
UC DAVIS LAW REVIEW

VOL. 49, NO. 2



DECEMBER 2015

UC Davis Law Review Symposium “Corruption and Compliance: Promoting Integrity in a Global Economy” Keynote by Jay Jorgensen

*Jay T. Jorgensen[†] & C. Kevin Marshall^{**}*

TABLE OF CONTENTS

I. WALMART IN THE UNITED STATES AND BEYOND	427
II. ENHANCING WALMART’S GLOBAL COMPLIANCE PROGRAM THROUGH “PEOPLE,” “POLICIES,” AND “SYSTEMS”	429
A. <i>Finding the Right Structure and People</i>	430
B. <i>Building Up Compliance Within the Broader Company</i>	434
C. <i>Strengthening Compliance Through Technology</i>	437
III. BUILDING FOR THE LONG TERM: GOALS AND CHALLENGES.....	438
IV. ENCOURAGING CHANGE GLOBALLY	440
CONCLUSION.....	442

[†] Copyright © 2015 Jay T. Jorgensen & C. Kevin Marshall. This article is based on the keynote address that Jay Jorgensen delivered to the symposium on January 23, 2015.

^{*} Executive Vice President, and Global Chief Ethics and Compliance Officer, Walmart Stores, Inc. J.D., J. Reuben Clark Law School, Brigham Young University.

^{**} Partner, Jones Day. J.D., University of Chicago Law School. The views expressed in this article do not necessarily reflect those of Jones Day.

Part of what makes a corporate compliance program succeed is incessantly reassessing what elements are working and what elements are not, and learning from others about new and different ways to reach common compliance goals. Leading the global compliance program for the world's largest retailer means focusing daily on improving our organization. As part of that effort, I often interact with members of compliance departments at other corporations, to discuss benchmarks and to share ideas. But it is a rare opportunity to share a forum with professors and law students. Law school and clerking are fading in my rear-view mirror, and the road of my legal career has run outside of the academy. So, I look forward to our time together today as I continue to gain ideas for improving Walmart's compliance program.

Growing up in Utah, I never imagined I would be living in Bentonville, Arkansas, and working on corporate compliance and ethics issues affecting more than two million fellow workers around the globe, not to mention all of the people, companies, and communities with which Walmart interacts daily. After law school and clerkships, I spent well over a decade litigating at a national law firm in Washington, D.C. But when the opportunity came up to join Walmart in the new position of Senior Vice President and Global Chief Compliance Officer, I visited the company headquarters, talked to people, and saw that management had a strong desire to move through the center of the pack and into the lead on corporate compliance. I knew it would be a great opportunity to join that team, and it has been.

To keynote the Symposium, the UC Davis Law Review asked me to discuss Walmart's compliance journey, explaining some of what we have faced and expect to continue to face. It is the story of the real-world challenges and opportunities of compliance for the largest multi-national company, serving customers and competing in a global economy. It is a story that began long before I joined Walmart less than three years ago — a story in which I have been proud to take part. I have learned, not only from what I have done in that time, but also from what I have seen of the company's legacy stretching back years before my time.

I. WALMART IN THE UNITED STATES AND BEYOND

Sam Walton opened the first Walmart in 1962, in Rogers, Arkansas, after running a successful five-and-dime store in Bentonville. Sam's competitors thought his idea of running a business focused on offering its customers lower prices would never work. But he was dedicated to finding ways to help people save money and live better, and he

focused on opening stores in small, rural towns — places that most companies ignored.

Sam also built his company on a core set of beliefs: service to our customers, respect for the individual, striving for excellence, and *acting with integrity*. He emphasized to Walmart's associates that integrity "has to start with each one of us." Out of this philosophy, the company integrated ethics into all aspects of how the business operates.

One example is Walmart's longstanding "open door" policy. This policy allows associates to bring issues to the attention of any supervisor or manager, even the Chief Executive Officer ("CEO"), at any time and without fear of retaliation. The "open door" is a way to encourage and enable associates both to share ideas for improving the business and to identify problems and concerns.

For the thirty years after that first store in Rogers opened, Walmart grew steadily in the United States. The company went public in 1970, opened its first Sam's Club and its first supercenter in the 1980s, and had locations in over half of the fifty states by 1990. By then, Walmart had grown to operate about 1,200 stores, staffed by 200,000 associates, and to generate \$15.9 billion in annual sales.

Soon after the start of that decade, Walmart first crossed the border. It opened its first store outside of the United States in Mexico City in 1991; two years later, it opened a supercenter there as well. Over the next five years, Walmart acquired stores in Canada and opened stores in Hong Kong, Argentina, Brazil, and China. By the start of the new millennium, just nine years after our first store opened outside the United States, Walmart had become the largest private employer in the world.

Today, Walmart operates more than 11,000 stores, in twenty-seven countries, on five continents, while employing 2.2 million associates and generating \$477 billion in annual revenue. Over half of those stores and almost half of those associates are outside the United States. Nearly one million of Walmart's associates work outside the United States, in more than 6,000 international stores, operating under one of several banners — Massmart in Africa, Asda in the UK, Seiyu in Japan, and so on.

Figure 1: Walmart's International Retail Operations



As the company has grown larger and more global, it has realized a need to do more to ensure compliance with laws and company policies. We had a strong foundation of integrity and ethics, and decades of experience building effective compliance processes on that foundation in the United States. But an expanding multi-national company, grown ten-fold since the early 1990s, presented new challenges. We have spent the past two years continuing to build on that foundation globally, through a number of enhancements, and unifying the company through a single, coherent global compliance program.

II. ENHANCING WALMART'S GLOBAL COMPLIANCE PROGRAM THROUGH "PEOPLE," "POLICIES," AND "SYSTEMS"

I want to explain what we have been doing and why we have been doing it. When I was brought in to lead Walmart's compliance team, in practice the company had eleven compliance departments around the world — our Brazilian business had one; our China business had one; the United States had one, etc. As the company had grown in various markets around the world, these compliance teams had each grown up disparately to support those businesses. Early on, we gathered the leaders of those programs from around the world to talk about compliance. Even though they were all working for the same company and pursuing the same compliance goals, they did not truly know what one another was doing. That confirmed for me that we needed a change — and that the change needed to include some form of unified program, feeding into and coordinated from Walmart's headquarters, while remaining attuned to local conditions.

We have focused on creating a cohesive and uniform structure and on directing our attention and resources around the globe in light of the key risks. The expectation of integrity is our baseline. We have developed ways to define what that means, to educate and encourage our associates and partners to follow our standards, and to detect early any problems that nevertheless arise. As our CEO, Doug McMillon, emphasizes, trust is one of our company's greatest assets. It can be a fragile asset, so we have to be vigilant and diligent to maintain the trust of our stakeholders.

At the outset, we decided to separate Walmart's compliance department from the company's legal department. Every company has to wrestle with the question whether the compliance program should be part of, or separate from, the legal team. I have wrestled with it too, and I think in most cases separation is the best way to do it. Although the skill sets for compliance and legal are complementary, it is hard to wear half a hat — or to try to balance two hats on your head. A person serving as general counsel *and* chief compliance officer will often focus on one role over the other at any given point, whether because of the crisis of the moment or a subconscious personal preference. When you serve just one function, you tend to focus on different things.

Once we had determined that we would have a unified and free-standing compliance department, we focused on finding the right structure and people for that department (in short, on “people”); building up compliance within the broader company, through policies, priority-setting, and processes (“policies”); and strengthening compliance through technology (“systems”). All of these ingredients work together to grow a common culture of compliance throughout the company.

A. *Finding the Right Structure and People*

The first step was getting the people right. By that I mean figuring out how to best structure our compliance teams, tailoring the roles that people would play within those teams, and finding the right talent to fill each of those roles. Here is where we are today:

1. The compliance organization is led by a Global Chief Ethics and Compliance Officer, which is the position I now hold. I report directly to our Executive Vice President for Global Governance and Corporate Secretary, Jeff Gearhart. Part of my job is to communicate with senior management about compliance strategy, and I interact directly with the Audit Committee of our global Board of Directors. Under the Global Chief Ethics and Compliance Officer are several key officers, including a Global Anti-Corruption Officer; Chief Ethics and

Compliance Officers for our International segment, for the business in the United States, and for our E-Commerce segment; and Vice Presidents for Responsible Sourcing, Global Ethics & Compliance Administration, and Global Systems & Analytics.

Figure 2: Walmart's Compliance Structure



Internationally, we established regional Chief Ethics and Compliance Officers covering EMEA (Europe, the Middle East, and Africa, as well as Canada), Asia, and Latin America. Under them, we placed a Chief Ethics and Compliance Officer in each of our international markets. These market-level officers work closely with their local CEOs and sit on their executive councils, and report directly back to the home office in Bentonville. This structure enables the company both to be sensitive to the local cultures and environments and to ensure global transparency, accountability, and consistency.

2. As we reorganized the company's compliance structure we looked broadly for talent to fill the new roles. We transitioned some associates to serve as leaders in compliance, and we also brought in top-notch people from outside the company.

Developing talent within our business is important to build a compliance program for the long term. To recruit and retain the right people in a compliance program, a company needs to provide paths to increased opportunities and responsibilities for individuals who are growing in their careers. Chris Cyrenne exemplifies how a unified global program can enable a company to effectively utilize and develop internal talent. When we began building the global compliance program, Chris had already served roughly nine years with Walmart in Canada, including as the Director of Risk Management and the Vice President of Loss Prevention, Risk Management, and Aviation. The

company appointed Chris to be our Chief Compliance Officer for Canada. Drawing from his experience and knowledge of the company, he was able to quickly find consensus with the leaders of our business in Canada on how to enhance the program there. Based on that success, we recently promoted Chris to a regional leadership role, and expanded his remit to include responsibility for the company's ethics program. He's now our Chief Ethics and Compliance Officer, EMEA.

When a compliance program is making a significant move forward, outside perspectives also can be helpful because they provide new ideas and recognize new issues. We have tried to balance internal and external recruiting so as to get the benefits of both. As one example of invigorating the program with external talent, we brought in Jan Saumweber to be our Vice President of Responsible Sourcing. Jan had worked as a merchant who supplied products to Walmart for years, so she had a unique outside perspective we were looking for. She now works with Walmart's vendors and partners to promote responsible practices in our supply chain and to assist in creating safe and respectful workplaces for the people who supply Walmart.

3. In addition to placing leaders into this new geographically organized global structure, we have also gathered a team of subject-matter experts to help us navigate specialized compliance challenges. We had to identify the subject matters that would be part of Walmart's formal compliance program. Companies can address legal and compliance risks in various departments and various ways. For example, a company might address compliance with securities regulation as part of the compliance department's function, or have a specialized securities team, or fold these issues into the responsibilities of legal or finance. Other risks can similarly be addressed as part of the formal compliance program or in another group within the company, depending on how the company is organized and what expertise its various corporate functions have. The key to addressing compliance risks is to thoughtfully identify the topics needing attention and be clear about who will provide it, so that risks do not go unaddressed.

To provide this clarity on which topics would be addressed by the compliance team, we brought our compliance leaders together in Bentonville for a week of brainstorming and debate. We were joined by a number of Walmart's senior executives. Ultimately, after in-depth discussions about the most effective and efficient use of our resources, the company settled on fourteen areas of risk that our compliance program addresses globally.

Figure 3: Walmart's Global Compliance Subject Areas



As you might expect, many of these risks are interrelated. It would not make sense to focus just on anti-corruption, for example, because corruption doesn't happen in a vacuum. It happens because there is a problem that associates or vendors are trying to solve, and that problem likely relates to one of our other subject matters.

4. Once we had identified the fourteen key risk areas that our compliance program would address globally, we decided to designate a global thought leader for each of these risks. While our program is organized geographically, we needed the teams of experts who address each of these subject matters to be coordinated in setting and maintaining strong, consistent standards across our markets. We initially thought we would go out and hire experts to lead each of the fourteen subject matters. But as we looked, we were pleased to find that many of the experts were already among us. One example is Frank Yiannas, now our Vice President of Food Safety and Health. Frank had come to Walmart in 2008 after nineteen years with Disney, most recently as Disney's Director of Safety and Health. Frank is the consummate food-safety expert. He has published on food-safety topics, led teams of food-safety professionals, and received awards for his efforts in collaborating with the government and other industry groups to improve food safety. He was perfect for the job of leading our global food-safety efforts.

Where we did not already have someone like Frank on our team, we identified leading experts outside of the company and convinced them to join us. One example is Chuck Webb, whom we hired as our Senior Director of International Antitrust Compliance. Before joining us, Chuck was a partner in the antitrust practice at a national law firm in Washington, D.C. Before that, he served for several years at the Jersey Competition Regulatory Authority. The Authority enforces competition law for the self-governing Island of Jersey, a financial center in the Channel Islands. He was Executive Director his last three years there, and he brought Jersey into the International Competition Network, an international body devoted to developing best practices in enforcement of competition law. Today, Chuck continues to serve as a Non-Governmental Advisor for the United States to the Network, jointly appointed by the Federal Trade Commission and the Department of Justice's Antitrust Division. Chuck is a leader in his field and keeps Walmart at the vanguard of this area.

B. Building Up Compliance Within the Broader Company

With the right compliance structure and people in place, the next step was to focus on how we as a company would address each of the risks we had identified as important to our company and our customers — that is, on defining our company policies, priorities, and processes for compliance.

1. Because we had recently brought our various compliance programs together into one team, we started by asking our new global subject-matter experts to create simple policies on each of their subjects that could be applied everywhere Walmart does business. We wanted to define the expectations of our business in a way that everyone could use as a baseline. Once those global standards were in place, we focused on creating or revising the policies and processes that apply these standards at the market level. This was the more difficult task, as each country, region, or city may have unique laws that affect a particular compliance topic. The details of the policy that an associate follows in doing a job are likely to be dictated by (and must be tailored to) those local regulations. At the same time, to ensure that we defined the compliance practices that are important to our business, and to promote consistency in those practices, we found it helpful to start with a view of principles that apply universally.

2. As we set or re-set our policies and processes around the world, we realized that prioritizing our ongoing compliance efforts would be critical to our success. In a complex global business there are always a variety of risks and opportunities. The process of building a

compliance program is never complete as long as a business is growing and changing, and we can only direct the right resources to the right efforts if we routinely take stock of our compliance needs and establish measurable goals to address those needs. As a result, establishing a formal goal-setting process, and reporting on the company's results in meeting those goals, has been a significant part of our recent compliance enhancements.

I mentioned that when we came together to identify the fourteen key subject matters, our senior management was deeply involved in that exercise. This involvement let the business know that compliance is a priority to the company, and it provided the knowledge and insight into the company's business plans that we needed to design a global approach.

While the involvement of senior leaders was critical to launching our recent effort to enhance our compliance program, the active efforts of these top officials in setting and fulfilling compliance goals is equally crucial. Every company looks to its leaders to define what is important. Accordingly, our company now regularly establishes compliance goals for our local markets, business segments, and the global enterprise. We look to our company's leaders at each of these levels to help identify and carry out those objectives.

For example, at the global-enterprise level, two committees of our Board — the Audit Committee and the Compensation, Nominating, and Governance Committee — oversee the process of setting and tracking progress toward key annual compliance goals. To maintain our senior management's focus on compliance, these committees determined that a portion of the annual compensation for the company's most senior executives would be conditioned on accomplishing annual compliance goals. This sets an incentive, and the right kind: namely, executives at Walmart do not get a special bonus for fulfilling compliance goals. To the contrary, compliance is an ordinary part of everyone's job. This approach helps our entire company keep focused on the bigger picture when day-to-day compliance challenges arise.

The goal-definition process is more art than science. We want to challenge ourselves to improve significantly — setting up hurdles rather than speed bumps — yet we do not want to erect unattainable goals, which would actually discourage improvement. So as we reassess every year, a lot of thought and discussion go into getting the porridge just right.

3. In addition to keeping top executives at the home office involved in the compliance program, the company also has established

a Compliance and Ethics Committee in each of the company's retail markets, to bring together the market's senior executives with our ethics and compliance leaders. Both the market CEO and the market Chief Ethics and Compliance Officer are on this committee. With such membership, the committee is designed to keep our compliance and ethics leaders abreast of local business needs and issues and to maintain a constant, open dialogue between them and local management. Each committee meets regularly to discuss current issues relating to integrity, ethics, and compliance. During the meetings, the members of the committee assign tasks for improving compliance, and discuss progress on past assignments. Through this process, our market ethics and compliance leaders can both share the best practices they have learned from their counterparts around the world and tailor the application of those lessons to the unique aspects of the local environment.

4. Another crucial part of developing an effective compliance program is ensuring that our associates understand what the company expects of them. We have pursued this in two interrelated ways. First, we develop clear and specific policies and procedures that explain how to respond to various compliance-related issues. Second, we train our associates to understand these policies and know where to go if they have questions. As we adjust our policies in response to lessons learned, we continue the training process so that our associates remain current on the company's expectations.

The policy that likely most interests you all is our Global Anti-Corruption Policy. It prohibits anyone acting on behalf of the company from offering, giving, or receiving anything of value, to or from any person, to gain an improper benefit for the company. The policy states that any associate or third party who violates it is subject to disciplinary measures, which may include termination and, where appropriate, referral to law enforcement. In the past two years, we have constantly evaluated and developed our procedures to ensure this policy is understood and followed. The procedures focus on such areas as third-party due diligence, business expenditures, charitable contributions, government inspections, and record keeping. We have also developed a number of market-specific procedures to customize the anti-corruption compliance program in each country based on local circumstances and market-specific risks.

To breathe life into these written policies and procedures, we devote substantial attention to ensuring that our associates learn about them in various ways. That is a real-world challenge among 2.2 million associates who work in more than 11,000 stores in twenty-seven

countries. Given those numbers and that geographic scope, we use computer-based learning modules to provide relevant groups of associates with consistent training on the principles in the company's anti-corruption policy and procedures. Also, in the past year, we developed and introduced a second-generation anti-corruption computer-based learning module, and delivered it to 12,000 targeted associates.

But face-to-face training is and should be the ideal. It is much easier to gauge someone's understanding when you are together. With anti-corruption training, confirmation of that understanding is particularly important. The concept of "corruption" does not have a universal meaning around the world and across cultures. We have to explain, and ensure associates know, exactly what it means to act with integrity in particular situations.

Walmart has in the last two years provided some form of anti-corruption training to more than 100,000 of its associates globally. Not every associate is likely to face in his or her work the same challenges or demands relating to corruption. So, to make the most of this training, we focus on senior executives and other associates who are most likely to interact with government officials. Walmart also started training certain third-party intermediaries and business partners, and in the past year, we provided anti-corruption training to third-party partners in ten international markets.

C. Strengthening Compliance Through Technology

In addition to "people" and "policies," the final critical area on which we have focused is our "systems." With so many retail locations and associates throughout the world, we have found that it can be a challenge to collect, monitor, and analyze information so as to identify risks and problems before or as they arise rather than after the fact.

In some of our markets, we have developed a number of technologies over the years that help us use information effectively. We recently started a repeating, formalized process to select the best of those systems and implement them on a global scale so we can have access to the key data worldwide.

1. One example is our Sustainable Paperless Auditing and Record Keeping ("SPARK") system, which records data relating to food safety and quality such as the temperature of various foods. Walmart is one of the largest grocers in the world, so food safety is a top priority for us. SPARK uses Bluetooth communication and a state-of-the-art temperature-measuring device to electronically record and store the temperature of food. Walmart associates check food temperatures many

times per day. If we were to do this the old-fashioned way and collect all of the data by hand we would have boxes of paper that would take forever to process and not allow us to easily identify trends or issues. Capturing real-time electronic data allows for both immediate resolution of issues and analysis of larger trends. In this way, SPARK helps us ensure the food we are selling to our customers is safe and of the highest quality. We have used the SPARK system in the United States for years, and we are now deploying it across the globe to ensure the same safety and quality of our food in our international stores.

2. This concept of collecting and consolidating compliance-related information in globally consistent systems is part of both our current and our long-term plans. For example, it amazes me how many permits and licenses we need to run our stores around the globe — we have counted more than 150,000. When you are dealing with the laws of twenty-seven different countries and their localities, it gives new meaning to the word “Byzantine” to track which permits and licenses are necessary and the requirements and paperwork for each one. But that complex process is also an opportunity to identify and address common issues. To that end, we are developing a single licensing system around the globe. It will provide a centralized repository of the documentation associated with the licensing and permits and will help us anticipate and prepare for license applications and renewals.

3. Walmart also is developing a program across all of its international retail markets to screen third parties for anti-corruption and other compliance risks. This program, which I will explain a bit more in a moment, collects information on those third parties and compares it with information from various databases.

III. BUILDING FOR THE LONG TERM: GOALS AND CHALLENGES

In establishing an effective compliance program, we have to think not only about how to integrate compliance both across markets and into the business, but also how to maintain and increase the effectiveness of what we have done. Planting a nice tree is pointless if we fail to patiently water and even prune it. We know that we have to take what we have built and constantly adjust to make it work over the long term.

1. One key way for us to reassess what we are doing and keep current on compliance best practices is to discuss benchmarks with thought leaders and other companies. That is part of why I am at this symposium.

Another mechanism for reassessing and keeping current, particularly as the business grows and changes, is conducting and

responding to risk assessments. Walmart conducts annual compliance risk assessments in each of our retail markets. If, during our annual risk assessments, we see that new risks have emerged or that an existing risk has become more significant, we will have to adjust. Risk assessments are not worth the time that goes into them unless we act on the findings that come out of them.

Our risk assessments also help us focus our allocation of resources — time, talent, and treasure — to solve the most significant compliance issues. In Fiscal Year 2014, the company spent more than \$100 million on enhancements to its compliance program. We think that every dollar of that was well spent and that we are on the right track to becoming the global leader we want to be on compliance. But, our regular risk assessments assist us in determining whether we are spending too much, not enough, or just the right amount on particular issues. As in the process of setting annual goals, there are bound to be imperfections with any risk assessment. The key is to seriously ask whether every dollar spent is having a positive impact.

2. As I noted, we have found that identifying and then investing in technology to aid the company's compliance efforts is particularly helpful in driving a cycle of improvement. For instance, I mentioned that as a part of the third-party due diligence we conduct before working with outside agents, consultants, or distributors, we have implemented a technology-based system to screen third parties for anti-corruption and other compliance risks. This system collects information on the third party and compares it to information from various databases. The databases help to expose some potential relationships between the third parties and foreign governments. They also show us whether a third party has faced certain government sanctions, and reveal adverse media stories about third parties. To utilize the system to its fullest, associates on each of our market's anti-corruption teams are trained to search for and assess potential relationships with third parties.

This is helpful and essential, but the system is only as good as the information it contains. Suppose you have a potential vendor named Acme, Inc., or whatever the local equivalent may be. How many companies have that same name in a country or city? So how do you know whether the Acme you want to check is the same one that shows up in your database? How do you trace Acme over time if it has moved or changed its name? And in developing countries, where the technology and data are more limited, it can be hard to find any information on individuals and small companies — let alone information sufficient to disambiguate like-named companies. We

now use unique number identifiers for vendors so as to avoid some of these problems as we improve the accuracy of our third-party due diligence. Because we interact with thousands of vendors around the world daily, pursuing that improvement is a continual process. But although progress may be incremental, we do expect it to be steady, and we are seeing good results.

IV. ENCOURAGING CHANGE GLOBALLY

Throughout the process of reforming and enhancing our compliance program, we have seen that Walmart's size can present compliance challenges. But that size also is an asset, one that enables us to do good in the world and improve people's lives. Our work does not stop with evaluating and accounting for the risks inside the company. Walmart also is looking outside of itself, into the communities where it operates, to determine ways to encourage change.

1. Many of Walmart's recent efforts have been geared toward improving the practices of our suppliers. In certain countries where our suppliers are working, we have seen the need for heightened attention.

One program that has been particularly successful is our Women-in-Factories Training. Through it, Walmart and the Walmart Foundation are working with non-governmental organization partners in India, Bangladesh, China, and Central America to provide critical life and work skills training to at least 60,000 women in the company's supply chain. Although the focus is on women, we extend the curriculum to both women and men, and provide them with tools to be successful at home, at work, and in their communities. Of the 60,000 women who will have received the training by the end of 2016, 8,000 also will be offered advanced training that focuses on leadership and management skills. During the training thus far, we have seen that the students often do not know their potential. The goal is that, after the training, they will feel more confident in their skills and will ultimately rise to leadership roles within their companies.

In addition to these formal training programs, we also are trying to effect change through the standards we set for the third parties and suppliers from whom we source. Each of our suppliers is required to adhere to a set of policies and standards when working with Walmart. The standards make clear our fundamental policies related to the social and environmental conditions at our suppliers' facilities. Our suppliers display the standards in the local language in factories where our products are made, so the workers themselves understand our expectations.

And, these standards prohibit unauthorized subcontracting. When we know who our suppliers are, we can monitor their adherence to our standards. But, if our suppliers subcontract their work for Walmart to the factory down the street, and we have no idea that is happening, it is hard to enforce our policies for producing products. We also conduct routine audits to verify that our standards are met.

2. To this point, I have talked primarily about what Walmart has been doing itself. But there are also areas where, to accomplish change globally, it is helpful if companies work together. So I will conclude with an example and a suggestion in that regard.

In 2013, Walmart joined with a number of other brands and retailers to create an alliance to improve fire, structural, and electrical safety in Bangladesh's garment factories. The now twenty-seven members of the alliance have committed to a five-year undertaking to train and educate workers, develop common standards for assessing factory fire and building safety, and engage in inspections and remediation. Such efforts unavoidably intersect with public policy. Bangladesh imposed tariffs on safety equipment, like sprinkler systems and fire doors, of up to 60 percent; these taxes put this imported equipment out of reach for many factories. By collaborating with other companies through the alliance, we were able to persuade the Bangladeshi government to eliminate its prohibitive tariffs on factory safety equipment. That enabled us all to clear a significant hurdle for improving safety.

Such collective action could prove useful for addressing other compliance challenges. Earlier I mentioned that the system for screening third parties, such as the proverbial Acme, Inc., presents challenges including unnecessarily large costs. However, if companies work together to encourage the necessary change in the market for such services, we can reduce those costs even while improving quality. Today, each company such as Walmart pays to run a unique background check on vendors for issues such as anti-corruption. The next company interested in that same vendor pays again to run another, unique check. And, frequently these costly unique checks of vendors yield little to no useful information. Walmart's system of unique number identifiers that I mentioned does not solve these problems.

But compare that frustrating and often fruitless process to a credit check. A credit-report company does not wait until someone asks about Jay Jorgensen to hunt for information on whether I pay my debts, and then repeat the process every time it receives a request. Instead, these companies maintain and continually update an electronic file on me, and anyone who requests their product and pays

their fee receives that file of the company's accumulated findings, usually instantly. The companies are able to profit even while offering a product that is not only cheaper but also better than if each request set off a new search. If the market for background checks of third parties headed in that direction, it would similarly benefit all concerned. Accomplishing this will, I expect, require collaboration among the customers of this product, as well as the firms that provide it. But I think it can be done.

CONCLUSION

A company's work on compliance and ethics issues is never done. Progress in compliance means maintaining focus and sustaining efforts amid the ups and downs of market changes. Success in compliance requires grasping myriad risks in a complex and unpredictable business environment. To accomplish that at Walmart, we have built a solid global compliance organization piece by piece on a foundation of integrity. We have brought together the right people; we have established policies and processes that connect and guide us; and we are guarding it all with the right technology and systems.

Walmart's commitment to integrity and to constant improvement and learning on compliance issues brought me here today. Thank you for letting me share this time with you.