I have discussed today without our associates. Only you and your colleagues around the world can make this happen. We need you to put your hearts into this vision. And I know you will. I believe that what began 27 months ago as a commitment from the top of our company is now a commitment from the heart of our company.

The fact is no company can make the difference that Wal-Mart can make. You have the opportunity to go work every day ... to help people live better ... and to help make the world a better place. And you can do that without having to be somebody you are not – or being a company we are not. You can be yourself and live the culture, the mission and the values of your Wal-Mart.

I know this makes you proud. But let me assure you: that pride will only grow with time. There will come a day when you will be at home with your children or grandchildren ... and you will look them in the eyes ... and you will know that you made a difference in the world they live in. In the end, there is no higher calling for ourselves or our company.

Thank you for your time. And thank you for what you have done to put this company in such an extraordinary position during such a difficult time for our customers and the world.

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