WILLIAMS-SONOMA, INC.

CORPORATE RESPONSIBILITY REPORT update

2012
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A year ago, we published our first Corporate Responsibility Report, sharing our commitment to sustainable business practices. We view this commitment as far more than the right thing to do, but critical to our ability to serve our customers, engage our associates, and improve our business performance.

We see many links between sustainability and our identity and culture as a company. Our mission is to enhance the quality of our customers’ lives at home. And to fulfill this mission, we focus on great design, lasting quality, and a commitment to listening to our customers. As designers, we are also problem solvers, which helps us operate in a world of finite resources. Our attention to quality supports the conservation of resources and more sustainable consumption. Listening to our customers tells us that working to create positive change matters to our stakeholders and supports our business.

Part of our commitment is to share information about our achievements and challenges. In this year’s update, we are publishing our first Corporate Responsibility Scorecard, another important step forward as we build the foundation for future progress. Our scorecard includes data on such areas as the wood used in our furniture and the cotton used in our textiles.

We took a number of steps in 2012 to positively impact people and communities. We introduced our Matching Gift program to double our associates’ giving and honor their choices about the causes and organizations they care about most. We also provided financial assistance in response to losses suffered in Hurricane Sandy; in support of this effort, we enabled our associates to donate their vacation time, with many taking the opportunity.

As a large organization with many stakeholders, we recognize that the change we are working toward won’t come overnight. But each step we take forms the foundation for the next. While we have more to do, we are more committed than ever to making the positive impact that will help ensure a vibrant future for our business, the environment, people and communities.

LAURA’S DESK
POTTERY BARN
RECLAIMED PINE BENCHWRIGHT TABLE

Our Promise to our Stakeholders:
- We will make long-term, incremental progress toward being a more 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.
It is impossible to separate our commitment to sustainability from our culture, long-term success and financial performance. This perspective is helping both to inspire and guide us. We are constantly seeking alignment between our business goals and our efforts to create social and environmental progress.

We began by assessing what is most material to our business. We then shifted our focus to creating a strategy for improvement. To build the foundation for this strategy, we also need data. Data tells us where we are and offers insights into where we might go. It raises questions and holds us accountable. In addition, it forms the basis for the goals and metrics that will enable us to track our progress.

In organizing our first scorecard, we have divided it into three main categories: products, operations and people. Within each, we are sharing baseline data that will start to paint a picture of our progress, challenges and opportunities.

Our scorecard is a bridge between our corporate responsibility and our business performance. For example, over time it will help to reveal where we can reduce our energy usage and costs. It indicates where we are improving efficiency and impacting our bottom line.

WHAT’S NEXT: AN ONGOING PURSUIT OF SOCIAL, ENVIRONMENTAL AND BUSINESS BENEFITS

We will use our scorecard as we develop our strategy in a number of areas, including the management of our carbon footprint. Our guiding principle is to find connections at every opportunity between creating positive impact and boosting our business success. One example is our focus on managing energy costs, even as we expand internationally and continue to grow.

We recognize that we still face challenges, and there are additional areas for us to examine. We will evolve our scorecard to include goals and metrics, a process that requires complex analysis and alignment among stakeholders. We also have more to do in a range of areas, from increasing our use of FSC-certified wood to decreasing our packaging. We believe we are facing both a societal and a business imperative, and we are committed to making the changes that will address both.
governance
LEADING US TOWARD FURTHER PROGRESS

Our leadership team plays an instrumental role in making our commitment to sustainability part of our culture and approach to doing business. They provide direction, signal to stakeholders that our efforts are a priority, and drive change.

Our President and CEO, Laura Alber, is deeply committed to sustainability. She plays a fundamental role in creating our vision and helping us execute. Our Board also believes that our sustainability efforts strongly align with our business strategy. Board members receive regular updates on our progress and provide ongoing support for our initiatives.

Since 2009, our Sustainable Development department has played a key role in driving change across our company. This team works with leaders in a variety of areas to develop our strategy, set tangible goals, engage our stakeholders and implement new initiatives. The team also supports our brands, helping them marry their sustainability and business goals. One of the team’s prime areas of focus is to develop a company-wide carbon and energy reduction strategy.

Our Sustainable Development department also oversees our corporate giving. In 2012, we launched and implemented our Matching Gifts program, providing our associates with the ability to double their impact. The team will work in the future to further develop our giving strategy, so that it is aligned with our brand strengths and enables us to become even more effective.
In assessing our impact, we focus on what is most material to our business from a social, environmental and business perspective. Our scorecard is organized into three main categories: products, operations and people.

- **PRODUCTS:** To fulfill our promise to customers, we must ensure that our supply chain is optimally managed. Having access to the quantity and quality of raw materials that we need to create our furniture and textile products reduces our risk and drives our success. Because many of our stakeholders care about our use of responsible materials, these practices support our customer relationships, sales and engagement.

- **OPERATIONS:** From our energy usage to the paper in our catalogs, how we run our business creates both environmental and bottom-line impacts. We are seeking to improve efficiency, reduce costs and manage energy consumption. Managing our energy usage and carbon footprint is even more of a business imperative as we continue to grow.

- **PEOPLE:** Our success depends on our associates and the people who make our products. We work to ensure that working conditions are safe and fair, and look for ways to positively impact people and communities. We support our associates in making a difference and support a range of causes and organizations.

Our scorecard establishes a baseline for tracking our progress, depicting data from 2012. We will continue to refine our methodology so that we create the most useful picture of our challenges and opportunities. By collecting data and establishing metrics, we are laying the foundation to develop strategies in key areas, coordinate our efforts company-wide, set targets and hold ourselves accountable. In the following pages, we provide key data points and additional information about specific areas covered in our scorecard.
products

A COMMITMENT TO MAKE BEAUTIFUL PRODUCTS, INSIDE AND OUT

Our products are central to who we are as a company – and we believe that their quality extends to the processes behind them. Our work to become more responsible helps to protect the natural resources we need to create beautiful, long-lasting products for our customers. These practices bring multiple benefits – to the environment, our customers and our business.

Using organic cotton promotes healthy farming practices. Making furniture out of wood certified by the Forest Stewardship Council (FSC) preserves vital eco-systems, supports the well-being of local communities, and provides our customers with the opportunity to use their buying power to make a difference.

Our promise to our customers is to make beautiful products, inside and out. And we are committed to tracking our progress, challenging ourselves to find additional opportunities for improvement, and working to meet the needs of all of our stakeholders.
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.

2012 RESULTS
7%* of the wood in our furniture was FSC-certified. Representing our greatest progress to date, 23% of the wood in our Pottery Barn outdoor furniture collections was FSC-certified. We also use reclaimed wood that is repurposed and contributes to the conservation of resources.

*This figure is based on self-reported data by our suppliers.

OUR COMMITMENT
Wood is the critical component that enables us to create high-quality, beautiful furniture for our customers. For both environmental and business reasons, we are committed to using wood obtained from known, legal and well-managed timber sources. We have also committed to increasing our use of wood certified by the FSC, the gold standard in responsible wood sourcing.

PROGRESS TO DATE
One of our major areas of focus has been to gather and verify data on wood in our supply chain. In 2008, we joined WWF’s Global Forest & Trade Network (GFTN) to increase the supply of responsible wood products in our supply chain. The organization has also helped us develop a process to track sources of wood – known in the industry as chain-of-custody documentation.

Using FSC-certified wood in our furniture answers the demand of our customers, who increasingly seek more sustainable products. We are working on a long-term strategy to incorporate more FSC-certified wood into our collections, but recognize that this will take time, due to pricing and supply issues.

FUTURE
We are working to increase the amount of FSC-certified wood in our products, with the specific goal of achieving 10% in 2013. Each of our brands is continuing to develop a strategy to incorporate this wood into their collections.

“The World Wildlife Fund (WWF) is encouraged by Williams-Sonoma, Inc.’s commitment to the Forest Stewardship Council (FSC) and to sourcing wood from responsibly managed forests. The company has made good progress in understanding its wood sources, increasing its FSC-certified furniture offerings in select product categories, and encouraging its suppliers toward continuous improvement. This commitment throughout the supply chain is crucial in safeguarding the world’s forests.”

—LINDA WALKER, MANAGER
WWF GLOBAL FOREST & TRADE NETWORK
INCORPORATING THE BENEFITS OF ORGANIC

RELEVANCE
Cotton represents the largest volume of fiber used in our textile products. Our investment in the use of organic cotton promotes healthy farming practices that benefit farmers, communities and wildlife.

2012 RESULTS
11%* of the cotton in our textiles was organic. Many of our textile products meet the additional requirements of the Global Organic Textile Standard (GOTS), the most rigorous standard in the textile industry.

*This figure is based on self-reported data by our suppliers.

OUR COMMITMENT
We work to make the best possible choices for our customers and the environment. Our investment in organic cotton helps to bring this option to the mainstream while supporting the health of farmers, customers, communities and wildlife.

PROGRESS TO DATE
In 2007, we introduced organic cotton sheets and bedding, answering customer demand and supporting the emerging organic cotton market. We also joined the Textile Exchange, which promotes more sustainable practices throughout the cotton supply chain. To formalize our commitment, we published our company’s fiber policy in 2012. We are working with our vendors to share knowledge, set targets and improve practices. Because the organic cotton market is still relatively new, it will take time to incorporate significantly more organic cotton into our products.

FUTURE
We are committed to using organic cotton in our textiles. Each of our brands is continuing to develop a strategy that aligns with their specific business goals and customer needs.

“As we expand globally, our success will depend more than ever on our ability to effectively manage our supply chain. Acting responsibly is important to our stockholders, associates, customers and other stakeholders. It’s about more than doing what’s right – it’s about doing what’s right for our business.”

—BETH THOMPSON
SVP INTERNATIONAL SOURCING
We see numerous opportunities to align our efficiency, environmental progress and financial performance. We believe these overlapping opportunities will only increase in the future, as our efforts to save energy and reduce waste will help us reign in costs even as we grow.

Operational efficiency has always been a priority. When we added new distribution centers closer to our customers’ homes, we not only improved our service but also reduced our fuel usage, costs and carbon emissions.

Our next focus is to develop a company-wide emissions and energy-reduction strategy. We will continue to track our progress, set long-term targets, and identify further efficiencies that benefit both the environment and our business.
Greenhouse gases (GHG) are increasingly the focus of public policies related to the regulation of business. Because carbon is the result of our use of energy and fuel, reducing our emissions will directly impact our bottom line.

2012 RESULTS
Our emissions totaled 127K metric tons* of CO2e. The majority of our emissions result from purchased electricity to run our retail stores and distribution centers.

*Calculation of our GHG emissions is based on guidelines from the Greenhouse Gas Protocol. For some of the data, we used estimates, and our GHG inventory may be adjusted in the future. It has not been verified by third-party auditors.

OUR COMMITMENT
Managing our emissions is important from both an environmental and business perspective. We see opportunity to find new efficiencies that will enable us to save money and manage our emissions, even as our business continues to grow.

PROGRESS TO DATE
In 2008, we began measuring our emissions as part of our annual greenhouse gas (GHG) inventory. This covers our leased and owned locations, as well as our vehicles. We have tracked our on-site fuel consumption, transportation fuel usage, purchased energy and business air travel.

Our efficiency projects have included a major lighting retrofit that we completed in our distribution centers. We are continuing a similar retrofit in our stores. In 2012 we also achieved energy savings in our distribution centers by utilizing less space and making more efficient use of the buildings that we occupy. These shifts resulted in a reduction in both our electricity and natural gas consumption in our distribution centers, as well as our GHG emissions.

FUTURE
We will continue to develop a company-wide emissions and energy-reduction strategy, along with the implementation of further efficiency projects. We will also continue to coordinate our efforts throughout our business to accelerate our progress, set tangible goals, and achieve both environmental and business benefits.

“Operational efficiency is so critical to our future success that I consider it more than a goal – it’s a mission. As we expand globally and continue to grow, we must manage our energy costs and ensure that our operations support our business in the smartest ways possible. The same strengths that enable us to serve our customers will fuel our efforts to serve both our business and the environment.”

—DEAN MILLER
EVP, CHIEF SUPPLY CHAIN OFFICER
ALIGNING BUSINESS AND ENVIRONMENTAL GOALS

RELEVANCE
Electricity accounts for the majority of our energy usage and cost as well as our emissions. Strategically managing electricity purchases, investing in efficiency projects, and taking advantage of incentives for renewable energy mitigates risks associated with energy volatility.

2012 RESULTS
Our electricity usage totaled 225K MWh*.

*Calculation of our purchased electricity includes some estimated data – for example, we estimated energy usage for stores where utilities are included as part of the lease. As a result, this calculation may be adjusted in the future.

OUR COMMITMENT
Our energy usage provides one of the most tangible examples of how creating a positive environmental impact also benefits our business. This is especially critical as we continue to grow, seeking to manage costs while expanding into new markets. We view the creation of a company-wide energy strategy as both a business and environmental imperative.

PROGRESS TO DATE
We work to create greater efficiency, cost savings, and environmental improvements. Our East Coast distribution center in South Brunswick, New Jersey, now has one of the largest solar installations in the state. One of our most significant efficiency projects has been a lighting retrofit in our distribution centers. We are also completing a similar retrofit in our stores.

FUTURE
Our next focus is to move beyond individual projects to develop a company-wide energy and cost-savings strategy. The data we have been collecting and analyzing lays the foundation for us to develop our strategy.

“We constantly work to improve our buildings and make them world-class, both in terms of how they run and how they make you feel. We have a great opportunity to become even more strategic about our energy usage in ways that support our business and inspire our associates and customers.”

—BUD COPE
SVP STORE DEVELOPMENT

EAST COAST DISTRIBUTION CENTER
SOLAR PANELS

INTRODUCTION PRODUCTS OPERATIONS PEOPLE
CONTINUING OUR COMMITMENT TO FSC-CERTIFIED PAPER

RELEVANCE
Catalogs support each of our brands and play a fundamental role in our marketing strategy.

2012 RESULTS
While our net revenues in 2012 grew by 8.7%, the number of catalog pages circulated increased by only 1.9%.*

*Fiscal year 2012 was a 53-week year.

OUR COMMITMENT
Because our use of paper has significant implications for the health of the world’s forests as well as our business, we are committed to using FSC-certified paper in our catalogs.

PROGRESS TO DATE
Some of our greatest advances have come in our use of catalog paper. In 2006, we made a major shift to using FSC-certified paper, and in 2007 we achieved the goal of using only 100% FSC-certified paper in our catalogs. We have maintained this percentage ever since. In 2008, we formalized our commitment to responsible practices with the publication of our paper procurement policy.

Further progress has included reducing the dimensions of our catalogs and the number of pages mailed, along with offering our customers a choice regarding frequency.

FUTURE
We will continue to use only FSC-certified paper in our catalogs. This commitment supports the work of the Forest Stewardship Council by promoting its standards and communicating the value of responsible forestry practices with our customers.

PAPER-SAVING HIGHLIGHTS
- Using only FSC-certified paper in our catalogs
- Decreasing catalog dimensions
- Cutting catalog pages by 45% since 2007
- Reducing catalogs mailed by one-third since 2007
- Honoring customer preference regarding catalog frequency
Behind everything we do are the people who make our company a success. One of our priorities is to ensure that those who make our products work in safe, fair conditions. We also support our associates in making a difference. As a company we are committed to creating a positive impact on people and communities.

We recognize that our business has a profound impact on the people who make our products. We take numerous steps to uphold our social and environmental standards throughout our supply chain, and we plan to deepen our efforts through collaboration with others.

We support a range of causes that reflect the passions and dedication of our associates. Through our campaign for St. Jude Children’s Research Hospital, we support providing medical care for children suffering from devastating childhood diseases. By making charitable donations, we help to provide support when people suffer losses during natural disasters. Whatever we take on, we focus on creating a sense of home – whether that means helping people enjoy safe, beautiful spaces or supporting their health and well-being.
factory labor practices
ENSURING SAFE, FAIR WORKING CONDITIONS

RELEVANCE
One of our priorities is to ensure that the people who make our products are treated with fairness and respect. Working conditions in the factories where our products are made also have a direct bearing on our reputation and ability to fulfill our promise to customers. Well-managed factories promote both quality and efficiency in production.

2012 RESULTS
We managed 938 audits at factories worldwide where our products are made.

OUR COMMITMENT
Ethical sourcing is part of our culture and how we do business. As a global company, we work to support the well-being of people and communities involved in our business.

PROGRESS TO DATE
We have a range of processes in place to ensure that our standards are upheld. As a condition of working with us, our suppliers are expected to abide by our Vendor Code of Conduct, which outlines our requirements related to worker safety and labor practices. We monitor compliance through third-party audits and on-site visits, and we maintain a zero-tolerance policy for serious violations such as the use of involuntary labor. If such violations occur, we will take action, which may include ceasing to do business with that vendor. For less serious violations of our Code, we work with factories to make improvements through Corrective Action Plans. We have enhanced our analysis of factory audit results to help us focus on the most pressing issues.

FUTURE
As we expand our business globally, we seek to go beyond policies and enforcement to foster deeper change. We will engage with other stakeholders in countries where we operate to create more robust and effective programs. In the coming year, we will also focus on more direct engagement with our suppliers to further improve processes and performance.

VENDOR CODE OF CONDUCT

KEY ELEMENTS INCLUDE:

- Suppliers must comply with all applicable laws and regulations in providing workers with wages and benefits, as well as a safe and healthy working environment.

- 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, transparency and honesty.

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

- Suppliers must comply with all applicable environmental laws and regulations. They are expected to make progressive improvement in their environmental impact and performance.
CREATING A SENSE OF HOME

RELEVANCE
Providing financial support to people, organizations and causes is an integral part of our community strategy.

2012 RESULTS
We raised and contributed $6.6M* in support of a range of causes. This total includes money raised for St. Jude; gifts-in-kind; shelter grants; sponsorship of the San Francisco AIDS Walk; disaster relief; and our Matching Gifts program, which we introduced in 2012 to double the impact of associate giving.

*The majority of this figure is raised for St. Jude through customer and associate donations, along with proceeds from the sale of select products.

OUR COMMITMENT
We are driven as a company to create a sense of home in people’s lives. Our giving strategy focuses on supporting health and well-being; helping to turn shelters into safe, beautiful spaces; and assisting those whose homes have been damaged or lost. Our giving is governed by a simple philosophy; how we can marshal our strengths as a company – from our retail stores to the dedication of our associates – to make the biggest difference.

PROGRESS TO DATE
We have supported a diverse range of causes that reflect our commitment and the passions of our associates. Our biggest effort is our annual, company-wide support of St. Jude, with whom we have partnered since 2005, raising $22 million to date. To advance our mission to provide people with a sense of home, we have made $1 million in grants over the past decade to women’s and family shelters throughout the country.

After Hurricane Sandy, we donated to the Red Cross and provided financial grants to some of our associates who suffered losses. We also introduced our Matching Gifts program in 2012 to honor our associates’ choices in giving to the causes they care about most.

FUTURE
We will continue our support of St. Jude and other causes that are aligned with our mission and passions. We will also seek to provide support during natural disasters when people and communities are in need.

“The idea of giving back resonates very strongly with our associates. And nothing holds greater value than their time, passion and dedication. As a company, we stand behind their efforts. We want to make it as easy as possible for them to act on their inspiration to make a difference.”

—PAT CONNOLLY
CHIEF MARKETING OFFICER
volunteering
HONORING THE CHOICES OF OUR ASSOCIATES

RELEVANCE
Supporting our associates in making a difference helps us deepen our presence in the community, enhances our relationship with customers and strengthens engagement.

2012 RESULTS
Our associates volunteered 2,800 hours in the community through a variety of activities, including those covered by our paid volunteer program, Community Involvement Time (CIT).

OUR COMMITMENT
Our greatest positive impact comes through the passions and dedication of our associates. We support our associates in sharing their time and talent with the community, providing paid time to volunteer. We believe volunteering brings multiple benefits – to the community, to our associates and to our company.

PROGRESS TO DATE
Being involved in the community has always been part of our culture. In 2008, we created a formal volunteer program. Through CIT, our associates can spend eight paid hours in the community annually. Both as individuals and teams, our associates have chosen to take on a wide range of causes from supporting the rehabilitation of marine mammals to spending time with children for whom going to a movie or a day in the park is a rare event. In addition, our associates volunteer outside of CIT – for example, during weekend events when CIT does not cover volunteer activities.

FUTURE
We will continue to evolve our program to enhance associate participation and make it even easier to volunteer. Long term, we will develop opportunities for associates to engage in skills-based volunteering to heighten our impact.
CONTACT INFORMATION

We welcome the involvement of our customers, associates, partners and stakeholders — please share your feedback, ideas and inspiration by contacting us at WSISustainableDevelopment@wsgc.com