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At Williams-Sonoma, Inc., we know that our future success is linked to our ability to make a positive impact, both locally and around the world. We are committed to sustainable business practices and to supporting our associates1 in using their talents to make a difference. Through both big ideas and small details, we’re working to continually improve our social and environmental performance.

Our mission is to enhance the quality of our customers’ lives at home. We believe this mission is deeply connected to sustainability. Every day, we seek to live up to our promise to our customers by making beautiful products, inside and out. Focusing on great design helps us discover new solutions to challenges. Creating products that last means we can reduce waste and enable our customers to do the same.

Acting responsibly is more than the right thing to do – it is strategic to our bottom line. It also reflects what we care about as a company. We put a premium on listening to our customers and all of our stakeholders, and increasingly they have told us that they, too, care about our social and environmental responsibility.

For all of these reasons, sustainability is helping to guide us into the future. As we evolve, we are driving our business performance through sustainable practices in every part of our business, including:

• Incorporating sustainable elements into the design of our products;
• Enhancing efficiencies through reductions in energy use, waste and packaging;
• Collaborating with our suppliers to source more responsible materials, from FSC-certified wood to organically grown cotton;
• Cultivating economic opportunities for people and diverse cultures around the world by purchasing artisan products and supporting the communities where we operate;
• Committing to ethical sourcing by ensuring safe and fair working conditions for all workers.

Our promise to our stakeholders:

- We will make long-term, incremental progress toward being a sustainable, responsible company.
- We will provide annual updates on our achievements, challenges, and the work we still need to do.
- We will aim to bring benefits to all of our stakeholders, from our customers, associates and investors to the people who make our products and the communities where we do business.

This vision will take ongoing work, and we acknowledge that we have made more progress in some areas than others. This report marks a milestone – our first communication about our intentions, progress to date, and where we are going. As we move ahead, we will update this report annually – and continue to engage in a conversation about the journey that we are making toward a more sustainable future.

Laura Alber, President and CEO

1 We use the term “associates” to refer to our employees who work for Williams-Sonoma, Inc. or one of our brands. Associates include those who work in our retail stores, along with all other parts of our operations.
what does sustainability mean to us?

To us, defining sustainability starts with who we are as a company. Our mission is to enhance the quality of our customers’ lives at home. As we work to realize this mission in all of our actions, we are guided by several core tenets – namely, great design, lasting quality, and a commitment to listening to our customers. These tenets also guide us on our path to sustainability.

Our focus on great design has taught us about what it takes to solve problems and operate within constraints. By making products that last over time, we support the conservation of resources. We have also gained a deep understanding of how the quality of a product reflects the processes behind it and how, to be enduring, beauty must be more than surface-deep. Finally, listening to our customers provides us with inspiration, ideas and an understanding of what they care about – including a commitment to environmental and social responsibility.

While we are in the early stages of our journey and still have much to do, we believe that the many links between sustainability and our already established culture will help drive our progress. Instead of being a stand-alone effort, we are committed to integrating sustainability throughout our business. Whether it is forging a partnership to help us track the sources of our wood or cultivating a rooftop garden at one of our offices, sustainability is linked to both our business decisions and our lives at work.

OUR JOURNEY TOWARD CHANGE:

• Since 2006, we have been using only FSC-certified paper in our catalogs.

• We are incorporating FSC-certified wood and organic cotton into our furniture and textiles.

• Our community initiatives are tapping the unique strengths of our brands and associates to make an even greater impact.

• We are finding ways to align operational efficiency with environmental improvements in a range of areas, from our shipping methods to our packaging.
We believe that strong leadership is essential to incorporating sustainability throughout our business. Our President and CEO, Laura Alber, has a deep commitment to sustainability. She is passionate about establishing a vision and executing practical changes. Our Board's involvement further reflects the degree to which sustainability has become a strategic priority for our company. Board members receive regular updates on our progress, and they provide ongoing support for these efforts.

While we have been making improvements over the past decade, we formalized our work in 2009 by establishing a Sustainable Development department. This team has focused on developing our strategy across different functions of our business and driving a range of initiatives to make us more sustainable. We are now working to develop specific targets that will guide our efforts in the future.

We define success as more than our economic performance. It must include how we do business and the ways in which we impact the environment, communities and our many stakeholders throughout the world. We are committed to using this broader lens to make decisions about running our business. As we move forward, we believe that sustainability is not just compatible with success, but essential to ensuring the strongest possible future for our company.

Adrian D.P. Bellamy, Chairman of the Board of Directors
our story
for more than 50 years, we have never lost sight of our mission

From the day that our founder, Chuck Williams, opened his first store in Sonoma, California, in 1956, our mission has been to enhance the quality of our customers’ lives at home. Our customers’ tastes and needs have evolved, and while we have responded by starting new businesses and adjusting our business model, our focus on the customer has never been stronger. We work every day to remain the trusted source for high quality and innovative products, as well as for a superior shopping experience.

For many of us, what we do every day is more than work – it’s a calling. Our products are both highly practical and deeply personal, and we know that each one has a story. We spend our time studying lifestyle trends, designing and testing products, talking to customers, building relationships with the cooking and design communities, training our associates, building better websites, and finding new ways to further enhance our customers’ experiences in every channel. We are passionate about everything that touches the customer and understand that without our customers we have no future. We see ourselves as shopkeepers and know that the difference is made one customer at a time.

We are describing our culture in this report because we believe it supports our efforts to become more sustainable. In order to truly create impact, sustainability must be integrated seamlessly into who we are as a company. We aim to bring the same dedication to caring for communities and the environment that we bring to caring for our customers. The unique story behind our products includes their impacts – whether on the people who make them, the people who use them, or the world in which they are created.
We recognize that we face a number of challenges. While our culture is rich in entrepreneurial energy, we are still working to incorporate sustainable practices throughout all of our operations. We are confronting difficult questions about how to balance our sustainability goals with the need to keep our costs competitive. We wrestle with how to talk about our accomplishments while conveying that we still have much to do.

Despite these challenges, we are committed to this journey – and to making sustainability part of our evolution as a company. Our culture has always been the foundation that enables us to navigate through change. We believe that enhancing our customers’ lives at home must include working to ensure that they can enjoy the environment and communities in which they live. And we look forward to exploring how we can realize our mission in new and meaningful ways.

OUR COMPANY AT A GLANCE:

- We are a publicly traded specialty home furnishings retailer. Our brands include Williams-Sonoma, Pottery Barn, Pottery Barn Kids, PBteen, West Elm, and Rejuvenation;

- Our corporate headquarters are located in San Francisco. We operate distribution centers in New Jersey, California, Tennessee, Mississippi and North Carolina;

- Our Customer Care Centers are located in Oklahoma, Nevada, Texas and California;

- As of January 29, 2012, we had approximately 26,900 employees of whom approximately 6,700 were full-time. During the fiscal 2011 peak season (defined as the period from October through December), we hired approximately 9,700 temporary employees primarily in our retail stores, customer care centers and distribution centers.

- We purchase our merchandise from numerous manufacturers and importers. Approximately 61% of our merchandise is manufactured outside of the U.S. in 50 countries, predominately in Asia and Europe.

Please see our Annual Report for more company information.
We have looked at every part of our business for opportunities to create a positive impact while serving our business goals. From the design of new products to the sourcing of raw materials to how we serve our customers, we are asking how we can act more responsibly, reduce our costs and drive our future success.
overview
where we are on our journey

One of our first priorities has been to understand our natural resource consumption as well as our impacts, both positive and negative. From designing our energy strategy to responsibly sourcing our wood and cotton, this work has helped us target the most material areas of our business. Our sustainability team is now applying this lens to the design of our long-term strategy, with a focus on how sustainability is incorporated into our management, processes, systems and culture. In this report, we are sharing that long-term strategy. In our next update, we will be publishing goals and metrics to assess our progress.

We will be open about where we are on our journey. For example, we have gained new understanding into the sources of our raw materials and have started to engage our major suppliers in strategy discussions. We have made less progress in key impact areas such as packaging and water.

In thinking about our impact on the environment and communities, we have created a framework that includes three main areas: products, community and operations. All of these are linked, as reflected in our strategy map – which we think of as our blueprint for creating sustainable change (it can be found starting on page 12). This blueprint summarizes our key areas of focus, from raw materials to our greenhouse gas inventory. We have used the Global Reporting Initiative (GRI) to help guide our approach.

As our strategy map shows, we are committed to making long-term, incremental progress across our company. We are equally committed to being open about our progress, challenges and opportunities to align our business and sustainability goals. For example, our customers are responding to products that incorporate sustainable elements, indicating that our strategy resonates and drives sales. Sustainability also creates operational efficiencies, cost savings and engagement with our associates.

While we are still in the early stages of our journey, we seek to be responsive to our stakeholders, who have told us that they care about our responsibility as a company. We see this report as more than a document, but as the start of a conversation, both internally and externally.

For more information about the GRI framework, please see the box at the bottom of page 14.
**supply chain map**
the path + processes behind our products

Our supply chain starts with a design idea and continues through multiple stages until one of our products arrives in a customer’s home. Below we offer a snapshot of this global journey, along with our efforts to date, our successes, challenges and where we have more work to do.

**DESIGN** Great design is core to our mission to serve our customers, and our focus on quality lays a strong foundation for applying a sustainability lens to this stage of product development. Creating products that last, for example, supports the conservation of resources. We have written operational guidelines about incorporating sustainable materials such as FSC-certified wood and organic cotton into our designs. In the future, we see even more opportunity to add a sustainability framework to our design process, so that we consider such options as using fewer materials or alternative materials in the creation of our products.

**NATURAL RESOURCES & RAW MATERIALS**
We rely on our ability to procure high-quality wood and cotton to make products that live up to our standards. As major inputs for our furniture and textiles, these materials also offer the opportunity to make a positive impact. We have worked to track and document where our wood comes from, and have also sought a deeper understanding of the cotton production process. Today, some of our furniture contains FSC-certified wood, and some of our sheets and towels are made from organic cotton. We will increase our use of responsible materials in our products and will continually look at our sourcing strategy for potential improvements. While we began by focusing on our use of wood and cotton, in the future we intend to look at other raw materials that play a role in our business, including metals in our products and the water used in the production of our textiles.

**PRODUCTION STRATEGY** Because our business is global, we must act strategically about where a given product is made. These decisions represent a balance of considerations, from cost to quality to efficiency. We have also committed to a strategy of working closely with our current suppliers to improve their social and environmental performance.

**WORKING CONDITIONS** One of our strongest commitments is to ensure safe, ethical working conditions for the people who make our products. We work with suppliers who share our standards, and they are required to sign and abide by our Vendor Code of Conduct. We maintain a zero-tolerance policy for serious violations. Beyond this commitment, we are working to proactively create new opportunities for people in the developing world by partnering with artisan communities and groups such as Aid to Artisans. In the future, we are looking into initiatives that will go beyond enforcement of policies to help us play more of a leadership role in creating change.

**THIRD-PARTY IMPACT** Because we manufacture only a small fraction of our products, we need to consider the impacts of others in assessing how we can create change. Our suppliers’ use of water, as well as their approach to reducing the use of toxic materials, are two examples of areas where we do not have direct control over the production process. In addition, the actions of our suppliers affect the people who make our products, as well as the communities in which they live. One of our priorities is to consider these impacts, and we are working closely with our suppliers to improve their sustainable practices. Future opportunities include adding environmental performance metrics to our supplier scorecards, assisting in education and training, and working with our suppliers to forge new solutions to production challenges.
Packaging protects our products, but it also poses an ongoing environmental challenge. We have made a number of changes that affect both our customers and our operations, including replacing boxes for our textile products with polybags that use fewer materials; replacing packing peanuts with air pillows that can be recycled; and recycling cardboard, plastic and styrofoam at our distribution centers and stores. We are still working to create a coordinated strategy throughout our operations. We are also looking for opportunities in other parts of our supply chain – such as how the design of a product can enable it to require less packaging from the start.

We have always worked to increase our efficiency to benefit our business, and increasingly we seek to align these improvements with a positive impact on the environment. One of our most important changes has been to expand beyond the use of one central distribution center in Memphis to a business model in which we utilize distribution centers on both coasts. This has enabled us to better serve our customers, cut costs and reduce our fuel usage. Other major changes include lighting retrofits in our largest distribution centers and the installation of a solar array on the roof of our east coast facility. In the future, we will continue our commitment to seek out new efficiencies that advance our business while bringing us closer to our sustainability goals.

As one of the largest multi-channel retailers and a major cataloger, we have focused on our catalogs and stores to create the greatest possible impact. We were the first major cataloger to shift to 100% FSC-certified paper in our catalogs, which number approximately 250 million a year. We are currently completing a lighting retrofit in our stores and have incorporated a range of sustainable elements, from low-VOC paint to reclaimed wood floors. In the future we will continue to evolve our efficiency throughout all of our sales channels, looking at such areas as store design and the balance of catalogs and e-commerce.

One of our highest priorities is creating products that last. Our focus on quality means that our products can be replaced less often, thereby contributing to the conservation of resources. Many of our products – such as our armchairs and armoires – are designed to become more beautiful with use, and they embody the many environmental and social benefits of a long product life. We have more work to do to address what happens when the utility of one of our products does end. Questions for future consideration include what role we can play in facilitating the reuse of materials, along with how we can help keep materials out of landfills? We have also yet to explore how we can design products so that we can extract raw materials from them down the line (often referred to as “design-for-disassembly”).

A supply chain is not linear or static. Instead, it is a cycle for creating our products that begins again each season. We focus on how we can improve every step in this process, layering a sustainability perspective onto traditional decision-making. We have always tried to run our business as efficiently as possible. Now we are asking different questions about how to create environmental, social and business benefits. Our journey is still unfolding and we see numerous opportunities to make improvements.
strategy map
our blueprint for change

We have looked across our company for areas that are most material. Below we describe our work to date and our future direction. In our next report, this blueprint – which is aligned with major GRI indicators – will evolve into a scorecard for tracking our progress.

WOOD

RELEVANCE: Wood is the largest natural resource used in our furniture; the health of our business is tied to the health of the world’s forests and availability of high-quality wood.

PROGRESS
- Partnered with Global Forest and Trade Network (GFTN) to develop a process to track sources of wood in our global supply chain.
- Published our company’s wood policy in 2008 to formalize our commitment to responsible wood sourcing.
- Collected and verified data on wood in our supply chain; built foundation to drive toward specific goals.
- In FY2011, 9% of the wood in our furniture was FSC-certified.

FUTURE
- Increasing the use of FSC-certified wood in our furniture.
- Working toward verifying that 100% of our wood is from known, responsible sources.
- Partnering with GFTN to use market opportunities to promote sustainable wood practices.

To see our wood policy, go to: http://www.williams-sonomainc.com/company-overview/corporate-responsibility/policies.html

CATALOG PAPER

RELEVANCE: As one of the largest multi-channel retailers in the country and a major cataloger, we distribute more than 250 million catalogs a year.

PROGRESS
- Shifted to FSC-certified paper in our catalogs in 2006.
- Achieved goal of making 100% of our catalog paper FSC-certified in 2007.
- Published paper procurement policy in 2008, formally committing to more responsible practices.
- Reduced size of catalogs and number of pages mailed; have allowed for customer preferences around frequency.

FUTURE
- Maintaining 100% FSC-certified paper in our catalogs.
- Balancing catalogs with other forms of customer communications – namely, electronic marketing, ecommerce and social media.
- Playing leadership role among catalog companies in addressing paper issues.

To see our paper policy, go to: http://www.williams-sonomainc.com/company-overview/corporate-responsibility/policies.html

COTTON

RELEVANCE: Cotton is the key component of our textile products; the cotton market has experienced increasing price and supply volatility in recent years.

PROGRESS
- Introduced organic cotton textile products in 2007 and established process to increase transparency in our textile supply chain.
- Became an active member of Textile Exchange in 2007 to help drive more sustainable solutions.
- In FY2011, 12% of the cotton in our textiles was organic.
- Published our company’s fiber policy in 2012 to formalize our commitment to responsible fiber sourcing.

FUTURE
- Maintaining at least 10% or more organic cotton in our textiles.
- Seeking out alternative, sustainable options for cotton.

To see our fiber policy, go to: http://www.williams-sonomainc.com/company-overview/corporate-responsibility/policies.html
**GREENHOUSE GAS EMISSIONS**

**RELEVANCE:** Greenhouse gases consist of CO2 (carbon) and result from energy and fuel usage. They are increasingly the focus of public policy related to the regulation of business.

**PROGRESS**
- Began measuring emissions in 2008 as part of our annual GHG inventory.
- Invested in lighting retrofits at our stores and distribution centers.
- Installed solar array at our east coast distribution center.

**FUTURE**
+ Developing our long-term emissions reduction strategy.
+ Working with key stakeholders throughout the organization to set specific targets.
+ Continuing our lighting retrofits in our stores and facilities.

*Note: To calculate our total emissions, we have looked at our direct energy and fuel, along with our indirect energy. Our direct energy and fuel includes fuel for our leased and owned trucks and diesel for our generators. Our indirect energy consists of our purchased electricity, which is used in our stores, corporate facilities and distribution centers. We have not measured our Scope 3 emissions.*

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**VENDOR CODE OF CONDUCT**

**RELEVANCE:** To ensure that our products are made under safe and fair conditions, all of our suppliers are asked to sign and abide by our Vendor Code of Conduct (VCOC).

**PROGRESS**
- Committed to rigorous standards for protecting workers who make our products globally through our VCOC.
- Instituted a zero-tolerance policy for serious violations of our VCOC such as child labor or abusive treatment.
- Implemented training and enhanced procedures to combat human trafficking globally, as stipulated by the California Transparency Act.

**FUTURE**
+ Maintaining rigorous standards of respect and fair treatment of workers in our global supply chain.

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**FACTORY AUDITS**

**RELEVANCE** To enforce our ethical sourcing standards, we conduct third-party factory audits.

**PROGRESS**
- Instituted third-party audits in 2007 to enforce our ethical sourcing standards.
- Expanded our audit program to encompass artisan craftspeople.
- Began overseeing Corrective Action Plans (or CAPs) to partner with factories to improve working conditions.

**FUTURE**
+ Engaging stakeholders and build partnerships in countries where we operate to address key social and environmental issues and help create strategies for change.

*To see our labor practices policy, go to: [http://www.williams-sonomainc.com/company-overview/corporate-responsibility/policies.html](http://www.williams-sonomainc.com/company-overview/corporate-responsibility/policies.html)*
COMMUNITY ENGAGEMENT

RELEVANCE: Our global community and philanthropic efforts are an integral part of our definition of sustainability. They create positive impact, strong relationships with the community, associate engagement and a thriving work environment.

PROGRESS

• Raised more than $18 million since 2005 for St. Jude Children’s Research Hospital.
• Launched Community Involvement Time (CIT) in 2008, providing paid time for our associates to volunteer.
• Committed to being a sponsor of The Annual AIDS Walk in San Francisco and New York.
• Contributed more than $1 million to improving services and facilities of shelters nationwide.

FUTURE

+ Deepening our community strategy by further aligning our initiatives with our brands and their unique strengths.
+ Enhancing our CIT program to make it easier to volunteer and to introduce skills-based volunteering.
+ Committing to greater community impact by launching a program to match associate charitable giving.

TESTING & TOXICITY

RELEVANCE: Product safety is our highest priority and we work to uphold stringent testing standards throughout all of our brands.

PROGRESS

• Created comprehensive system for tracking and adhering to all government safety and testing requirements.
• Proactively removed Bisphenol-A (BPA) from all Pottery Barn Kids plates, cups and food storage containers.
• Achieved 100 percent compliance with recent mandates regarding lead and six banned phthalates in Pottery Barn Kids products.

FUTURE

+ Maintaining our rigorous testing protocols to ensure our safety promise to our customers.
+ Adapting our approach as our business expands to new markets to adhere to local standards.
+ Continually monitoring new information to ensure that we are proactive in maintaining rigorous testing and toxicity standards.

A NOTE ABOUT THE GLOBAL REPORTING INITIATIVE (GRI)

In developing our first sustainability report, we used the framework created by the GRI, a non-profit organization embraced by the United Nations Environment Program (UNEP). This framework – which is widely used by companies throughout the world – spells out detailed measures for reporting on social and environmental responsibility. Taken together, these measures reflect a sustainability report’s content, materiality, stakeholder inclusiveness, and completeness. Specifically, the GRI framework calls for disclosing information about governance structure, as well as a wide range of performance indicators related to a company’s sustainability goals. Indicators fall under the categories of environmental, human rights, labor, social, product and economic. Beyond helping to make sense of large amounts of information, the GRI framework has brought consistency to sustainability reporting, enabling stakeholders to analyze company performance to gauge both progress and challenges.
We view becoming more responsible as not just the right thing to do, but strategic to our business. Whether it is increasing our efficiency or engaging our associates, the initiatives described in this report are not just compatible with strong financial performance – they help drive it.

We see links between operational efficiency, sustainability and cost savings. For example, by moving our warehousing of large furniture closer to our customers’ homes, we have cut our transportation costs, saved fuel and provided better service. In addition, a major retrofit in our distribution centers has saved energy while directly boosting our bottom line. Installing one of the largest solar installations in New Jersey on the roof of our east coast distribution center has lowered our costs and diversified our energy sources.

Becoming more responsible brings other business benefits. Consumers are seeking to align their values with their purchasing practices. Not only do they want to know that a company is responsible, they are concerned about the health and safety of the products they bring into their home. Our associates are also passionate about sustainability and making a difference in their communities. Our commitment to creating a better world is now a key part of our associate engagement and retention strategies.

One of our core values is quality. Creating products that last supports the conservation of resources and more responsible consumption. For us, sustainability is a natural extension of who we are as a company. It helps to inspire our product design and innovation. Our culture means that sustainability can be seamlessly integrated into our business strategy, so that it serves both our company and the broader world.

Whether it is increasing our efficiency or engaging our associates, the initiatives described in this report are not just compatible with strong financial performance – they help drive it.
Our products express who we are as a company – and they are central to our efforts to become more sustainable. From our earliest days in business, we have focused on quality, seeking to design products that last. Today, these same principles guide us as we work to ensure that the generations who come after us will enjoy a healthy environment and thriving communities.
Raw materials are a critical link between our business strategy and our sustainability goals. To provide our customers with high-quality products, we rely on the availability of high-quality wood and cotton. How we source these materials also has considerable impact on the environment and communities. From working to conserve forests to keeping chemicals out of the cotton production process, we are moving toward more sustainable solutions.

In the past several years, we have made significant progress in understanding the sources of our raw materials, a complex undertaking that has involved working closely with our suppliers and partners such as the Global Forest and Trade Network (GFTN) and Textile Exchange. With these partnerships, we have built a foundation from which to better assess our sourcing decisions.

Our GFTN Partnership

An initiative of the World Wildlife Fund, the Global Forest and Trade Network (GFTN) brings together companies, communities and non-governmental organizations (NGOs) to encourage responsible wood harvesting. We became a member of GFTN in 2008, and the organization has helped us trace the story behind our wood, building a framework for assessing the practices and risks in our wood supply chain.

At the core of its work, GFTN helps companies move toward more sustainable sources of wood over time – for example, its framework calls for shifting from unknown sources of wood to known sources. Eventually, practices evolve to feature the use of certified wood, which is harvested in accordance with strict provisions about environmental and community impact.

We have embraced the GFTN approach and are incorporating more sustainable practices into our wood supply chain. We have made some of our greatest progress to date in tracking the sources of our wood, gaining valuable insights as we continue on a path to change.
The health of our business is tied to the health of the world’s forests. And we are committed to using wood obtained from known, legal and well-managed timber sources. We see this commitment as fundamental to our ability to manage the quality, cost and sustainability of our home furnishings.

Our journey started with understanding where our wood comes from. We joined GFTN in 2008 and have utilized its framework to track the path of the wood in our global supply chain, from forest to factory – a process known in the industry as chain-of-custody documentation.

As we have worked to gain a deeper understanding of our wood supply chain, we have come to recognize that it is a highly complex system. Some of our greatest progress has come in understanding this landscape and building the alliances that will enable us to move forward.

Our wood sourcing affects a wide range of stakeholders – from those who live in the communities where forests are harvested, to investors who care about minimizing risk in our supply chain, to customers who want to buy from responsible brands. We believe our efforts align these divergent interests and differentiate us in the marketplace. In addition to communicating about our progress, we will review our efforts annually to ensure that they reflect changing circumstances, new knowledge and opportunities.

Williams-Sonoma, Inc. is demonstrating leadership and a strong commitment to responsible business practices that we hope will serve as an example that other companies follow.

Carter Roberts, World Wildlife Fund President and CEO
Pottery Barn is working with our vendors to make more of our furniture – like the outdoor table and chairs pictured here – certified by the FSC, the gold standard in responsible wood sourcing. Achieving this certification means that a product has met rigorous standards for protecting forests, eco-system services, and communities. We also support the market in responsibly harvested wood by demonstrating that there is customer demand for more sustainable products. Above all, we seek to provide our customers with furniture that embodies our deep commitment to quality and care for both communities and the environment.
Cotton is the largest input for many of our textile products, and its environmental and health impacts matter to a broad range of stakeholders. We have invested in using organic cotton because it is good for the environment, our business, local communities and the people who use our products. What’s more, focusing on this part of our supply chain helps us become more strategic about a raw material that has experienced extensive price and supply volatility in recent years.

In 2011, 12 percent of our textile products were made with organic cotton, making Williams-Sonoma, Inc. a significant user of organic cotton among retailers worldwide.

To make our textiles more sustainable, we have:

- Reduced the use of chemicals by adhering to the Organic Exchange 100 Standard (OE 100), The Global Organic Textile Standard (GOTS) and Oeko-Tex certifications, which are leading standards in the field;
- Banned the use of Uzbek cotton in our products because of documented child labor issues in the country’s cotton fields;
- Become active members of the Textile Exchange, which brings together companies, farmers and other stakeholders to create more sustainable textile solutions.

These practices bring numerous benefits. Organic farming reduces the amount of toxic chemicals added to the environment and protect valuable water sources and wildlife. Our actions support the organic cotton market and bring attention to the environmental impacts of one of the world’s most important crops.

In addition, we are better positioned to manage our textile supply chain, reduce the risk of market fluctuations and evaluate other options to become more sustainable. For all of these reasons, we are committed to further developing our cotton strategy so that our business success enables us to achieve an even greater positive impact.
Using organic cotton in West Elm duvets, sheet sets, towels and bath mats answers the needs of our customers as well as the environment. It assures that chemical pesticides and fertilizers are kept out of the production process, conserves water and supports more sustainable farming practices. Our organic cotton products contain non-toxic dyes and they are certified under the strict standards of OE 100, GOTS or Oeko-Tex. They are an inspired example of how we can work to create well-designed, quality products at the same time that we move toward environmental and social change.

**spotlight: West Elm**

healthy for the environment and our customers
Behind the labels of Williams-Sonoma food products is a commitment to providing high-quality foods from around the world that feature the most natural ingredients possible. We believe in nutrition, flavor, moderation and balance. As part of our commitment to health, we identified and eliminated more than 60 common packaged food additives from our products. High-fructose corn syrup, for example, has now been removed from Williams-Sonoma products. Sodium has been reduced in our soups and cooking bases.

Our suppliers share our focus on quality and health, helping to answer our customers’ desire to support local communities, promote environmental stewardship, and feel connected with the sources of their food. We have a long history of working with independent artisans and family farmers devoted to good food and health, and we call on this heritage to align sustainable values with our food products. All of our cheese, fresh meat, and poultry is sourced from farms dedicated to animal welfare and environmental stewardship. Many of the fresh foods we offer feature locally grown, organic ingredients. They are made using traditional methods, in small batches and often by hand.

By their very design, many of these artisanal products are produced on a small scale. But we believe they still create impact, as they support local communities and inspire further change in the way we shop and eat.
We are proud to offer unique assortments of authentic foods from artisanal producers such as Blackberry Farm, a family-run farm nestled in the foothills of Tennessee’s Great Smokey Mountains. Celebrating the region’s farming and cooking heritage, these small-batch products are carefully handcrafted from fresh ingredients sourced directly from the farm.

spotlight: Williams-Sonoma
We abide by the highest standards when it comes to safety testing our Pottery Barn Kids’ products. Being rigorous in this testing also means recognizing that the landscape continually changes. We are committed to refining our approach as laws, regulations and science evolve over time. As we move into new markets, we will make adjustments to ensure that we conform to local standards. Our underlying promise remains the same: to treat safety as our highest priority, and to ensure that in all of our actions, we protect the well-being of the children we serve and earn our customers’ trust.

We have taken a range of actions to ensure the safety of our Pottery Barn Kids’ products. These include:

- Creating a comprehensive system for tracking and adhering to all government safety and testing requirements;
- Removing Bisphenol-A (BPA) from plates, cups and food storage containers;
- Achieving 100 percent compliance with recent mandates regarding lead and the six types of banned phthalates;
- Testing for lead and other dangerous heavy metals such as Antimony (Sb), Arsenic (As), Barium (Ba), Cadmium (Cd), Chromium (Cr), Mercury (Hg), and Selenium (Se);
- Testing for seam strength and tension to ensure additional product safety;
- Implementing toxicological testing by a Board-certified toxicologist for all products that are liquid, paste, putty or gel.
At Pottery Barn Kids, we are committed to making lunch – or any experience of carrying food outside the home – a healthy and safe one. We keep phthalates out of our containers, and they come with the additional safeguard of being BPA-free. This means that our customers can pack food without worry, and school lunches can be about what matters most – the health and well-being of the children who eat them.
supporting self-expression, action &

positive change

We believe in the power that comes from young people finding their unique voice and inspiration to effect change in the world. Over the past year, PBteen has partnered with DoSomething.org, one of the largest organizations in the U.S. to connect teens with causes they care about. Our Be Amazing contest drew the interest of 37,000 teens nationwide, and we recognized four finalists with grants of $2,000. Their passions spanned the globe, as they ran a book donation drive for an inner-city school, raised awareness of the importance of music education, and provided safe, environmentally friendly reading lanterns to students in Kenya so that they could read after dark.

We also provide opportunities for our teen customers to support the causes they care about through our products. Our Giving Pillows are colorful calls to action – about everything from protecting the environment to supporting kids coping with poverty or illness. For each pillow cover sold, PBteen has donated $5 to an organization dedicated to the corresponding cause, or we have sponsored the planting of 10 trees with Trees for the Future. We believe that the impact of these efforts goes beyond raising money, as we seek to raise awareness, light a spark, and use small actions to inspire bigger ones.

spotlight: PBteen
Sutter Street
making upholstered furniture in North Carolina

Opened in 2007, Sutter Street is our wholly owned facility dedicated to making custom upholstered furniture. It is also dedicated to preserving a rich tradition that enables us to deliver unique products to our customers while supporting the local community. North Carolina is known as the capital of furniture manufacturing in the U.S. At Sutter Street – which is based in Claremont near the small city of Hickory – each piece is made by hand. Our associates have a long history of making upholstered furniture, many of them following in the footsteps of their parents and grandparents.

While Sutter Street represents just a fraction of our overall business, it demonstrates how success can go hand-in-hand with supporting people and communities. This idea applies both in the U.S. and throughout the world, and we believe that Sutter Street holds lessons for how we can support other communities where our products are made. At a time of economic upheaval, we are proud of the work of our 300 full-time associates at Sutter Street. They personally check each stitch, reminding us of the tradition and dedication that go into creating great products.
Acquired by William-Sonoma, Inc. in late 2011, Rejuvenation proudly traces its roots to the salvage business. The company began in 1977 when founder Jim Kelly couldn’t find the materials he needed to preserve the historic character of an old building he had bought for $1,000 in North Portland. He opened a storefront for others facing the same challenge – offering up architectural finds like old lighting fixtures, doorknobs, windows and claw foot tubs.

Rejuvenation’s roots imbued it with a culture that holds to this day. Over time, it evolved to create its own lighting fixtures, inspired by original models that captured periods ranging from Old World to Victorian to mid-century modern. Beyond seeking to preserve these authentic American designs, Rejuvenation finishes and configures its lighting in the U.S., at its 87,000 square-foot facility in Portland. Once a bag factory, the building was renovated in 1998 in keeping with the brand’s tradition, with much of its old character intact.

Creating a positive social and environmental impact is built into the Rejuvenation business model, linking how it values the past with its care for the present and its investment in the future. The brand has had a tradition of supporting sustainable activities such as carpooling and biking to work, as well as contributing to local community organizations. It is committed to hiring local craftspeople. We are inspired by the brand’s unique heritage, abiding focus on quality, obsession with detail and recognition that it is part of a bigger community – all of which make Rejuvenation a natural fit for our company.
Our business can thrive only if it is part of a healthy community. Our work in the community means ensuring that the people who make our products are treated fairly. It also means enhancing well-being, whether that translates to providing healthier food for our associates or supporting people who are coping with illness and other challenges.
working conditions &

ethical sourcing

a priority in how we manage our business

We work to support the well-being of everyone who is involved in our business, whether in San Francisco or thousands of miles away. Ethical sourcing is part of our culture and an ongoing commitment in how we do business. We engage with suppliers who share our standards, and as a condition of working with us, they are expected to sign and abide by our Vendor Code of Conduct.

We monitor their compliance through third-party audits and onsite visits. In addition, we maintain a zero-tolerance policy regarding serious violations, such as the use of involuntary labor or abusive treatment. If such violations occur, we will take immediate action, which may include ceasing to do business with that supplier.

While policies are critical, we also recognize their limits. As we expand our business internationally, we seek to go beyond what is written on paper to understand the rich, complex realities of local communities and cultures. Some challenges can't be solved acting on our own. In the future, we will deepen our partnerships in the countries where we do business, engaging key stakeholders to address systemic issues such as the lack of economic opportunity.

We recognize that creating progress will not be easy. Many of the challenges in countries where we do business are complex, and they require a coordinated approach among business, government, and non-governmental organizations (NGOs). Competitive pressures can pose an additional challenge in making progress. But while we have more to do, we are committed to evolving our leadership and challenging ourselves to innovate in this area.

VENDOR CODE
OF CONDUCT

KEY ELEMENTS INCLUDE:

• Suppliers must provide associates with a safe and healthy working environment in compliance with all applicable laws and regulations. Suppliers must also ensure that the same standards of health and safety are applied in housing they provide for associates.

• Our suppliers are evaluated by independent third-party audits, first-party factory reviews and supplier questionnaires to confirm that they are conforming to our strict requirements related to worker safety and health. We conduct both announced and unannounced audits with factories to verify compliance.

• Suppliers must maintain and retain records on site to demonstrate compliance and be fully transparent, open and honest with all records.

• Suppliers recognize the right of workers to affiliate, or not, with legally sanctioned organizations or associations without unlawful interference.

• Suppliers utilizing wood in their products must verify that such wood is legally harvested in compliance with all applicable laws and regulations. All partners are expected to make progressive improvement in their environmental impact and performance.
supporting artisans
West Elm preserves crafts + communities around the world

Just like wood and other natural resources, the artistry of people around the world also needs to be valued and protected. To us, serving our customers includes helping them experience the unique designs that link us to old traditions, as well as the community of artisans who keep those traditions alive.

To fulfill this vision, we have forged a range of partnerships that allow us to blend the old with the new, the local with the international. One of our longest collaborations has been with Aid to Artisans (ATA), which is dedicated to preserving craft traditions and empowering people to create their own livelihoods. One of the organization’s main strategies is to connect people in the developing world with new markets.

Through ATA, we worked with an Indian women’s yarn cooperative to create one-of-a-kind, hand-loomed pillows without the use of electricity. Each one was unique and full of character, a reminder of the people and stories behind our products. As ATA’s largest retail partner, we have also brought our customers papier-mâché animal sculptures from Haiti as well as rugs and wedding blankets from Morocco.

Recently we began featuring HAND/EYE magazine on our website and in our stores, supporting its message about how art, craft, design, philanthropy and enlightened consumption are all inter-connected. (Proceeds from the magazine’s sales go to organizations that support artisans)
We have also partnered with Craftmark, an organization that certifies the work of craftspeople in India as authentically handmade, preserving artistic traditions that may be thousands of years old. For example, we worked with master block printers in Rajasthan, in the north of the country, to create a special line of hand-printed, hand-stitched cotton voile quilts and shams.

One final example of how we link our customers to artists worldwide is our collaboration with Etsy.com, a unique online community established to help people make a living by making things. Etsy now connects buyers and sellers of handcrafted pieces from 150 countries. Each season, we showcase some of our favorites in our catalogs, such as quirky wall illustrations or asymmetrical vases.

We also bring local Etsy artists to our stores at special events we call “We Heart Handmade Art.” These gatherings showcase the benefits of our collaboration for both the artists and our customers. Not only do they share their passion for unique creations, but they experience how a store can feel like an art gallery – and a community.

Our commitment to preserving traditional crafts and handmade art is woven into our identity as a brand, and we expect it to deepen in the future. These efforts are an expression of our philosophy – to honor both tradition and innovation, and to constantly pursue the creativity that comes from the power of collaborating with others.

What’s really great about the partnership with West Elm is that they appreciate the value and work that goes into making unique, handmade products. It takes extra effort on their part to communicate with artisans and make it work, but they see the bigger picture. It’s not just the artisans in a community that benefit, but also the truck drivers who move the product and the tailors who cut the cloth. The true value is bringing beautiful handmade products to consumers at the same time benefitting an entire distribution system in a country.

Alfredo Espinosa, Aid to Artisans President
Fundamental to our vision of sustainability is making a difference in people’s lives and communities. Beyond our products and business practices, we believe we must support our associates and others who are working to create positive change. We have been looking at how we can marshal our strengths and who we are as a company to create an even bigger impact. How can we extend the principle of quality to quality-of-life? If we create great spaces inside, can we do the same outside, as we nourish and preserve natural resources?

We are driven as a company to create a sense of home in people’s lives, and this same mission provides a roadmap for our work in the community. Because home is an idea that involves creativity and individuality, we have designed our strategy to be flexible. Broadly speaking, our efforts around creating a sense of home fall in three main areas: indoor spaces and shelter; outdoor spaces and the environment; and food, health and well-being.

We are still creating some of our programs and seek to increase participation among our associates. In particular, we are working to expand our volunteer opportunities to address an all-too-frequent challenge: limitless dedication, but limited time. We see endless possibilities for our associates to contribute their talents to the community. Already, they have taken on the urgent work of providing shelter to those without homes and seeking to end the ongoing crisis of hunger. Many within our company care passionately about the collective, natural spaces that we all share – our outdoor home – and are eager to pour their time and energy into everything from cleaning up beaches to planting and tending urban gardens.

In addition, to many of us, home means health and well-being. This definition translates to our company-wide support of research and care of childhood diseases, as well as our annual participation in the AIDS Walk, both in San Francisco and New York. Our commitment to health also means improving our quality of life at work. In the past several years, we have introduced a number of new events, such as a regular farmer’s market and on-site health screenings.

Our efforts around creating a sense of home fall in three main areas: indoor spaces and shelter; outdoor spaces and the environment; and food, health and well-being.
our work in the community

Our work in the community spans a range of causes – from fighting childhood diseases to making shelters for families feel more like home. Below we highlight some of our efforts, which reflect the passion and deep commitment of our associates.

AIDS WALK

Williams-Sonoma, Inc. has been a leading supporter of the AIDS Walk, both in San Francisco and New York. We have raised more than $1 million since the mid-90s to support people living with HIV/AIDS.

GRANTS

Over the past decade, we have made grants to organizations nationwide that provide shelter and other services to homeless families and children. Totalling more than $1 million, these grants have gone toward child care, help for women escaping domestic violence, and recreational programs that offer children a safe, healthy and fun environment.

GIVE BACK

Every year, we provide full-time corporate associates with paid time to volunteer. They choose where to devote their time, with efforts ranging from beach clean-ups to working at a local food bank to habitat restoration.

FARMER’S MARKET

Our first farmer’s market was launched on Earth Day 2010, featuring vendors and food that brought the richness of local communities and the Bay Area’s diverse cultures right to our door. We now run monthly farmer’s markets in San Francisco.

18 million

AmOUNT OF MONEY OUR CUSTOMERS AND ASSOCIATES HAVE HELPED RAISE FOR ST. JUDE CHILDREN’S RESEARCH HOSPITAL SINCE 2005. BASED IN MEMPHIS, TENN., ST. JUDE IS THE WORLD’S LEADER IN CHILDHOOD CATASTROPHIC DISEASE RESEARCH. IT IS THE PLACE WHERE DOCTORS SEND THEIR SICKEST PATIENTS, WHO ARE NEVER TURNED AWAY DUE TO AN INABILITY TO PAY.
our work in the community

**Williams-Sonoma**

Williams-Sonoma has partnered with Share Our Strength’s No Kid Hungry campaign, which is seeking to end hunger among children in the United States by 2015.

**Pottery Barn**

Pottery Barn transformed Avenues to Independence, a transitional living community in San Francisco, into a warm environment that feels like home. Built for previously homeless 18-24 year olds, it is now a comfortable space where young adults can thrive.

**West Elm**

West Elm was the recipient of Aid to Artisan’s Distinguished Partner in Craft Award. West Elm is the largest retail partner of Aid to Artisans, which supports craftspeople throughout the world – as well as the preservation of artistic traditions – by opening up new market opportunities.

**Pottery Barn Kids**

Pottery Barn Kids was the platinum sponsor of the Susan G. Komen Race for the Cure and the exclusive sponsor of Kids for the Cure. All proceeds go to finding a cure to end breast cancer forever.
Our vision to become more environmentally and socially responsible can only turn into reality through the efforts of our associates. Whether it is designing furniture that is FSC-certified, organizing a farmer’s market at our San Francisco headquarters, or overseeing our annual campaign to fight childhood diseases, our efforts succeed through the creativity and commitment of the people who work at every level of our company. In fact, one of our guiding ideas is that sustainability does not belong to any one department, but is the mandate of all of us. It comes to life through individual actions, as well as our collective practices.

Below, we feature some of those who have enabled our progress to date and who continue to inspire us toward further change.

GED GOODHART
Furniture & Hardware Designer, Product Development, Pottery Barn

How he makes us more responsible: Helped spearhead collaboration among designers on how to integrate sustainability into our processes. Wrote guidelines for designers on best practices.

“There’s amazing potential for a brand like Pottery Barn to be a green leader in home furnishings. Even incremental changes are really massive – if you move the needle a little bit, you can achieve a lot.”

LISA ROSTOKER
Assistant to the SVPs of PBteen & Pottery Barn Kids Merchandising

How she makes us more responsible: Came up with the inspiration to host a farmer’s market at our headquarters in San Francisco, turning it into a regular event.

“I am passionate about sustainability and I love seeing people have a great time. Our farmer’s market connects the two and enhances our culture and community. It is very important to connect with a new experience outside the day-to-day.”
PAT CONNOLLY
Executive Vice President and Chief Marketing Officer, Williams-Sonoma, Inc.

How he makes us more responsible: A champion of our sustainability efforts and work in the community, he has been the face for our annual campaign for St. Jude Children’s Research Hospital.

“We want to leave this planet in a better place for our great-grandchildren than it is for us. These efforts build on the values of the company. And the people we want to attract care about our responsibility. It’s a journey – we are not as sustainable or as involved in the community as we will be in five years.”

NINA WILSON
Executive Assistant to the SVP of International Sourcing

How she makes us more responsible: Has been an active participant in AIDS walks, which Williams-Sonoma, Inc. has supported as a major sponsor for many years. Played a leading role in organizing the event in 2011.

“AIDS is not a focus the way it used to be 10 or 20 years ago, but it still affects a lot of people who need our support. At a company this size, if we put an emphasis on making a difference, that can spread among a whole community. It gives you the experience of giving back and all the personal satisfaction that goes along with that.”

MARGARITA VALERA-ARCEO
Textile Designer, Pottery Barn Kids

How she makes us more responsible: Is a tireless advocate for using more natural, organic materials in our textile products. Created a presentation on how we can use more of these materials.

“It’s a wish come true that the company I work for is trying to get into this area. We have the brand, the name, the reputation to be a leader. It’s a very unique time for a company like ours – a lot of people are searching for natural products for their home.”
ALEXIA CHIMENTI
Product Information Analyst, Pottery Barn Kids and PBteen

How she makes us more responsible: Took a leading role in creating a rooftop garden at our headquarters in San Francisco. Brought her expertise as co-manager of an urban farm, where she volunteers.

“The garden is important to me because I see how much other people enjoy it – they come up and comment on how beautiful it looks. I love coming up for just 10 or 15 minutes – it’s rejuvenating and refreshing. It can re-connect you with nature. The garden makes me feel like I’m contributing on a bigger level to the company.”

JUSTIN CHERRY
Recruiter, West Elm

How he makes us more responsible: Led a team to create the brand’s first Green Week, which corresponded with Earth Day.

“This is an opportunity to take a break and think about something else. Associates enjoy seeing and experiencing something they’re not regularly exposed to. It was a lot of work, but well worth it. As a brand, being sustainable is part of who we are. It resonates with the customer and is more of a priority for people, as well as to me.”

BUD COPE
Senior Vice President, Store Development and Facilities

How he makes us more responsible: Embracing sustainability as a core design principle, he has implemented a long list of concrete changes – from using responsibly harvested wood to letting in more natural light.

“We are a growing company and therefore our use of resources is growing, so we need to continually balance our carbon footprint with every decision we make. The available options are changing so fast that it’s inspiring to keep up with technology and constantly rethink our strategies.”
Operations
adding a sustainability lens to how we run our business

Optimizing our efficiency has always been a top priority. Now we are building on this foundation to become more sustainable. Whether we are reducing our packaging, retrofitting our lights or using sustainable materials in our stores, we believe that our operations offer a prime opportunity to better serve our customers, save money for our business and work toward broader change.
Our operations represent an enormous opportunity to marry our environmental and business objectives. From installing solar panels to using FSC-certified paper in our catalogs, we have made changes that enhance our efficiency, reduce costs, improve how we run our business, and better serve our customers.

These efforts call on both our commitment and creativity to drive new solutions – whether it is a replacement for styrofoam peanuts or an office layout that makes better use of natural light.

Unlike other parts of our supply chain, our operations fall more directly under our control and thus provide numerous opportunities for change. We have been out front among retailers, for example, in shifting to FSC-certified paper for our catalogs. Many of our stores and offices feature sustainable elements, and we have completed a lighting retrofit of our distribution centers that resulted in both energy and cost savings.

In other areas we still have much work to do. We are only in the early stages of addressing our carbon footprint. Over the past several years, we have started tracking our company-wide energy and fuel usage, enabling us to begin an analysis of our greenhouse gas emissions. We are developing a strategy for reducing this footprint while at the same time finding efficiencies and cost savings for our business.

Unsure how to describe the opportunity for our business and the environment.

Unlike other parts of our supply chain, our operations fall more directly under our control and thus provide numerous opportunities for change.
As a multi-channel retailer that sends out 250 million catalogs a year, we recognize that our use of paper has an enormous impact on both our business and the environment. In 2004, we embarked on a journey that led to sweeping changes in this part of our business. We achieved our most significant improvements to date, along the way gaining important insights into what such change entails.

We started out by tackling complex questions. What did different certifications mean? How responsible was our current paper supplier? We explored what it would take to ensure that our catalog paper was certified by the FSC, which sets rigorous standards for the responsible use of forest products.

We consulted with a range of stakeholders, from other catalog companies to environmental groups. We also worked closely with our paper supplier and NGOs to ensure that we could meet strict provisions about protecting forests and local communities. One of our early challenges was making sure that our supplier could access enough FSC paper pulp to meet our needs.

In November 2006, we announced that virtually all of our catalog paper would be FSC-certified. We have since achieved 100 percent. We were the first large catalog company to make such a commitment, one that was significant not just for our company, but for the retail and paper industries. By embracing the FSC standard, we hoped to show that it was a viable option for large-scale businesses. We also aimed to demonstrate that working with stakeholders across sectors could lead to new solutions.

Using more responsibly sourced paper built momentum for other changes. We took additional steps to reduce our paper use, as described in our paper procurement policy.

Today, we face new challenges. While we have added e-commerce, email, and social media to our mix of communications, the online world poses its own environmental challenges related to the energy consumed by storing large amounts of data (see box on page 46). We continually seek the best balance among different formats, considering their environmental impacts as well as our customers’ needs.
We have taken initial steps to address our use of energy and fuel. We started by collecting data to better understand our usage. In 2008, we also began conducting an annual greenhouse gas (GHG) inventory that covers our leased and owned locations, as well as our vehicles. The inventory tracks on-site fuel consumption, transportation fuel usage, purchased energy and business air travel.

This approach has yielded important insights. For example, we learned through our inventory that the majority of emissions in our operations stem from our retail stores and distribution centers. Our data has also revealed that a key challenge in the future will be managing our emissions as our business continues to grow.

Along with this analysis, we have made specific improvements. We have completed a lighting retrofit of our distribution centers that created significant energy and cost savings. We have also been retrofitting our stores, completing this work in approximately 35% of them to date. In addition, our east coast distribution center in South Brunswick, New Jersey, has one of the largest solar installations in the state. Panels on the roof provide 80-85% of the building’s annual electricity needs, eliminating 5.3 million pounds of CO2 emissions a year.

Our next major challenge is to develop a comprehensive strategy, so that we can better coordinate improvements across our company and set priorities. With key projects behind us, we will apply what we have learned to become more strategic. These efforts speak to a wide range of our stakeholders and carry tangible benefits, for both the environment and our business.
distribution & transportation finding links between efficiency and sustainability

As a multi-channel retailer, we know that distributing and transporting our products is a core focus for our business. Becoming more efficient enables us to better serve our customers, improve our financial performance, and act more sustainably. While we haven’t solved all of our logistical challenges, we have enhanced our efficiency in a number of areas.

We have improved our efficiency by:

• Moving our warehousing of large furniture products closer to our customers’ homes, so that we could reduce both in-bound and out-bound transportation;

• Creating a well-run package delivery network, with the majority of our products delivered by UPS, a recognized sustainability leader in the transportation industry;

• Lowering our rate of product returns, replacements and damage through our commitment to great quality and service, which in turn cuts down on transportation and waste;

• Improving our packaging, so that we use less material and increase our packing density, resulting in fewer boxes in warehouses and trucks;

• Retrofitting the lighting in our distribution centers, as well as continuing to implement a retrofit in our stores, to reduce our energy costs;

• Installing one of the largest solar installations in New Jersey on the roof of our east coast distribution center to lower our costs and diversify our energy sources.
Our stores showcase our products, and increasingly, they reflect our commitment to acting responsibly. Across our brands, we have been incorporating sustainable elements, from energy-efficient lighting to low-VOC paint to reclaimed wood floors. Our West Elm store in Emeryville, California, has taken our vision further than ever before. Nearly every detail speaks to new possibilities for both form and function.

The rooftop combines solar panels and a living roof that keeps the building warmer in winter and cooler in summer. The building also features a water-saving satellite irrigation system, low-energy lighting, skylights, reclaimed hardwood floors, recycled building materials and a host of other responsible attributes. The store’s efficient design will eliminate 10-15% of its energy bill, and its solar installation is equivalent to planting 14 acres of trees. Just as important, our Emeryville store shows how sustainable design can serve our business and customers while making a positive difference.
As a global retailer, we use packaging throughout our business. It prevents damage to our products, helping us provide great quality and service to our customers. It also poses an enormous challenge, as we seek to limit waste and answer our customers’ desire to do their part for the environment. While we haven’t found perfect solutions, we have made changes that have moved us in the right direction.

Our packaging improvements have included:

- Ensuring that our products are packed as well as possible, so that fewer boxes are shipped from overseas;
- Cutting back on the use of boxes at our distribution centers, replacing them with polybags to deliver some of our bedding, towels and pillows. These bags use fewer materials, take up less volume, reduce the number of trucks on the road, and are favored by our customers;
- Becoming dedicated recyclers of cardboard, plastic and styrofoam at our distribution centers;
- Replacing packing peanuts with air pillows that can be recycled;
- Getting creative – Pottery Barn and West Elm have turned our packaging goals into a fashion statement, packaging organic sheets in bags made from scrap material.

These efforts have reduced the amount of packaging we use in our business, but we still have more work to do to coordinate our strategy across our operations. For example, we have yet to look for solutions in the design of our products, so that they require less packaging from the start. We will expand on the changes we have made, challenging ourselves to consider new approaches. The need to protect our products and deliver them safely to our customers won’t change, but we will continue to look for ways to fulfill this promise more sustainably.
Beyond their environmental impact, buildings that incorporate sustainable design bring other positive benefits, from cost savings to a better work environment.

One example: in 2011, when we renovated one of our main office buildings in San Francisco, we invested in making a host of environmental improvements. Spanning 60,000 square feet and housing our IT team, this building is Gold Leed-certified and features Energy Star appliances, bike racks and FSC-certified wood.

Throughout our other facilities, we have reduced waste, increased recycling and introduced composting. As we update our facilities in the future, we are committed to incorporating as many sustainable elements as possible. Beyond their cost-effectiveness, many of these improvements enhance our workplace, increasing productivity and creativity. Still, updating our buildings is a challenge. It will take time before Gold Leed-certification is the rule, not the exception. We are working to increase our knowledge of sustainable design so that we can continue to innovate and become a leader in this area.

FINDING ENERGY SAVINGS IN OUR DATA CENTERS

Our three data centers keep our business running. Without them, we could not manage our sales or track calls from our customers. Over the past several years, we have worked to improve our data center efficiency, and their operation will factor in to our future energy and carbon management strategies. We have achieved an overall efficiency gain of 20% through a range of actions, including:

- Installing a large “uninterruptable power supply” (or UPS) to ensure continuous functioning of our data centers in the event of a utility outage. This change has brought a large increase in efficiency as well as a 6% energy savings;
- Increasing the virtualization of our servers, so that we utilize fewer physical servers and can thereby consume less energy;
- Creating hot and cold aisles in our server rooms to protect our equipment and maximize the efficiency of our cooling system, leading to 20% greater efficiency;
- Raising the temperature of our server rooms overall, due to our ability to separate the cold areas. This has translated to significant savings from running our air-conditioning at less intensity;
- Moving the wiring in our data centers from under the floor to overhead, where they will not block the cold air that is pumped from below to cool our equipment.
Our journey to become more responsible is an ongoing one. Creating this report has helped us step back and reflect on what we have achieved and what we have left to do. It has also left us inspired to build on our work to date and envision a path for the future.

As we move forward, we will become more strategic in key areas, such as energy management and carbon reduction. Much of our strength comes from our entrepreneurial, grassroots energy, but we also recognize the need to coordinate our efforts companywide so that we can create greater impact. This coordination will help us achieve deeper integration of sustainability into our business. We are also working to set clear goals and metrics to drive our progress and hold ourselves accountable. As we expand our efforts, we will challenge ourselves to take a leadership role in creating change not only within our own company but more broadly in the world.

Sustainability demands that we stay flexible to adapt to changing circumstances, but one thing won’t change: our commitment to engage our stakeholders in our efforts. Our associates are essential in all that we do, and we will continue to encourage their participation in turning our vision into a reality. We also welcome the involvement of our customers, associates, partners and stockholders – please share your feedback, ideas and inspiration by contacting us at WSISustainableDevelopment@WSGC.com.

Together, we can create a thriving future that reflects the intention we bring to it – to value, respect and nourish people, communities and the natural world.

**Where we’re headed**

driving change throughout our business

Sustainability demands that we stay flexible to adapt to changing circumstances, but one thing won’t change: our commitment to engage our stakeholders in our efforts.
Williams-Sonoma, Inc. used the 2006 G3 GRI Sustainability Reporting Guidelines to prepare this report. This index covers all indicators on which we fully or partially reported. Please visit www.globalreporting.org for the full text of the indicators and other information on the Guidelines.

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