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Wal-Mart Is Being Pressed to Disclose How Global Suppliers Treat Workers

By STEPHANIE CLIFFORD

Wal-Mart is facing new pressure to monitor and disclose how its international suppliers treat their workers.

At its annual shareholder meeting on Friday, the New York City pension funds, which own a small percentage of shares in Wal-Mart, plan to ask the company to require vendors to publish annual reports detailing working conditions in their factories.

Michael Garland, who oversees shareholder activism efforts as executive director for corporate governance at the city comptroller's office, said the proposal was meant to improve workplace safety and worker rights at companies making goods for Wal-Mart, the world's largest retailer.

"No matter how much Wal-Mart and other companies are doing, or claim they are doing, to monitor their suppliers, they just don't have the capacity to do it in a comprehensive way," Mr. Garland said. "They put tremendous pressure on their suppliers to cut money out of the system," which can lead to long hours, low pay or other problems.

Wal-Mart opposes the request, citing the difficulty of persuading suppliers to issue reports. The company contends that even if it could enforce such a plan, to do so might threaten the availability of

certain products from those who did not comply.

While Mr. Garland acknowledged that the proposal was unlikely to succeed, he said casting a spotlight on the problem could prompt Wal-Mart to begin considering how to address its association with suppliers who did not treat workers fairly.

Kalpona Akter, a Bangladeshi labor organizer who will present the proposal at the meeting in Fayetteville, Ark., complained that many of the Bangladesh factories that produced goods for Wal-Mart mistreated their workers.

At Wal-Mart suppliers, “very often, first of all, the factory does not enforce the law” regarding minimum wages, she said.

“Though the minimum salary has been cleared by the government, and many factories implemented that,” she said, “we haven’t seen any Wal-Mart suppliers giving a living wage to workers.”

Though Wal-Mart sometimes sends auditors to check on working conditions, “when the auditor goes to the factory, the worker is coached by the management to tell lies in front of the auditors — that they are being paid living wages, that they are not being harassed,” she said.

The proposal states that there is a “significant gap between general policies against labor and human rights abuse and more detailed standards and enforcement mechanisms required to carry them out.”

It asks vendors to publish yearly reports that “include the supplier’s objective assessments and measurements of performance on workplace safety, and human and worker rights, using internationally recognized standards, indicators and measurement protocols.”

“These problems, particularly with regard to labor and human-rights practices, are in the supply chain,” Mr. Garland said. “So even at companies that produce sustainability reports, like Wal-Mart, there’s an inability to get to the practices within the supply chain.”

A Wal-Mart spokesman, David Tovar, said in an e-mail that for years Wal-Mart had maintained

standards “that address the treatment of workers by suppliers and supplier workplace safety.”

“We expect our suppliers to meet or exceed these standards. Our supplier standards are not merely goals that we encourage our suppliers to meet; rather, a supplier’s failure to adhere to these standards may jeopardize that supplier’s continued business relationship with Wal-Mart,” Mr. Tovar said.

The New York City pension funds own about 5.7 million shares of Wal-Mart stock worth about \$311 million. That gives them an ownership stake of less than 0.2 percent in Wal-Mart.

Despite dim prospects for the proposal, Mr. Garland said he hoped it would provide an opening point for negotiations with Wal-Mart. In the past, when the pension funds have filed shareholder proposals at other companies, “when you file the proposal the company calls you up” and may adopt parts of what the proposal suggests.

“The expectation here is we’re not going to get a majority vote,” he said. “It is an opportunity to make the case directly to the board. The expectation is you persuade the board that it’s the right thing to do for the company and for the shareholders.”

Wal-Mart has been fighting the proposal since January, when it notified the [Securities and Exchange Commission](#) that it planned to strike the proposal from its proxy statement, and asked the S.E.C. not to penalize it for doing so.

Wal-Mart wrote the S.E.C. saying it did not have contractual authority to require suppliers to publish the sustainability reports. In addition, using only those suppliers that issued these reports would require renegotiating thousands of agreements.

In the environmental field, Wal-Mart has successfully created [metrics for reducing packaging](#), and asked suppliers to change their practices in response, suggesting that creating new standards across the supply chain is feasible.

In late March, the S.E.C. declined Wal-Mart’s request to strike the proposal.

“Wal-Mart’s practices and policies do not compare favorably with the guidelines of the proposal,” wrote Rose A. Zudin, a lawyer for the S.E.C., and “it appears that the proposal may focus on the significant policy issues of sustainability and human rights.”



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