

# NORDSTROM

## SUPPLY CHAIN STANDARDS ON WATER (2010-2011)

**RESOLVED:** Shareholders request that the Board of Directors issue a report describing the company's vendor standards as they relate to reducing supply chain environmental impacts – particularly water use and related pollution. This report, prepared at reasonable cost and omitting proprietary information, shall be released by December 1, 2011.

**SUPPORTING STATEMENT:** We commend Nordstrom for participating in the Business for Social Responsibility "Sustainable Water Working Group." This group's goal is "to increase water use efficiency through the creation of impact and performance measures;" however, Nordstrom has not yet provided its own Sustainable Water report.

Nevertheless, Nordstrom's success in establishing ethical vendor standards positions the company well to address supplier water performance.

Nordstrom's apparel and retailer peers have moved to address their own supply chain water risks. For instance, Nike's water program reports data on production, water use, discharge volumes, and wastewater quality via an online system for nearly 400 suppliers. The program has expanded to include Nike's affiliates, footwear, and equipment facilities. Levi Strauss leveraged its experience in ethical labor standards to create supplier environmental standards.

Understanding that natural resource management materially impacts company value, investors increasingly seek disclosure of companies' environmental practices – throughout the supply chain. Retail apparel supply chains create significant water demands and detrimental effects, particularly in cotton production and textile processing.

In growing cotton, 25 cubic meters of water is required on average to produce enough fiber for a single t-shirt. That cotton is typically grown in arid, intensely-irrigated regions. Resultant agricultural run-off significantly harms local ecosystems and contaminates drinking water sources, and water degradation presents reputational, regulatory and liability concerns. In response to flooding and droughts that affected worldwide supplies, the price of cotton rose nearly 50% in 2010, reaching an all-time high. Water issues represent a risk for our company.

In processing textiles, each kilogram of textile generates up to 600 liters of wastewater. Fresh water is essential for textile processing; however, a large percentage of textile/garment manufacturing takes place in water-scarce countries (including China and India) where local communities lack access to reliable and safe drinking water. Additionally, these regions are highly susceptible to climate change impacts on water resources due to changing weather patterns. As a result, company licenses to operate may be put at risk in these communities.

Textile processing usually requires the heating of water which consumes large amounts of energy. This creates risk related to energy price volatility and evolving regulations on air pollution. Further, roughly 25% of chemical production worldwide is used in the global textile industry.

**In sum, these conditions pose a number of risks to Nordstrom, including:**

- Higher costs due to water shortages, rising energy prices, and increasingly stringent water regulations.
- Price volatility for cotton supplies, due to drought or flooding linked to climate change.
- Reputational risk created when communities are harmed by supplier water-use practices.

**THEREFORE, please vote FOR this common-sense proposal** for improved water quality, access, and the success of Nordstrom's long-term operations in critical regions.