



**The Office Of  
State Treasurer  
Denise L. Nappier**

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**Press Release**

**FOR IMMEDIATE RELEASE**  
May 23, 2012

**CONNECTICUT TREASURER CALLS ON WALMART'S BOARD OF  
DIRECTORS TO TAKE ACTION ON MEXICO BRIBERY SCANDAL  
CASTS NO-CONFIDENCE VOTES ON RE-ELECTION OF BOARD MEMBERS**

Hartford, CT -- Connecticut Treasurer Denise L. Nappier, principal fiduciary of the \$24 billion Connecticut Retirement Plans and Trust Funds (CRPTF) -- and owner of Walmart stocks and bonds valued at \$38 million -- today announced that she has taken key steps in response to recent reports that members of Walmart's board of directors and senior management were allegedly complicit in legal and regulatory misconduct in connection with bribery by officials at its Mexico subsidiary.

"The allegations reported by *The New York Times*<sup>1</sup> in April are very grave, and if proven true, expose Walmart to significant liability and reputational harm," said Treasurer Nappier. "It is especially troubling that these allegations are directed to the highest-ranking officers of the company. The company board, as whole, needs to get its act together and take decisive steps to protect the company's bottom line and long-term shareholder value."

In a May 15, 2012 letter sent to the company's presiding director, James Breyer, Nappier called on the Board of Directors to report to shareholders by June 15, 2012 on what they are doing to reinforce the company's legal and regulatory compliance. "At a minimum, the board must determine who was responsible for failing to keep the board informed and remove them from the company," stated the letter.

In the meantime, Treasurer Nappier said she will vote against the re-election to the Board of Directors of the members of Walmart's Audit Committee (Aida M. Alvarez, James I. Cash, Jr., Arne M. Sorenson, and Audit Committee Chair Christopher J. Williams), as well as CEO Michael Duke, Former CEO H. Lee Scott, and board chair S. Robson Walton.

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<sup>1</sup> See *The New York Times*, April 22, 2012, <http://www.nytimes.com/2012/04/22/business/at-wal-mart-in-mexico-a-bribe-inquiry-silenced.html>

“I believe that these board members provided inadequate oversight of issues surrounding the allegations of systemic bribery at the company's Mexico subsidiary, which highlights a broader failure of the board's risk management role. Moreover, it's not the first time that we had to address this important governance role with the company, which suggests that they've taken their focus off a critical business sustainability factor,” said Nappier.

In 2005, Treasurer Nappier joined other institutional investors in urging Walmart's Board Chair of the Audit Committee, Roland Hernandez, to address inadequate oversight of Walmart's legal and regulatory compliance and controls. Communication took place through a series of letters between May of 2005 and May of 2006, just as the alleged bribery was taking place in Mexico and the subsequent cover-up by senior management at Walmart.

“Clearly, had our call been heeded and board oversight strengthened, it very well may have brought to light the very misconduct of management that has been alleged.”

The text of the letter to Mr. Breyer follows:

May 15, 2012

Mr. James W. Breyer  
Presiding Director  
Walmart  
702 SW 8th Street  
Bentonville, Arkansas 72716-8611

Dear Mr. Breyer,

As Connecticut State Treasurer and principal fiduciary of the \$25 billion Connecticut Retirement Plans and Trust Funds (CRPTF) – holder of Walmart stocks and bonds valued at \$38 million -- I am writing to request that Walmart's Board of Directors take appropriate steps to strengthen its oversight of management in light of recent revelations of bribery in Mexico and management's apparent efforts to cover up the issue.

In 2005, my office and other institutional investors urged Roland Hernandez -- who then served as chair of the Audit Committee -- to address inadequate oversight of Walmart's legal and regulatory compliance and controls. Communication took place through a series of letters between May of 2005 and May of 2006, as well as a face-to-face meeting in September of 2005. Mr. Hernandez's letter of July 25, 2005 included the following assurances:

“At the direction of the Audit Committee, the Company continues to engage in a disciplined, ongoing review of Wal-Mart's compliance systems and controls. That review includes the Company's integration of its control processes and compliance and ethics

programs on a global basis. Changes, additions and refinements are implemented on a regular basis, and the overall quality of the compliance process continues to improve at an accelerated rate. Some aspects of our compliance process have been implemented in response to the requirements of Sarbanes-Oxley, including management's comprehensive assessment of internal controls over financial reporting (which determined such systems of internal controls to be effective with no material weaknesses being identified). However, many of our compliance initiatives are the direct result of the Audit Committee's and managements [sic] determination to improve our Company, strengthen controls and eliminate future incidents of non-compliance."

The timing of Mr. Hernandez's letter is noteworthy: it was written during the period of the alleged bribery in Mexico and subsequent cover-up by senior management at Walmart. Clearly, had the assurances given to shareholders been carried out, the conduct of management in Mexico would have been brought to the attention of the Audit Committee.

As a shareholder and fiduciary, I look to the board of directors to oversee management and protect our long term financial interest at every company in which we invest. If the allegations surrounding the Mexican subsidiary are proven true, and the board was unaware of the bribery, then Walmart's board has badly failed its shareholders and must move swiftly to bolster its oversight mechanisms. At a minimum, the board must determine who was responsible for failing to keep the board informed and remove them from the company.

Given the gravity of the allegations directed to the highest-ranking officers of the company and board, I request that you immediately report to shareholders the actions you are taking to reinforce Walmart's legal and regulatory compliance.

Should you have any questions, please feel free to call me or Don Kirshbaum, Investment Officer for Policy, at (860) 702-3164.

I would greatly appreciate a response by June 15, 2012.

Sincerely,

Denise L. Nappier  
State Treasurer

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