

WOOLWORTHS
HOLDINGS LIMITED
2011 GOOD
BUSINESS JOURNEY
REPORT

IN 2010 WOOLLY
WAS NAMED IN
RESPONSIBLE
THE YEAR FOR
TIME IN THREE

WORTHS INTERNATIONAL RETAILER OF THE SECOND YEARS

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HIGHLIGHTS AND RECOGNITION

KEY SUSTAINABILITY INDICATORS

Indicator	2011	2010	2009	2008	Progress	2012 targets
Revenue	R25.8bn	R23.7bn	R21.9bn	R21.8bn	↑	
Return on equity (ROE)	44.1%	39.4%	26.3%	27.5%	↑	
Adjusted Headline Earnings per share (EPS)	214.9	157.2	126.0	124.8	↑	
Share price appreciation	567	1 225	275	(1 120)	↑	
Food market share	On average for the year outperformed the market by 4.1%*	8.3%	8.5%	9.2%	→	
Clothing, footwear and accessories market share	15.4%	15.3%	14.4%	15.3%	↑	
Good Business Journey index overall score	86%	81%	79%	77%	↑	
Customer tracking study regarding Good Business Journey elements	29%	26%	24.9%	21%	↑	28%
Number of permanent employees	20 433	18 836	17 551	18 568	↑	
Training and skills development score (out of 15)	10.87	10.3	7.7	10.5	↑	13
Green buildings (as per Woolworths model)	18	13			↑	
Training spend	R58.2m	R51.4m	–	–	↑	22
Employment equity score (out of 15)	11.22	10.6	9.8	9.8	↑	11
Preferential procurement score (out of 20)	15.67	10.4	5.7	2.4	↑	13
Corporate social investment contribution (Rm)	R370m	R314m	R292m	R267m	↑	R300m p/a
Health and safety – number of injuries on duty	563	693	551	511	↑	
Energy (reduction in relative consumption from benchmark)	22.5%	18%	12%	10%	↑	30%
Carbon footprint (total tons of CO ₂)	452 996.73	422 897.34**	408 627	356 133	↓	30% relative reduction
Water (reduction in relative consumption from benchmark stores)	(5%)	26%	11.5%	5% (stores)	↓	30%
Foods packaging reduction (towards 20% reduction by 2012)	8.24%	6.6%	3.3%	Benchmark year	↑	20%
Produce suppliers qualifying for the Farming for the Future programme	70%	68.4%	Benchmark year	n/a	↑	85%
Inclusion in JSE SRI index	X	x	x	x	→	Retain position
	Top performer					

* Foods market share data not available via Nielsen during this period.

** Restated due to changes in emission factors.

INTERNATIONALLY RECOGNISED PROGRAMME



In 2010 Woolworths was named International Responsible Retailer of the Year at the World Retail Congress for the second time in three years.

Woolworths was ranked eighth out of the top 100 companies in South Africa on the Climate Change Disclosure Leadership Index by the Carbon Disclosure Project. For the first time the CDP has also looked at carbon performance and Woolworths was recognised as one of the top 4 companies of the JSE top 100.

Winner of the retail category in the South African Carbon Leadership Awards 2011 and 2010.

Woolworths was again included in the JSE Socially Responsible Investment (SRI) index for 2010/11 and was named as one of the index best performers.

Woolworths has been included in the Dow Jones World Sustainability Index for the first time, for 2011/12. We are one of only five South African-listed companies included.

Woolworths was ranked second in the Sunday Times Top Brands survey in the category "brand that has done the most to promote green".

Woolworths was the overall winner in the 2010 Ask Africa Orange Index service excellence awards. This survey is widely regarded as the largest service excellence benchmark in South Africa.

Woolworths Taste magazine won a PICA award for customer magazine of the year from the Magazine Publishers Association of South Africa, as well as for best online solution.

Woolworths Annual report for the year ended June 2010 has again been rated as Excellent in the E&Y Excellence in Corporate Reporting awards and was ranked 9th in the Nkonki and FM Integrated Reporting awards.

Woolworths was named as one of the 16 sustainability champions in the developing world by the World Economic Forum.



A large, thick, olive-green letter 'G' is the central graphic element of the page. It is positioned on the left side, with its right edge overlapping the text area. The letter is a simple, bold outline style.

SUSTAINABILITY IS ONE
OF OUR SEVEN VALUES

**GOING
GREENER**



CHAIRMAN OF THE SUSTAINABILITY COMMITTEE AND GROUP CHIEF EXECUTIVE STATEMENT

OUR PHILOSOPHY IS THAT THE TRUE SUSTAINABILITY OF A COMPANY IS RELIANT ON ITS OWN CONTINUOUS GOOD PERFORMANCE AS WELL AS A SUSTAINABLE SOCIETY AND ENVIRONMENT.

In 2007 we consolidated and accelerated our sustainability efforts under our Good Business Journey programme.

Our aim is to ensure that the strategy and objectives as well as the performance of the group are evaluated with reference not only to its financial results, but to its overall performance. We further believe that all the elements of governance, economic growth, transformation, social development and the environment will create shared value for all of our stakeholders.

VALUE CREATED BY THE GOOD BUSINESS JOURNEY TO DATE

We consider the Good Business Journey as a key to fattening our brand. Our customer research and tracking studies show growing awareness of the programme, and high levels of support for its objectives. In particular, customers increasingly want to understand where products come from. They want to be certain that these are safe, healthy, sourced ethically and without harm to the environment.

The Good Business Journey also plays a key role in positioning us as an investment choice for responsible investors. Our consistent good performances on the JSE SRI index and other assessments help build our sustainability track record for analysts and investors.

We have also realised over the past few years that our focus on social and environmental issues drives innovation and operational efficiencies in our business. By focusing on technology innovation and resource efficiency in real estate, logistics and the product groups we have saved an estimated over R80 million. All at the same time as reducing

energy and fuel usage, packaging and increasing the use of recycled materials in our operations. Sustainability is one of our seven values. We measure employee understanding and backing for our Good Business Journey programme through our annual Let's Ask survey. This year our survey has shown a high and indeed growing level of support. Something we cannot measure, however, is the innovation and enthusiasm of employees across the organisation in integrating sustainability thinking into their daily jobs. This enthusiasm has been key in bringing new projects to life that have changed the way we operate and some of what we sell as an organisation.

The Good Business Journey has also helped us to enhance our partnerships with suppliers, NGO's and other corporates. We have shared learnings and dealt with common challenges on programmes like Farming for the Future, EduPlant and recycling at Engen service stations.

The strong business case that we have established over the last four years has helped us decide to push our programme even further with more challenging commitments through to 2015.

MAJOR ACHIEVEMENTS OF THE GBJ PROGRAMME SINCE 2007

A key achievement is the successful integration of the Good Business Journey programme into the way we operate. It is a crucial pillar of our corporate strategy and has been incorporated into the balanced scorecards of our employees.

We have also established a comprehensive governance, measurement and tracking system that is well embedded in the business. Progress on our measurements is evaluated twice a year.



An assurance framework is in place covering both internal audit coverage and external verification of our key sustainability objectives. The Good Business Journey process is also integrated into the company's risk model.

At a corporate level, we are satisfied with the progress the business has made in terms of our existing Good Business Journey targets – our overall score for 2011 is 86% and we have achieved a score of 80% against our 2012 objectives. We are on track to achieve most of our original objectives.

Some of our highlights include the success of our Farming for the Future programme. This programme improves the soil and water quality and usage across our produce agricultural base. A successful recycling project at Engen service stations has been launched which provides customers with convenient recycling facilities. Continued focus on our BBBEE initiatives has resulted in the achievement of Level 4 status a year earlier than targeted.

We have reduced energy usage by almost 23% from our 2004 benchmark. This is a result of successfully rolling out new lighting and energy measurement technologies, as well as retrofitting refrigeration technologies and reviewing distribution methods.

We have consistently grown our social contribution. In the last financial year R370 million was directed to a range of charity organisations as part of

our commitment to community upliftment. Our community focus has been on addressing two of our country's key challenges – food security and education. This has been implemented through our EduPlant and MySchool programmes and by the distribution of our surplus food.

We are pleased with the recognition that we have received from a number of our stakeholder groups and we will work hard to sustain these efforts. In particular, being chosen as International responsible retailer of the year twice in three years, is an honour. We have also been recognised as a best performer on the JSE SRI index the last three years, have been included in the Dow Jones World Sustainability Index for the first time this year and have had a consistently high ranking in the Carbon Disclosure Project Leadership index in South Africa. We were recently named by the World Economic Forum as one of 16 sustainability champions in the developing world.

Caption
Ian Moir (left)
Simon Susman



MAJOR CHANGES TO THE GOOD BUSINESS JOURNEY PROGRAMME THROUGH TO 2015

Woolworths has taken the opportunity to integrate new sustainability developments. We have refreshed our strategy and updated our priorities and thereby developed a new Good Business Journey programme with targets that will take us through to 2015.

The global and sector priorities around sustainability have moved on from 2007 and some of the targets we set then are no longer relevant. In addition there has been significant legislative development in South Africa around climate change and the green economy in the last few years. Competition from retailers and the food and beverage sector internationally has also increased.

Although we will maintain a broad-ranging sustainability programme, we are focusing on **six key areas** that we believe are priorities for a retailer operating in South Africa: sustainable farming, water, energy, waste, social development and transformation.

We have made good progress in addressing the sustainability impacts of our own operations, and are now focusing more on the life cycle of our products to ensure we centre our attention on the impacts of food production, and the use of textile products by customers – the areas that have the biggest energy and water impacts in the value chain.

Taking this thinking a step further, we want to be sure that customers experience our Good Business Journey strategy in the products they purchase, and have included challenging targets for incorporating, and building on sustainability characteristics for each product.

We aim to increase communication to customers, staff and other stakeholders around sustainability issues with the view of being recognised by our customers as leaders in sustainability.

KEY CHALLENGES FACED

We have experienced difficulty with achieving some of our targets. The pressure on cotton prices internationally and organic cotton in particular has made it difficult to achieve our organic cotton targets.

Progress on packaging reductions has been slower than we had hoped for especially in our food packaging. Food retailers globally have had difficulty balancing the reduction in packaging with the resulting damage and increase in waste of the product.

Hence, we are focusing more on recyclability of packaging going forward, as well as increasing the use of recycled content in the packaging.

We have applied what we have learned from areas that we have struggled with to our new targets through to 2015.

Ian Moir
Group chief executive officer

Simon Susman
Chairman of the sustainability committee

GOOD BUSINESS JOURNEY – BEYOND 2012

We aspire to lead the retail industry in terms of sustainability and to be recognised by our African consumers as leaders in the field.

Our new Good Business Journey strategy – beyond 2012 has been approved by the executive committee and sustainability board committee and implementation is under way.

One of the key changes in sustainability philosophy will be to increasingly focus on the life cycle of our products and to deliver our targets through our products. This will entail an even more holistic approach to sustainability from Woolworths and ensure the focus is primarily product related.

Woolworths aims to make a positive difference in the communities in which it operates. Supporting education in schools is a fundamental part of our sustainability programme. We are aiming to increase contributions from the MySchool programme (currently distributed between 2 400 schools in South Africa) to R50 million per year by 2015.

Woolworths will continue to work with our suppliers in ensuring that they meet the Woolworths code of conduct in terms of ethical standards, with independent audits conducted to verify this. We will ensure that our suppliers work towards reducing their impact on the environment. In this regard Farming for the Future will be expanded to horticulture, wine and dairy, and an objective has been set that 50% of the Foods business will be Farming for the Future by 2015.

Water has been identified as a key risk and, as such, Woolworths is targeting a 30% reduction in water usage by all Farming for the Future suppliers by 2015. Improving the management of waste water is particularly important in achieving this goal.

Other sustainability areas where we are working with **our suppliers** include:

1. animal welfare practices where we are ensuring that practices and policies go beyond the legislative requirements,
2. sustainable fibre usage where the target is usage in 12% of clothing products by 2015
3. biodiversity management – palm oil and fish programmes being the key focus areas.

We have also upgraded and refined our own **operational sustainability objectives** and set ourselves the following goals for 2015:

1. reduce relative water usage in stores by 50% and municipal water usage by 70% in head office
2. maintain our participation in Worldwide Fund for Nature's (WWF) water balance programme by clearing alien and invasive plants species and releasing water back into the ecosystem
3. we aim to have more significant inclusion of clean energy in our own operations (stores and distribution centres)
4. to reduce relative energy usage by 40% (benchmarked from 2004/5)
5. introduce a green store model with three levels of stores – silver, gold and platinum stores
6. remain at the forefront of fuel technology and shift to alternative fuel sources
7. continually improve our logistics efficiency – we will reduce carbon emissions per distributable unit by a further 20% by 2015
8. ensure that we achieve zero waste to landfill from head office and operations by 2015
9. save R100 million through Good Business Journey activities
10. introduce R50 million worth of Good Business Journey income producing projects by 2015

Taking the Good Business Journey a step further, having reviewed our own environmental impact and that of our suppliers, is to involve our **customers** on a more meaningful basis.

Woolworths customers have also expressed keen interest in supporting sustainable initiatives. Woolworths acknowledges that we need to continue to take responsibility for our products once they reach the homes of our customers. To this end:

1. 60% of Woolworths products will have a sustainability attribute by 2015 and 100% by 2020;
2. half of Woolworths clothing will have energy or water savings attributes by 2015;
3. 50% of food products will be provided as healthy food options by 2015;
4. all packaging will be recyclable by 2015;
5. 50% of food packaging will contain recycled content;
6. customers will be able to make use of recycling facilities at every Engen/Woolworths site and over 120 locations in total;
7. Woolworths will target to halve the amount of plastic bags used in foods by 2015.



UNDERSTANDING
THE INTERESTS AND
EXPECTATIONS OF OUR
STAKEHOLDERS

IN THIS
TOGETHER



STAKEHOLDERS

UNDERSTANDING THE INTERESTS AND EXPECTATIONS OF OUR STAKEHOLDERS PLAYS AN IMPORTANT ROLE IN DEEPENING AND EXTENDING OUR RELATIONSHIPS.

Stakeholder engagement is integral to the way we do business – especially in the area of sustainable development.

Understanding customer needs is essential to providing the right product at the right time in the specific store where customers expect to find what they are looking for. Woolworths has over 3.8 million customers, and the insights from our customers enrich our segmentation model and drive new opportunities. During the year customers have given us insight into their perception of our value offering and promotions, assisting our segmentation strategy.

Woolworths is committed to meeting customers' needs at every level and we monitor customer satisfaction throughout the business using various mechanisms including focus groups, social media and our customer service channels.

Improved customer understanding has led to better profiling and cataloguing of stores, with an increasingly segmented offer. Work is also being done to drive a sub-brand review to make each brand simpler, clearer and better segmented within our customer base.

The multichannel strategy has delivered a new Woolworths online site, which is being refined, but will create an improved shopping experience for customers.

During the year we introduced the WRewards loyalty programme, which is assisting us to:

- Build more profitable long-term relationships with more of our customers
- Reward and retain our loyal customers.

The programme has exceeded our expectations across the board, having added 450 000 new cardholders and ensuring we are now tracking 61% of our total revenue on Woolworths cards compared to 49% last year.

We have grown our customer engagement around sustainability issues, with in-store awareness campaigns, increased use of our social media platforms and a new relationship on TV with 50/50. The result has been a significant increase in customer awareness and support around the Good Business Journey, as measured in the customer tracking study, and our other customer research.

With increasing communication to customers, we have seen a growth in customer queries and views on our Good Business Journey, and a few follow as an example of this:

HOW WE HAVE RESPONDED TO OUR CUSTOMERS

Customer feedback or query	Woolworths response
<p>Woolworths has a number of recyclable containers that it sells to customers. As a Woolworths customer who cares as much about the environment as Woolworths does, I would suggest Woolworths have bins in their stores where other customers like myself can drop the recyclable containers in.</p>	<p>We have two pilot customer recycling programmes running at present – one at eight Woolworths Food standalone stores, and one in conjunction with Engen and Nampak at 12 Engen service stations. We are expanding the Engen project to 22 sites in Gauteng, and will further assess customer response before deciding on the next stage of the programme.</p>
<p>I was mortified to see kingklip (status: orange) for sale. Why is Woolworths prepared to sell fish that are on the threatened list? Surely that is against the principles of sustainability and carefulness that Woolworths says it stands for?</p>	<p>Kingklip is orange on the SASSI list not because of the stock status, but rather because of the impact of the fishery on by-catch such as sea birds. Our kingklip is sourced from MSC trawled hake suppliers who make use of highly effective by-catch mitigation devices such as “Torry lines” to scare off birds and thus, to a large extent, preventing them from getting caught.</p> <p>It should be noted that there are fishery improvement projects underway to make the kingklip fisheries more sustainable and from a retailer side we are asking our suppliers to get MSC certification on kingklip which would be a guarantee of its sustainability.</p>
<p>Woolies, as long as you import out-of-season avo’s etc, at great cost, you are PART of global warming.</p>	<p>Woolworths supports the concept of seasonality, but at the same time, where there is demand for a product throughout the year, we do have a business imperative to offer our customers that particular product.</p> <p>In the case of avocados we are busy working with our primary avocado supplier to bring small scale suppliers in other parts of the country into the supply chain, with the hope of achieving local availability of avos all year round in the next few years.</p>
<p>Are the plastics that Woolworths use to sell their Woolworths range in, biodegradable?</p>	<p>As a general rule no, due to compostable packaging generally being two to five times more expensive than conventional packaging. We also have concerns about biodegradable packaging contaminating recycling streams.</p>
<p>What exactly is meant by “Farming for the Future” which I see on some of your fresh produce?</p>	<p>Farming for the Future is Woolworths holistic approach to farming and aims to help farmers grow quality produce while protecting the environment, preserving natural resources and reducing dependence on chemical fertilisers, herbicides and pesticides – all without adding anything to the price the consumer pays at retail.</p>



Employee understanding and backing for our Good Business Journey programme is measured through our annual people survey – “Let’s Ask”, which has shown high levels of support, and a growth in this level of support over the last year. This year 74% of the scores in our Let’s Ask staff survey were positive compared to 64% last time.

Far more difficult to quantify is the innovation and enthusiasm of employees across the business in integrating sustainability thinking into their daily jobs, and bringing new projects to life that have changed the way we operate.

We are also focused on communicating sustainability issues and our response to them to our employees so that they can apply this thinking at work, and in their own homes, as well as better engage with their colleagues and customers on these issues.

We continue to engage with representative unions on issues related to wages and conditions of employment.

Maintaining and growing our credibility among **shareholders** and the broader investment community is a key objective. This is done by providing relevant, timely and transparent communication using a variety of different media to allow far-reaching access to information,

ensuring all our shareholders enjoy a thorough understanding of our performance and strategy going forward. These efforts include analyst presentations, attending investor road shows, store walkabouts with investors and analysts, webcasts and our annual Integrated Report.

We have made particular effort over the last year to engage with, and update investors who are focused on environment, social and governance issues, on our progress and we strongly support the Code for Responsible Investing in South Africa, which encourages institutional investors to incorporate sustainability issues into their investment decisions. Our responses to the Dow Jones index, JSE SRI Index, Carbon Disclosure Project (CDP) and other assessments is an important part of building an engagement with the investor community based on transparency, and consistent performance regarding sustainability issues.

Raising the profile of the key sustainability issues in South Africa is an integral part of Woolworths commitment to the Good Business Journey. Woolworths ongoing engagement with the **media** has been an important aspect of managing the company’s corporate reputation as well as raising awareness of key sustainability issues. A key development during the year was a partnership with environmental programme 50/50

RAISING AWARENESS OF THE KEY SUSTAINABILITY ISSUES IN SOUTH AFRICA IS AN INTEGRAL PART OF WOOLWORTHS COMMITMENT

on SABC 2 to broaden exposure around our Good Business Journey programme. We continue to see a significant portion of our media queries being related to the Good Business Journey.

Woolworths operates a tightly integrated network of **suppliers**, to ensure exacting quality standards and forms long-lasting relationships with its suppliers. Through supplier conferences and forums these relationships are developed further. We have pursued a strong preferential procurement and enterprise development agenda with our suppliers within the context of our transformation commitments. Conformance to the Woolworths supplier code of business principles is a prerequisite to ensure social and environmental responsibility across the supply chain.

During the course of the year we bought back the majority of our local **franchise** operations as part of a change in strategy for the business, but will continue our Engen partnership and move to a joint venture model for our operations in Africa.

Experience has shown us that most sustainability challenges cannot be solved by one company acting alone, and we are excited about the support we have received from our suppliers and specialist non-profit organisations in implementing programmes like Farming for the Future, and the many things we have learnt from their efforts. These sustainability initiatives have often been a natural extension of the long-standing **partnerships** we share with our suppliers, as well as corporate partners such as ABSA and Engen, and have allowed us to formulate unique, and often farm-specific, responses to biodiversity, transformation and other objectives.

Woolworths also partners with a broad range of **non-profit organisations** across a range of environmental, social and transformation issues. This includes the Worldwide Fund for Nature (WWF), Conservation International, Food & Trees for Africa and Heartbeat, amongst others. Through these relationships we support the good work being done by these partner organisations, but also gain the benefit of their experience and input into our strategy.

We support the efforts of **Government and the Regulatory bodies** established to implement and monitor the legislation supporting Government's agenda. We provide input to new policy and legislation via our membership of business and retail-specific organisations such as Business Unity South Africa (BUSA), the Retail Association and the National Business Initiative (NBI). We have aligned our key sustainability priorities to those issues facing South Africa, and have had specific interactions with government departments around employment equity and transformation, sustainable agriculture, social development, and food safety, amongst others.

STAKEHOLDER ENGAGEMENT (CONTINUED)

The following spread illustrates our stakeholder engagement programme in more detail:

Stakeholder group and why we engage	Key issues for engagement	How we engage	How we have responded/ adapted
<p>Customers:</p> <ul style="list-style-type: none"> - to understand our customer needs; enhance the Woolworths brand; and thereby grow revenue. - we have seen improvements in understanding measured via the customer tracking study. 	<ul style="list-style-type: none"> - Value - Customer service and rewards - Product choice and development - The Good Business Journey 	<ul style="list-style-type: none"> - Advertising and in store communication - Customer contact centre - Focus groups and surveys - Social media - Loyalty programme – W Rewards 	<ul style="list-style-type: none"> - Ongoing product development and innovation - Business focus on key issues, for example availability, product choice (bigger sizes), value, store location and service - Adopting methods of communication to meet customer preferences (increased social media)
<p>Employees:</p> <ul style="list-style-type: none"> - to share relevant information and get input and feedback, as well as to develop a high-performance organisation. - significant improvements in Let's Ask employee opinion survey results. 	<ul style="list-style-type: none"> - Communicating strategy and business developments - Reward and recognition - Training and development - Employee wellness - The Good Business Journey 	<ul style="list-style-type: none"> - Intranet, e-mail, store communications, Shoptalk magazine - Lets talk team meeting methodology - Lets Ask people survey 	<ul style="list-style-type: none"> - Focus on employee wellness–employee development, remuneration and benefits updated
<p>Unions:</p> <p>to engage on collective employment issues.</p>	<ul style="list-style-type: none"> - Wages and conditions of employment - Retail and textile sector issues 	<ul style="list-style-type: none"> - Regular meetings - Participation in CCMA, Nedlac and other labour market institutions 	<ul style="list-style-type: none"> - A better understanding and response to employee concerns - Revision of remuneration and benefits policies
<p>Suppliers:</p> <p>to deliver consistent quality and standards; and drive new and innovative product, which also furthers the ambitions of the Good Business Journey.</p>	<ul style="list-style-type: none"> - Timely payment and favourable terms - Product innovation - Partnering on sustainability solutions and Broad-based Black Economic Empowerment 	<ul style="list-style-type: none"> - Supplier conferences and visits - Supplier audits of our code of business principles 	<ul style="list-style-type: none"> - Review of product offering and ongoing innovation - Revised code of business principles
<p>Franchisees:</p> <p>to ensure a consistent customer experience.</p>	<ul style="list-style-type: none"> - Fair price for acquisition of local franchises - Partnership expansion in Africa 	<ul style="list-style-type: none"> - Ongoing electronic and personal engagement, including meetings, an annual franchise conference and regular franchise buying weeks 	<ul style="list-style-type: none"> - Negotiated sales for willing franchisees - Engen expansion

Stakeholder group and why we engage	Key issues for engagement	How we engage	How we have responded/ adapted
<p>Shareholders and investors: to create an informed perception of Woolworths, ensure more accurate expectations and create a positive investment environment.</p>	<ul style="list-style-type: none"> - Business performance - Business expectations and strategy - Economic, social and environmental concerns 	<ul style="list-style-type: none"> - Annual general meeting/general meetings - Bi-annual analysts' results review - Individual, documented analysts' meetings - Reporting, webcam and website updates 	<ul style="list-style-type: none"> - Integrated Reporting - Increased electronic communication tools
<p>Media: to influence stakeholder perceptions, build the Woolworths brand and market the business and products.</p>	<ul style="list-style-type: none"> - Business and consumer issues - Macro-economic issues that affect retail - Product information - The Good Business Journey 	<ul style="list-style-type: none"> - Ongoing electronic and personal engagement - Interviews - Press releases - Publications 	<ul style="list-style-type: none"> - Ongoing review and challenging of business practices - Improved transparency - Improved information provision
<p>Business partners: to gain support and leverage on issues of common interest.</p>	<ul style="list-style-type: none"> - Strategy and product expansion - The Good Business Journey 	<ul style="list-style-type: none"> - Joint projects - Partner re-views 	<ul style="list-style-type: none"> - Co-ordination of retail input to textile and clothing issues - Participation in specific initiatives, for example the NBI's Energy Accord, COP 17 CEO forum
<p>Government and regulators: to discuss issues of mutual concern, optimise opportunities and minimise risks of regulation, as well as to anticipate and assess potential policy and regulatory impact.</p>	<ul style="list-style-type: none"> - Trade and industry policy on Sector development, trade issues - Labour market issues - Food standards and agricultural issues - Consumer credit and protection issues - Education - Transformation and the Good Business Journey 	<ul style="list-style-type: none"> - Ongoing electronic and personal engagement - Drafting of submissions - Participation in research - Meetings with government officials and ministers - Nedlac, BUSA and business associations 	<ul style="list-style-type: none"> - Consolidation of combined retail positions as input to government - Sharing of information on business practice with government - Revision of processes to become compliant to new legislation such as the Consumer Protection Act
<p>Non-profit organisations and communities: to contribute to the society in which we trade, and get input into our strategic aims.</p>	<ul style="list-style-type: none"> - The Good Business Journey - Education and capacity building on relevant community issues, e.g. nutrition - HIV/AIDS awareness - Input to our product strategy and range 	<ul style="list-style-type: none"> - Ongoing electronic and personal engagement - Joint projects 	<ul style="list-style-type: none"> - Ongoing modifications to product strategy and range - Greater transparency and communication, for example labelling



GOOD GOVERNANCE IS
ACHIEVED BY APPLYING
THE PRINCIPLES OF
INTEGRITY, FAIRNESS,
TRANSPARENCY AND
ACCOUNTABILITY

IN GOOD
COMPANY



COMMITMENTS AND PROGRESS

WOOLWORTHS IS A PROUD SOUTH AFRICAN BUSINESS WITH A LONG TRADITION OF QUALITY AND INNOVATION IN SOUTH AFRICA.

Our governance focus includes the measurement, governance, risk profile and assurance process around the Good business journey, and our approach to sustainability reporting. Our economic focus includes our contribution to the South African economy as well as building the green economy, local sourcing, responsible lending and our expansion programme.

Commitment	2011	2010	By 2012
Net growth in corporate stores	19	9	26 new stores
Franchise stores	54 franchise stores converted/to be converted to corporate stores	(41)	<ul style="list-style-type: none"> - 23 local franchise stores - 43 Engen franchises - 69 franchise international stores in place
Ethics and values programme	Ethics and values awareness showed good improvement measured in the Let's Ask people survey. Values and brand campaign rolled out.	Code approved by the Board. Participated in Corporate Ethics indicator managed by the Ethics Institute of SA	Full implementation and awareness programme rolled out

GOVERNANCE OF SUSTAINABILITY

The **sustainability committee**, a formal subcommittee of the Woolworths Holdings Board, integrates the work of the transformation committee and the outputs of the Woolworths Trust, providing a single point of view and direction for all Woolworths sustainability focus areas.

The committee is chaired by a non-executive director and meets quarterly to oversee progress in achieving all aspects of the Good Business Journey programme. The Group chief executive officer and Managing Director: Foods are members of the committee, together with three independent directors, one of whom chairs the transformation Board committee. These independent directors each have significant expertise and experience in a range of corporate sustainability issues. The main purpose of the committee is to ensure that the sustainability strategy and objectives are effectively integrated into the business. The committee has considered the contents of this report.

Progress towards meeting 2012 targets and the related one-year goals, is monitored at an operational level by the executive committee and championed by the Group Director: Corporate Governance and Group Secretary.

SUSTAINABILITY AND OUR STRATEGIC OBJECTIVES

Sustainability is one of our strategic focus areas as a business and is integrated into the strategic planning cycle and balanced scorecard process.

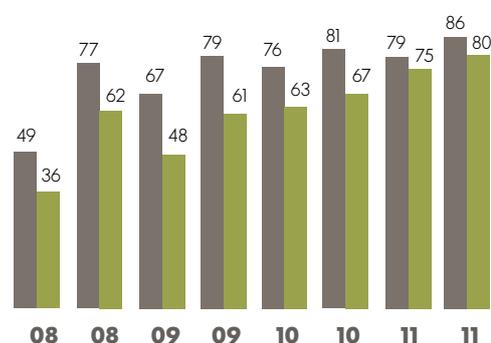
To ensure consistency across our operations, each business unit has a set of Good Business Journey objectives against which they are measured twice per annum. This includes Country Road Limited and Woolworths Financial Services (Proprietary) Limited which is operated jointly with ABSA. Financial Services provides Woolworths customers with a credit offering to assist them to purchase merchandise in our stores. It also offers a credit card, personal loans and insurance products.

PROGRESS MEASUREMENT 2011

The Good Business Journey index has been reviewed during the current year to ensure the ongoing applicability of the sophisticated weighted system which prioritises all 200-plus indicators and provides a score across each pillar of the Good Business Journey, as well as for each business unit in achieving their specific targets.

GOOD BUSINESS JOURNEY SCORE OVER TIME

● CURRENT YEAR ● 2012 TARGET

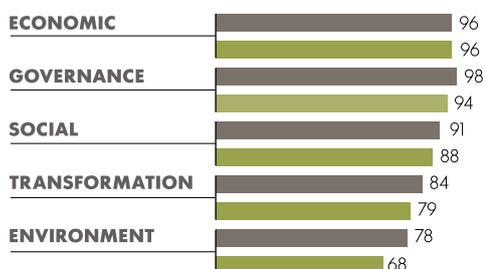


New targets have been set across the business through to 2015 as part of our Good Business Journey Beyond 2012 programme. We will shift the business to these new targets a year earlier than originally planned. This allows us to take into account the major changes in the sustainability sphere since we first launched the index in 2007, and adapt accordingly to new issues and challenges.

The scores per factor are shown below.

GOOD BUSINESS JOURNEY FACTOR SCORES

● CURRENT YEAR ● 2012 TARGET



The index score is a key tool in driving changes in behaviour in the business units as well as providing comparable scorecard data and monitoring progress to one- and four-year targets.

The total sustainability measurement score for the year 2011 was 86% (2010: 81% restated following new BBEE figures as verified after year end).

This shows that good progress has been made, but that there are a number of instances in which targets for 2011 have not been met.

The progress to 2012 score of 80% (2010: 67%) is by necessity lower than the 2011 score, because more stringent targets apply for many of the measures. This score shows that we are well on track four years into the five-year programme. We had set 80% as a benchmark for good performance and are particularly pleased to score above that benchmark for the first time for our 2012 targets since we began measuring our progress. This achievement reinforces our decision to move the programme on a year ahead of the 2012 end point, and make new commitments through to 2015. As can be seen alongside, steady progress has been made over the lifetime of the Good Business Journey programme, and the 2011 scores are the highest achieved to date.

The biggest challenges lie within the transformation and environment factors.

INTEGRATED SUSTAINABILITY REPORTING

Woolworths regards its sustainability reporting process as a valuable opportunity to engage with its stakeholder groups and to respond to issues that have been raised during the course of the year. The focus of our sustainability report is to provide readers with an overview of the highlights and challenges of the Good Business Journey progress, as well as our future objectives, in the context of our operations and geography. We hope that our reporting credibly portrays the work we are doing to allow stakeholder groups to understand the strategy of the company and assess our prospects in a way that covers our financial and sustainability risks and opportunities.

This annual sustainability report covers the period from 1 July 2010 to 26 June 2011, is the successor to the 2010 report and focuses largely on South African-owned operations, as well as including information on our Australian subsidiary, Country Road Limited. There have been no significant changes in reporting standards regarding sustainability reporting, and any restatement of information is noted in the section concerned.

This volume should be read together with the 2011 Integrated Report and the 2011 Annual financial statements, as a compendium of our strategy and performance.

The recommendations of King III and the G3 guidelines of the Global Reporting Initiative (GRI) form the basis for this report cycle, and an analysis of the Group's compliance with these guidelines appears in the GRI Index. We welcome any feedback on our programme and reporting and contact details for this purpose can be found on the inside back cover of the report.

ASSURANCE

Woolworths has always looked at obtaining independent opinion on our progress as being a crucial part of gaining and maintaining credibility with our stakeholders. Over the last four years of the Good Business Journey programme we have worked with a range of internal and external assurance providers to achieve this.

In the current financial year we have broadened the nature and scope of our assurance, in line with King III, by engaging **Ernst & Young Inc.** to provide limited assurance over certain quantitative and qualitative aspects of the 2011 Good Business Journey Report:

1. The statistical data of the following KPIs:
 - a. Green stores – ratings of stores; and
 - b. Water usage – head office and distribution centres.

2. The GRI G3 principles for defining report content.
3. The self-declared GRI G3 application level.

Ernst & Young Inc. also conducted a "dry run" limited assurance engagement in order to assess the readiness of certain other key performance indicators for external limited assurance in future years.

Their assurance statement can be found on page 76.

The Woolworths internal audit team has a four-year plan in place to cover all indicators, focusing on the processes followed to measure data and track changes. Woolworths **internal audit** team has also audited selected Good Business Journey indicators during 2011 and will continue this process twice per annum. This internal audit framework has added a robust oversight mechanism to the Good Business Journey measurement process and has helped to prepare the business for external assurance.

Our **BBBEE status** has been assured by BEE Verification Agency CC for the 2011 financial year. Through the external assurance received from the agency, we have been assessed as a **Level 4** contributor.

We have also undertaken an independent **limited level verification** of our **carbon footprint** data in conformance with the ISO 14064-3 International Standard for GHG verifications performed by the Global Carbon Exchange, and their assurance statement can be found on the Good Business Journey report website.

Our **Farming for the Future** programme is audited by an independent body – Enviroscientific.

We feel that the combination of the assurance processes noted above provides coverage over all our key focus areas by a range of audit, technical and scientific experts.

KEY SUSTAINABILITY RISKS

The material risks associated with the achievement of the 2012 Good Business Journey targets and related mitigating actions were reviewed during the current year, and are identified as follows:

Risk	Mitigation plans
We are unable to achieve our Transformation targets.	<p>We are focused on employment equity targets which are fully integrated into management teams and line managers performance targets.</p> <p>We have a preferential procurement policy which guides the business in its decision-making.</p> <p>We continue to engage with and assist suppliers to increase their contributor status.</p> <p>We provide enterprise developments loans.</p>
Water scarcity could negatively affect our operations.	<p>We have invested in WWF's water neutrality programme, covering the water used in our direct operations.</p> <p>We have a Farming for the Future programme which ensures our food products are farmed in a more sustainable manner.</p> <p>We continue to install a water measuring system in all stores.</p>
We do not achieve our energy reduction targets which could lead to increased costs.	<p>We continue to implement more efficient refrigeration and air conditioning technology in stores.</p> <p>We will continue with the energy saving campaign to deliver savings in usage and costs.</p> <p>We will roll out the green store strategy to more stores.</p> <p>We will investigate clean energy options appropriate to our business.</p>
Our customers expect our food products to be safe and of a high quality.	<p>We have a food technology team who are actively involved in product development to ensure compliance with food quality standards.</p> <p>We have a defined recall process to remove and, where required, destroy product from our stores and distribution centres which is tested annually.</p> <p>We have a defined public recall process.</p>
We ensure the health and safety of our employees and our customers.	<p>We have a comprehensive health and safety framework that sets out the required policies and standards for suppliers, distribution centres and stores.</p> <p>We have occupational health practitioners who manage a comprehensive health and wellness programme.</p> <p>We have an HIV/AIDS awareness and treatment programme that is offered to our employees.</p>

GOVERNANCE AND ECONOMIC (CONTINUED)

VALUES AND ETHICS

Our corporate values are the things we believe in. They're the foundation and cornerstone of our business. They make us unique. They make Woolworths, Woolworths.

They give us direction and guide our behaviour and our choices. When we're true to our values, we know the right thing to do, and our colleagues, our partners, our suppliers and our customers know what to expect of us.

Our internal Let's Ask survey has shown a good improvement in awareness around ethics and values over the last year, and this has been reinforced with the launch of a brand and values campaign to ensure a consistent experience of the Woolworths brand and help build our employee value proposition. Our performance management system also takes values and behaviour into account as a material part of each employee's performance appraisal process.

"Sustainability" is one of our seven Woolworths values, entrenching its importance in the cultural fabric of the organisation, and joining "quality and style, value, service, innovation, integrity and energy" as the compass for decision-making at Woolworths.

Our ethics programme is supported by corporate policies covering gifts, insider trading and conflict of interest.

FRAUD AND SHRINKAGE

As a company we have a zero tolerance policy towards fraud, theft, corruption or any similar illegal behaviour. We will take disciplinary action against any employee who is involved in, or assists with committing fraud, theft and corruption. In terms of the company's disciplinary code, involvement in these acts is a dismissible offence. We continue to promote the Tip-offs Anonymous line run by Deloitte and the rewards for information, which leads to successful preventions of fraud and shrinkage.

CONTRIBUTION TO THE SOUTH AFRICAN ECONOMY

Woolworths continues to create shared value across a broad spectrum of the South African economy, at the most fundamental level by generating direct employment and career opportunities for over 20 000 people and indirectly, many more through our manufacturing and processing network as well as assisting to bring small-scale suppliers into the value chain.

During the current year our staff complement has grown by 1 358, a portion of which is due to the purchase of our franchise business, where Woolworths made offers to all the employees in these businesses. We have also created 690 new jobs directly, and 2 333 new jobs directly in the last five years.

QUALITY AND STYLE

WE DELIVER THE BEST IN EVERYTHING WE SELL OR DO.

VALUE

OFFERING A SIMPLE AND FAIR DEAL AND PUTTING QUALITY WITHIN REACH.

SERVICE

WE ALWAYS THINK CUSTOMER AND PUT THE CUSTOMER FIRST.

INNOVATION

INNOVATION IS ABOUT FINDING NEW WAYS TO MAKE THINGS BETTER OR MAKE CUSTOMERS' LIVES EASIER.

INTEGRITY

DOING WHAT WE SAY WE DO IS THE FOUNDATION OF THE TRUST OUR CUSTOMERS HAVE IN US.

ENERGY

WE CARE ABOUT WHAT WE DO AND ARE DETERMINED TO DELIVER THE DIFFERENCE.

SUSTAINABILITY

WE'RE COMMITTED TO DOING THINGS TODAY TO BUILD A BETTER TOMORROW.

SAFETY AND HEALTH

One of our key contributions is to provide safe, healthy and good quality products to consumers at a reasonable price. Our food, clothing, home and beauty technologists ensure product development and innovation take into account our safety policies. We are also assisting to create our customer of the future by investing in education through a number of our corporate social investment interventions. Our Good Business Journey programme drives investment into efficient and green technology in our real estate, logistics and supplier networks, as a part of our contribution to South Africa's green economy

around the world is fiercely competitive. We are at pains to ensure that our practices drive the best prices for our quality standards.

THE RETAIL SECTOR AND EXCESS CONSUMPTION

A key retail sector sustainability issue is dealing with the inherent conflict of the sector in promoting consumption. Woolworths attempts to do this in a responsible manner by ensuring the promotions we offer are linked to long-term shopping behavior (via our loyalty cards) or do not promote food wastage (our Eat in for a family of 4 for R100 promotions).

OUR CORPORATE VALUES ARE THE THINGS WE BELIEVE IN. THEY'RE THE FOUNDATION AND CORNERSTONE OF OUR BUSINESS. THEY MAKE US UNIQUE. THEY MAKE WOOLWORTHS, WOOLWORTHS.

growth. This is also supported by our initiatives in waste management and recycling.

Woolworths has done a country of origin assessment in order to confirm that 95% of the food that it sells is South African in origin – a significant contribution to the South African economy, especially the agricultural sector. Woolworths reiterated the company's commitment to buying as much product locally as possible. The vast majority of goods sold in our stores, by volume, are manufactured in South Africa and we continue to encourage local manufacturing wherever possible. We will only consider sourcing abroad where local or regional supplier partners are unable to provide the ideal quality, value and innovation that our customers expect. Woolworths is also well placed to drive enterprise development projects and has set up teams devoted to working more closely with emerging suppliers, further supporting South African businesses first as a crucial part of our indirect economic contribution.

COMPETITION

Woolworths is committed to fair competition principles. The retail industry in South Africa and

We also have established channels for dealing with customer feedback and co-operate with the National Credit Regulator, National Consumer Commission and any relevant industry Ombudsman.

STORE EXPANSION

Woolworths expansion programme has moved to a focus on store extensions and modernisations.

During the year trading space grew by 2.7% across Woolworths, and we have set targets for an 8.2% increase in Foods trading space and 6.3% increase in Clothing and home in 2012. The current footprint includes: 438 stores – 293 corporate stores, 52 local franchise stores, 43 Engen franchise stores and 50 International franchise stores.

We have made an investment in franchise acquisitions of approximately R600 million and the franchise conversion process has gone well, with 54 stores and 75% of the turnover now corporate or committed to corporate conversion. We will continue to build the Engen franchise network in South Africa. We have also begun to convert our international franchise stores in Africa to a joint venture model, and during 2012 will continue the push into Africa with 19 new stores.

CASE STUDY – CREATING JOBS AND DRIVING ECONOMIC DEVELOPMENT – EMPOWERED ENTREPRENEUR CHOOSES OWN PATH VIA WOOLWORTHS

Goodenough Ngcobo promised himself he would run his own business before he turned 40. At 39 he had done exactly that, convincing his employer Woolworths, to help him launch a transport business he calls People's Choice. Ngcobo identified a gap that he thought presented a good business opportunity. Woolworths hires palletes to transport its grocery product from suppliers to the Woolworths Distribution Centre in Westmead. The retailer is obliged to return the empty palletes to the Isipingo-based company which manufactures them. Ngcobo determined he could increase the rate of return of the palletes and bring down the costs involved in their transportation.

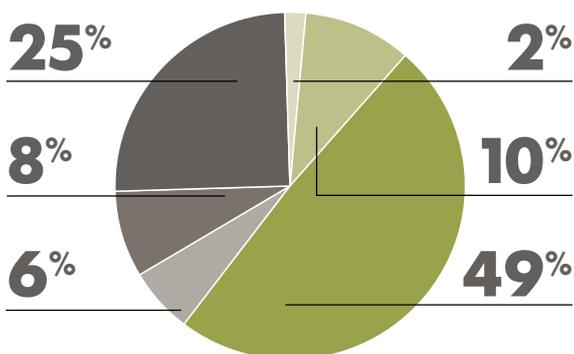
Woolworths provided Ngcobo with a loan which allowed him to buy a truck. He launched his transport business in 2010, and now employs six people. He has bought a second truck which will allow him to be more flexible and offer a better service to his growing list of customers. He plans to expand the transportation of the palletes to other retailers, and venture into distributing stock. Sam Ngumeni, Woolworths Group Director: Human Resources and Transformation: "We agreed to support Goodenough's business for two reasons. Firstly, Woolworths is deeply committed to supporting previously disadvantaged entrepreneurs. Secondly, his proposal made commercial sense to us. He offered us an excellent solution to an operational problem."



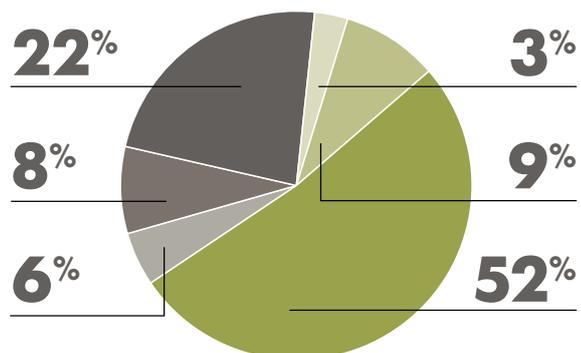
VALUE ADDED STATEMENT

	2011 Rm	2010 Rm	2009 Rm
VALUE-ADDED	25 977	23 744	22 372
Less: Cost of sales	16 683	15 619	14 501
Cost of services and other operating expenses	2 871	2 611	2 263
	6 423	5 514	5 608
DISTRIBUTION OF WEALTH			
- To employees as salaries, wages and other benefits	3 166	2 858	2 689
- To Government as income tax (including deferred tax)	659	491	546
- To lenders as finance costs	84	151	281
- Depreciation, amortisation and impairment	513	442	401
- Social contribution	370	314	292
- To shareholders			
- earnings retained	713	540	-
- dividends	918	718	1 399
	6 423	5 514	5 608

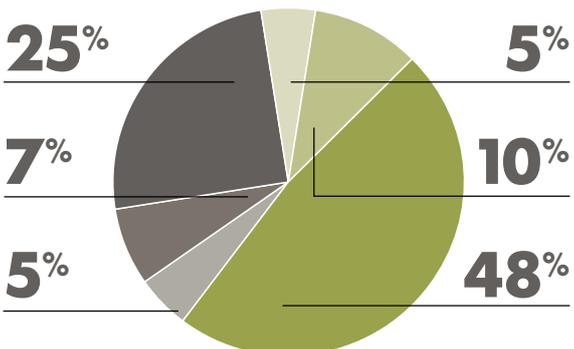
DISTRIBUTION OF WEALTH – 2011 %



DISTRIBUTION OF WEALTH – 2010 %



DISTRIBUTION OF WEALTH – 2009 %



- TO EMPLOYEES AS SALARIES, WAGES & OTHER BENEFITS
- TO GOVERNMENT AS INCOME TAX INCLUDING DEFERRED TAXI
- TO LENDERS AS FINANCE COSTS
- TO SHAREHOLDERS
- DEPRECIATION, AMORTISATION & IMPAIRMENT
- SOCIAL CONTRIBUTION

TRANSFORMATION IS
KEY TO OUR STRATEGIC
OBJECTIVES

**CHANGE
FOR
GOOD**



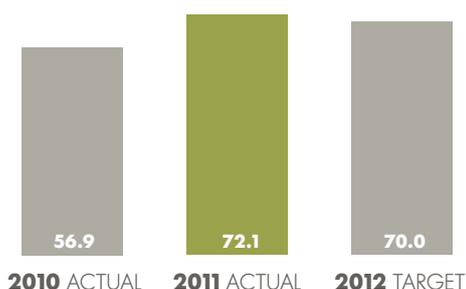
COMMITMENTS AND PROGRESS

Commitment	2011	2010	By 2012
Overall BEE level	Level 4 (72.05)	Level 5 (56.93)	Level 4 (70)
Equity ownership	8.26	3.57	8
Management control	9.42	9.03	9
Employment Equity	11.21	10.59	11
Skills development	11.46	10.25	13
Preferential procurement	16.97	10.44	13
Enterprise development	9.73	8.05	11
Socio economic development	5	5	5
Total CSI contribution	R370m	R314m	R300m minimum
Surplus product distributed	R338m	R283m	N/A
My School contribution	R27m	R27m	R38m

Transformation and specifically, Broad-based Black Economic Empowerment (BBBEE) is key to our business strategic objectives. In line with the Good Business Journey, Woolworths objective has been to achieve a score of 70, equivalent to Level 4 BBBEE contributor status, by June 2012.

We are pleased that we surpassed this to achieve a verified score of 72.05 in June 2011, a year earlier than anticipated. The business' unquestionable commitment and focus on what needs to be done as a contribution to South Africa's socio-economic transformation has been reflected in the overachievement of our quantitative targets.

WOOLWORTHS OVERALL BEE SCORE



In the main, Woolworths overachievement of the 2012 target has been due to a well integrated approach to transformation. The company vision of accelerating transformation permeates through all the different business unit strategies. This is further entrenched in teams having a common understanding of what is required of them to effect transformation as part of their day to day activities and further reflected in their individual performance goals. This is key for Woolworths in entrenching transformation as a business imperative and ensuring its sustainable implementation.

Under the governance of the Woolworths transformation committee, management continues to improve on ensuring that there are appropriate strategies, policies and processes in place in order to drive transformation. The execution of strategies is done in partnership with key stakeholders including suppliers, business partners, government departments and industry bodies.

BEE Verification Agency CC was once again appointed as the company's BEE verification agency for the 2011 financial year. Through the external assurance received from the agency, we have achieved a 72.05 score, a Level 4 BBBEE Contributor status and an improvement from the previous year's Level 5 (see www.woolworthsholdings.co.za for the BEE Certificate for 2011).

The graph below depicts progress made in each of the BBBEE scorecard elements against 2012 targets Woolworths set as part of the Good Business Journey commitment in 2007. Except for Skills Development and Enterprise Development, each element's targets for 2012 have been achieved, a year early. Strategies are underway to meet the targets for Skills Development and Enterprise Development. Our key challenge ahead is in maintaining our performance despite the increasing thresholds in Employment Equity and Preferential Procurement as per the BBBEE Codes of Good Practice. Details on the individual sections of the BBBEE scorecard follow below.



BBBEE EMPLOYEE SHARE OWNERSHIP SCHEME

The BEE employee share ownership scheme was established in July 2007 with the intention of empowering and benefiting Woolworths employees through an employee share ownership scheme (BEESOS).

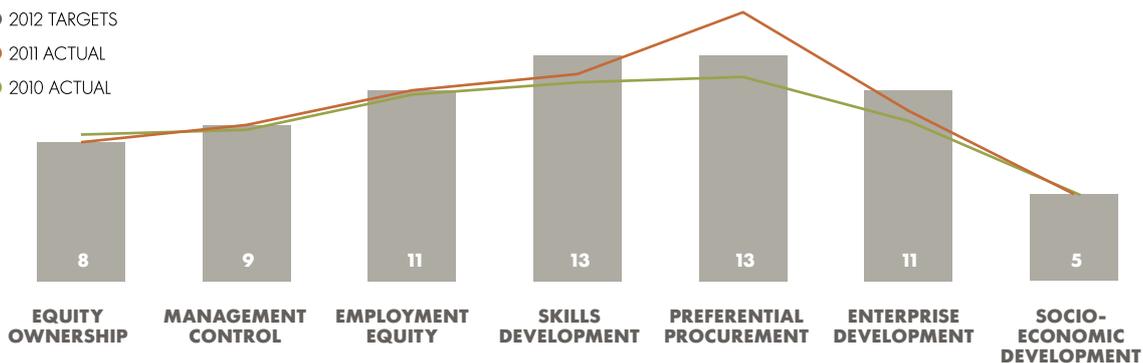
A Board of trustees, with a majority of employee representatives, was established, chaired by Dolly Mokgatle, and the trustees met twice during the year with full attendance at both meetings. The trustees exercised the voting rights of the preference shares at all the company's general meetings.

Our BEESOS Trust continues to disburse financial benefits to staff participants, who have collectively received R45.5 million in dividend payments from inception of the trust to 30 June 2011. The total number of employees who benefited from the BEESOS as at 30 June 2011 was 7 758 compared to 8 706 in 2010. The decrease in numbers is due to labour turnover. This has impacted our equity ownership score as it has decreased from 8.9 (restated) in 2010 to 8.3 in 2011. The full benefit of the BEESOS will be realised in 2015.



BEE SCORECARD

- 2012 TARGETS
- 2011 ACTUAL
- 2010 ACTUAL



MANAGEMENT CONTROL

Woolworths continues to focus on representivity of black non-executive directors and senior executives through succession planning and talent management processes and the management control score has improved from 9.03 to 9.42, a 4% increase from the previous year.

EMPLOYMENT EQUITY

Diversity of workforce and compliance with the Employment Equity Act are critical for the transformation of Woolworths. This is embedded and aligned to the business strategy, succession planning, talent management processes and employee engagement.

There has been extensive work done to ensure integrated and sustainable Employment Equity (EE) Act compliance across the business via diversity committees in all business units.

These committees are meeting, on average, on a monthly basis. The mandate of these committees has been well defined through ongoing training of diversity committee members. The continuous improvement of Integrated Performance Management (IPM) has now seen BBBEE and/or transformation included in individual employees' performance goals. Individual goals coupled with an effective tracking and measurement capability, contribute in embedding BEE as a way of working that is integral to business strategy.

SKILLS DEVELOPMENT TRAINING

Woolworths is committed to the skills development of our employees in line with our business strategies and country's skills development needs. We see investment in our employees' skills development as critical for our business growth as well as employee individual growth and empowerment. The increase in our skills development score from 10.25 in 2010 and 11.46 in 2011 is due to the following:

- Increased focus on having most of our training initiatives accredited.
- Better management and delivery of our Skills Plan using a well defined learning academy framework.
- Increased number of employees on learnerships, from 775 in 2010 to 904 in 2011.
- A much more stringent individual performance management that aligns skills development to building competence.

With further focus on the above strategies, Woolworths should be well underway to meet its 2012 skills development target.

PREFERENTIAL PROCUREMENT

At the beginning of our Good Business Journey commitment in 2007, we started engaging our business partners including our main suppliers to embark on this journey with us. The significant improvement of our preferential procurement score is a result of the conversations we have had with our suppliers, particularly product suppliers, in motivating and supporting them to transform their businesses:

- In 2011, 46.9% of our suppliers have credentials compared to 19.5% two years ago.
- In 2011, our total recognisable spend is R8.3 billion compared to R5.5 billion two years ago.

Woolworths commitment and investment in supplier development has also helped in increasing the number and recognisable spend with small, medium, black-owned and black women-owned suppliers.

ENTERPRISE DEVELOPMENT

In the main, the Woolworths Enterprise Development (ED) programme has been designed to support emerging black-owned organisations in the Woolworths greater supply chain, including primary and secondary suppliers. Through this strategy, Woolworths assists emerging black-owned suppliers to become truly sustainable businesses through a balanced enterprise development programme implemented based on individual needs analysis approach.

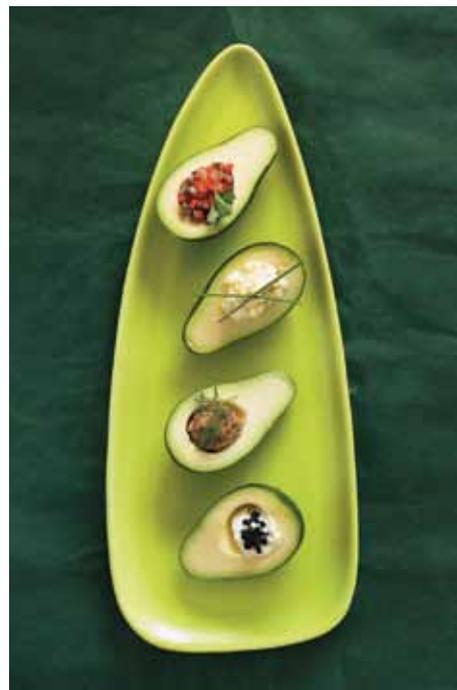
This would typically be:

- ensuring the ED beneficiary is on shorter payment terms to assist in cash flow,
- identifying development needs and assisting in ensuring that there is a programme of interventions to address those needs,
- making finance available through the ED loan fund.

The ED support is afforded to black enterprises for 3 – 5 years period, after which it should be demonstrated that the enterprise has reached a certain level of sustainability.

Woolworths has intensified enterprise development support to 40 businesses, which are receiving business development support and financial assistance. Woolworths has disbursed R4.3 million in loans, and also business opportunities worth R157 million from Woolworths were accessed by these small enterprises.

Over 5 000 people are either employed or supported by the employees of these small enterprises.



CASE STUDY: VENDA AVOS

Due to growing seasons in South Africa's traditional avocado-growing regions, producers have only been able to supply the market for nine months of the year. For the other three months, Woolworths has had to import avos from Spain in order to meet local demand.

Not content with the situation, Woolworths approached its long-time avo supplier, Westfalia, and asked them to identify possible projects that could assist them in reducing their carbon footprint while also providing a market for emerging farmers. Rising to that challenge, Westfalia identified a group of small farmers situated to the north and northwest of traditional avocado-growing areas around Tzaneen.

Due to favourable climatic conditions, these small-scale Venda farmers could potentially supply avos two weeks earlier than Westfalia itself, which meant that Woolworths could reduce their dependence on imported fruit and help these small farmers grow their market. Westfalia, South Africa's largest avo producer, would provide the necessary training and expertise.

Following an initial development phase, one farmer was identified as having immediate potential. Ndivhuwo Nyambeni has 10 hectares of avocados and currently supports 12 people. He has an additional 40 hectares of land that is currently being surveyed to plant new orchards. In addition, an additional 100 ha belonging to the Lwamondo community is also being surveyed to plant a new early maturing cultivar. The eventual aim is that these 140 ha will be able to completely replace the imported avos with locally grown fruit as well as providing much-needed employment for the local community.

The project is now in its second season: Woolworths is currently extending loans which have helped Mr Nyambeni purchase necessary equipment, including spraying systems to help prevent blackspot, a fungal infection that affects the avocados' skin. Westfalia, which packs the avos on his behalf, continues to fulfill a mentoring role in addition to administering the loans on his behalf. And Mr Nyambeni continues to learn and grow his farm, providing fruit to Woolworths, jobs for his neighbours, and building a future for his family.

CASE STUDY: VENDA POTS

WOOLWORTHS SUPPORTS SMALL ENTERPRISES

THE MOKODENI POTTERY PROJECT IN MOTSWARE VILLAGE, LIMPOPO, IS ONE OF THE SMALL ENTERPRISES BENEFITING FROM DOING BUSINESS WITH WOOLWORTHS. LIKE MANY RURAL AREAS IN SOUTH AFRICA, THERE ARE FEW EMPLOYMENT OPPORTUNITIES IN MOTSWARE VILLAGE AND IT IS FREQUENTLY LEFT TO THE WOMEN TO FEND FOR FAMILIES OF UP TO EIGHT. THE MOKODENI POTTERY PROJECT CURRENTLY SUPPORTS SOME 25 FAMILIES IN THE VILLAGE.

Making pottery is a traditional Venda craft dating back centuries. The Mokodeni Pottery project itself started in 1921, and today a fifth generation of talented Mokodeni craftswomen still make their pots the way their mothers, grandmothers and great-grandmothers did: the clay is collected from the local riverbed and each pot is shaped and painted by hand before being fired underground in the traditional manner. Every pot is a unique work of art and is signed by the potter. A NEW RANGE OF POTS PLANTED WITH GREEN INDOOR PLANTS AND LARGER EMPTY POTS ARE SOLD IN SELECTED STORES.

Woolworths involvement with the project dates back to 2004, when it was brought to their attention by a supplier. Woolworths soon began stocking the traditional Venda pots – complete with succulents and other plants – in their plant container range. In 2009 Woolworths became more actively involved in the project and in helping it grow. Looking for ways in which to expand the range, Woolworths began working with the group to develop a more contemporary range.

A new range of pots planted with green indoor plants and larger empty pots were launched for summer last year and sold in selected stores. Woolworths currently buys about 500 pots every week.



SOCIO-ECONOMIC DEVELOPMENT

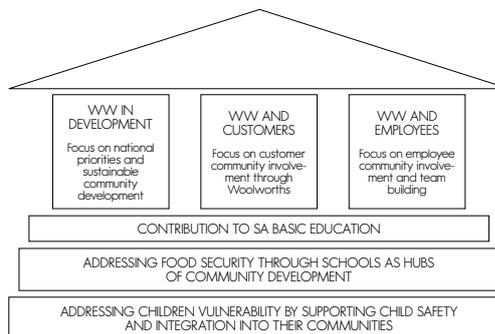
The Woolworths Corporate Social Investment (CSI) strategy is aligned both to our core business strategy and to the stated national development priorities of South Africa.

As depicted below, our involvement in the community is anchored by the following focus areas.

Overarching focus is our contribution to South Africa's education by:

- addressing food security mainly through schools as hubs of community development, and
- addressing children vulnerability by supporting child safety and integration of orphaned and vulnerable children (OVCh) into their communities.

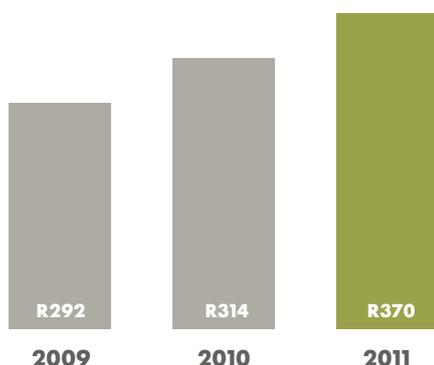
Key to our CSI approach is the involvement of our stakeholders including employees, customers, business partners, government departments, NGOs and the communities themselves.



FOOD SECURITY IN SCHOOLS

Woolworths is in its 7th year of supporting the EduPlant programme. The past year with Absa and Engen as corporate partners, the programme was adapted to have more impact in the communities. Food and Trees for Africa, the partner NGO in the programme, has managed to reach 2 536 schools covering 5 918 participants (including learners, educators and community members) through workshops held across the country.

SOCIAL CONTRIBUTION (Rm)



SURPLUS FOOD AND CLOTHING DONATIONS

Woolworths is committed to using its surplus products to contribute in addressing food insecurity in South Africa. Each year, Woolworths gives away millions of rands worth of its clothes and surplus food to South Africans in need and in disasters. The surplus food is edible Woolworths products that are past "Sell-By" date but before "Best Before" and "Use By" dates. Most surplus food and some surplus clothing are distributed by Woolworths to local charities through stores and other partners.

R338 million worth of goods were donated by Woolworths to needy causes in 2011 (2010: R279 million). Note: These figures represent the cost to company, not the retail price of the items.

GOODS WORTH R338 MILLION WERE DONATED BY WOOLWORTHS IN 2011

The deepest intent of the EduPlant programme is to impart skills to enable communities to grow their own healthy food in the most sustainable and cost efficient way i.e. using permaculture principles. We believe this is one of the most sustainable ways of addressing food insecurity in our country where many children go to bed without food and nutrition levels in our food intake are continuously challenged.



IMPROVING EDUCATION

Through MySchool (the project also includes MyVillage and MyPlanet, which support selected charities and environmental organisations) and Making the Difference through Design and Making the Difference through Nutrition, Woolworths contributes to the improvement of education in South African schools.

We have contributed more than R160 million to date to MySchool on behalf of our customers. In 2011 alone we contributed R27 million to the MySchool programme through over 580 000 active MySchool supporters. The contributions have supported more than 9 500 beneficiaries (includes Schools, Villages and Planet).

R1.1 million of the total was given to our 68 MyPlanet charities over the past year (charities that care for animals and the environment).

A total of 1 900 schools are benefiting from Woolworths Making the Difference through Nutrition or Design school initiatives. In 2009 – 2010 Woolworths extended the Making the Difference programme to include class lessons focusing on nutrition, exercise and Farming for the Future.

ORPHANED AND VULNERABLE CHILDREN

The Woolworths Trust is committed to playing a role in the national effort to support orphaned and vulnerable children in South Africa. We

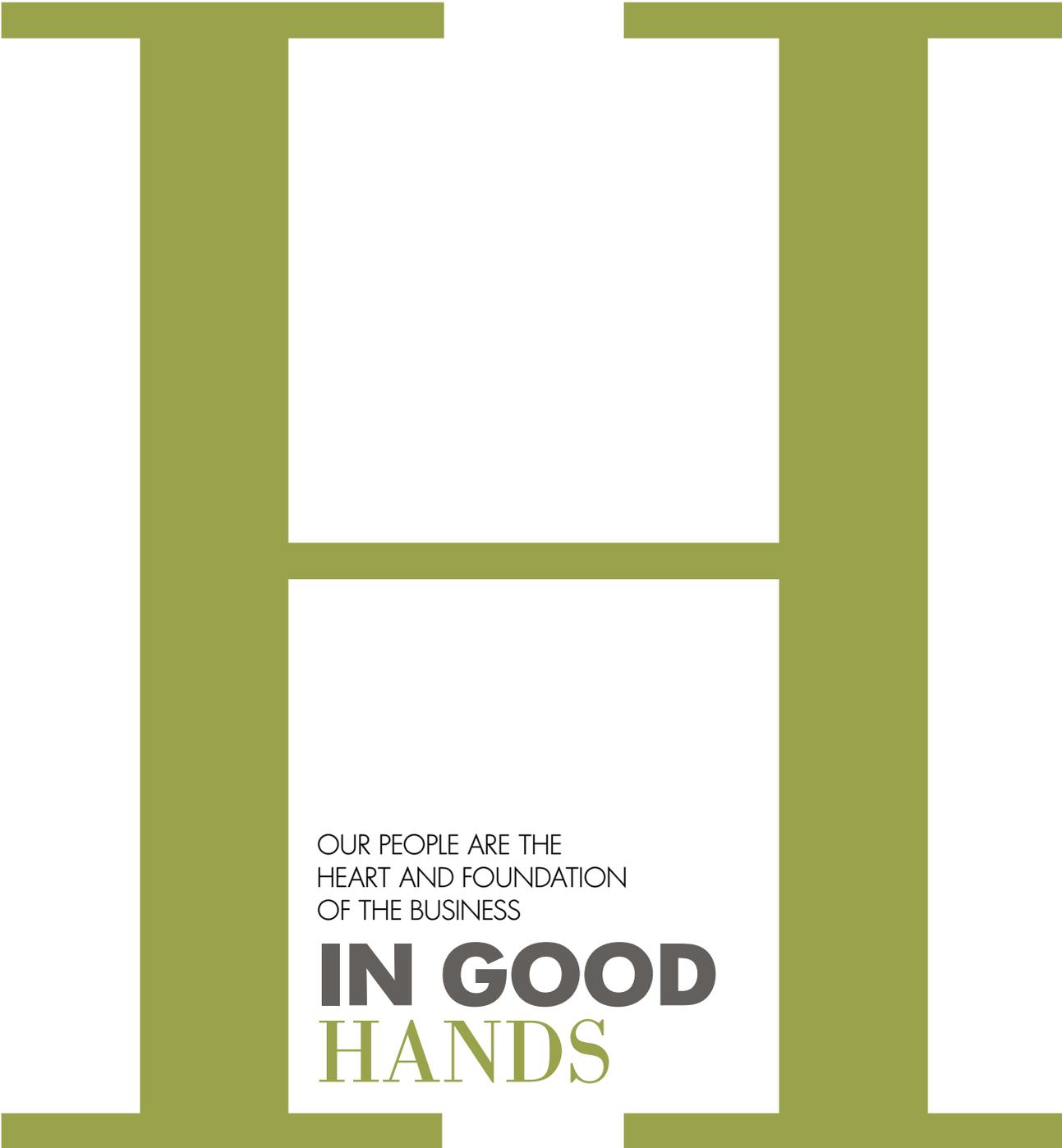
believe in strengthening families, communities and school communities so that they are better able to care for them.

The Woolworths Trust partners with Heartbeat to promote and enable community care for orphaned and vulnerable children. 3 000 orphaned and vulnerable children are able to stay in their own communities as a result of Heartbeat.

During 2011 we continued our support to the Emthonjeni area in Mpumalanga and entered the second year of a project in the Jozini area of KwaZulu-Natal. The project will provide 12 non-governmental organisations (NGOs) with the opportunity to participate in a training and mentoring programme with Heartbeat over a 24-month period. The objective is to enable these NGOs to provide the necessary support to the orphaned and vulnerable children in this particularly needy area. It will extend the reach of Heartbeat to a further 2 000 children in this area.

STAFF GIVING

Woolworths stores are encouraged to support social development projects, schools and charities in their local communities. The Woolworths Trust matches the funds raised by stores with contributions of up to R4 000 per store. In addition, stores have their own community giving programmes distributing surplus food and clothes to local charities. Through Working Wonders, an employee recognition programme for community work, Woolworths also encourages and supports employees who are involved in meeting social challenges in their communities.

A large, stylized letter 'H' in a dark olive green color, composed of thick horizontal and vertical bars. It is centered on the page and serves as a background for the text.

OUR PEOPLE ARE THE
HEART AND FOUNDATION
OF THE BUSINESS

IN GOOD
HANDS



COMMITMENTS AND PROGRESS

OUR SOCIAL PILLAR INCLUDES A FOCUS ON WOOLWORTHS PEOPLE INITIATIVES, SOCIAL CONDITIONS IN OUR SUPPLY BASE, PRODUCT LABELLING AND SAFETY, AND OCCUPATIONAL HEALTH AND SAFETY.

Commitment	2011	2010	By 2012
Number of employees	20 433	18 836	n/a
Conversion of part-timers to flexible 40 hours	42%	36%	n/a
Union membership	21%	26%	n/a
Labour turnover (Management)	7%	13%	10%
Number of injuries on duty	563	693	n/a
Full compliance with supplier code: Foods	95.5%	95.5%	95.5%
Full compliance with supplier code: Clothing	89%	89%	90%

PEOPLE

Woolworths is a modern retail brand with a strong values-based culture. Our people are the heart and foundation of the business that enable the execution of our business strategy to deliver sustainable profit growth.

We have established and implemented a new people strategy that is critical to recognising and rewarding performance, building organisational capability and attracting and retaining the required talent to deliver our strategic plan. The overarching intent of this strategy is to create an inspiring place to work.

The objectives of the People Strategy are:

Build employee engagement

Establish a leading Employment Value Proposition that will attract and retain our best talent by ensuring our workforce is inspired and committed to the company vision and strategic plan.

Establish non-negotiable commitment to EE

Develop integrated people plans and strategies that will transform our workforce and achieve EE targets.

Develop capability, succession and career pathways

Develop our workforce and structures to support the delivery of the strategic plans and grow our next generation of leaders from within.

Establish a performance-motivated culture

Increase accountability and proactively manage, recognise and reward performance aligned to the delivery of the strategic plan.

Enhance values-based leadership

Increase the focus and commitment to demonstrating behaviours consistent with the Woolworths values.

Attract outstanding talent

Deliver a compelling employment brand that will attract outstanding talent with a strong cultural fit who demonstrate the Woolworths value-driven behaviours.

In the past year considerable progress was made in establishing a leading employment value proposition that will assist in positioning Woolworths as the preferred employer within the retail market. As a result, a significant amount of new people initiatives were implemented.

EMPLOYEE OPINION SURVEY

The Let's Ask Employee Opinion survey is an opportunity for each employee to rate their experience of the Woolworths culture and leadership as well as a measure of engagement and the effectiveness of our people strategies. After completing a review of our survey tools across the business, this year was the first time

that we have run one employee opinion survey for all employees in Woolworths at the same time.

Overall there was a 10% improvement in performance since the last organisation survey was conducted in 2009, with the overall score ending on 74% of scores being positive, and the top performing dimensions being company performance, brand and benefits. Three areas have been highlighted as requiring increased focus going forward, namely leadership, culture and rewards and recognition. The development of values-based leadership and the values refresh are a key focus of the strategy going forward, and the alignment of fixed and variable pay to the organisation framework and the market will also continue to be a priority.

ORGANISATIONAL FRAMEWORK

A new organisational framework was established to support the business structure and enable key people practices including remuneration and reward, succession and career pathways and our learning and development architecture. This has also indirectly assisted in ensuring the correct management of employment related expenses.

TALENT MANAGEMENT

A revised succession planning process was successfully introduced to accelerate the development and retention of key talent within the organisation. As a result, an increased number of internal appointments were made (80% for middle management and above) demonstrating effective talent management practices, and management labour turnover reduced to an all-time low of 7%.

Staff turnover in corporate stores has decreased over the last three years as a result of the improvements made in strengthening the staff employment value proposition, specifically an increase in full-time employment, in line with our strategy of building stronger relationships with our staff.

SKILLS AND LEADERSHIP DEVELOPMENT

Development of the requisite skills to deliver our strategy both in the short and longer term remained a key focus area for the business and the numbers of learners participating in formalised Learnerships, Skills programmes and Trainee programmes has increased steadily.

In line with the Woolworths Vision of being a values-led organisation, the Values-Based leadership Program (VBL) was launched in January 2011. The overall intent of this program

was to equip Line managers within the business with the skills to lead their teams by example, displaying the behaviours associated with our values and that of a successful leader. All managers at all levels are required to attend this two day programme.

	2011	2010	2009
Number of employees trained	19 898	17 746	16 024
Black Employees Trained as a % of employees trained	92%	91%	90%
Number of employees trained on scarce skills	11 524	11 155	4 995
Black employees trained as a % of scarce skills	95%	94%	96%
Number of learning interventions	84 747	61 802	52 212
Number of learnerships registered	904	775	48
Number of employees on internships	Not recorded	Not recorded	Not recorded
Number of employees on skills programmes	426	168	1

EMPLOYMENT EQUITY (EE)

In 2011 there was a specific focus on establishing an EE talent pipeline in line with our strategy of developing and progressing EE talent through the business. There was an increase in the number of EE participants and programmes targeted at developing and progressing our EE talent.

To further enable the delivery of our transformation strategy, the EE and skills planning and budgeting processes have been integrated to ensure fast-tracking of EE talent.

Woolworths strives to provide equal employment opportunity, development and support for our employees with disabilities to ensure that their work environment is comfortable and one they can thrive in.

The percentage of disabled people employed in the Wholesale and Retail Sector is very low despite it being a low risk environment. Nationally there is a strong drive to increase the recruitment and development of people with disabilities within organisations.

Our strategic approach to people with disabilities is aligned with the Woolworths People and Transformation strategies and the National Skills Development strategy and will be enabled by

SOCIAL (CONTINUED)

EMPLOYMENT EQUITY PROFILE 2011

	A	C	I	W	FN	Total
Top management	1	1	1	4	4	11
Senior management	7	12	15	63	14	111
Middle management	199	402	139	588	51	1 379
Junior management	945	974	219	431	14	2 583
Semi-skilled	1 749	886	125	103	6	2 869
Unskilled	9 353	3 337	502	214	74	13 480
TOTAL - PERMANENT	12 254	5 612	1 001	1 403	163	20 433
<i>Temporary employees</i>	19	19	3	7	2	50
TOTAL	12 273	5 631	1 004	1 410	165	20 483
Male	4 113	1 879	369	613	78	7 052
Female	8 160	3 752	635	797	87	13 431

an integrated, holistic implementation approach to sourcing and developing people with disabilities and sensitising the environment. The implementation of this strategy will be done in partnership with the Wholesale and Retail SETA and external providers.

The Department of Trade and Industry (DTI) has set a BBBEE target for people with disabilities of 2% of the company workforce. Although significant progress has been made from 2009 to 2011 and a further stretch target has been set for 2012 we still have a challenge relative to achieving the DTI targets.

EMPLOYMENT BRAND

As part of our desire to strengthen our employment brand, Woolworths values and behaviours were relaunched and further entrenched in our ways of working.

In addition, a new online career's website was established to increase market awareness. This website allows candidates to gain a broader understanding of the company, business units, and have access to a "day in the life" of some of our employees and their career paths at Woolworths. The website further promotes our employment value proposition that competitively positions us within the market.

The above improvements in our employment value proposition are underpinned by a market competitive remuneration and reward strategy that recognises and rewards performance aligned to the successful delivery of our strategic plan.

REMUNERATION

The review of the organisational and reward framework has resulted in an increased focus on rewarding performance through fixed and variable pay, ensuring pay and reward practices are market competitive and consistently applied throughout the organisation, and a greater focus

on career paths, employee development and progression as opposed to status and hierarchy.

Guaranteed pay (TCoE) is reviewed annually against retail peer companies in South Africa. Market conditions, company performance, internal comparability, individual performance and responsibility are all taken in consideration. Executives can structure components of their packages according to their individual requirement and based on company structuring option guidelines.

The implementation of the framework will introduce Woolworths specific bands to replace Paterson Bands to ensure alignment to our organisational structure. The new bands will be used for administration purposes to enable market competitive reward practices and a career path framework will be introduced to manage employee progression.

SHORT-TERM INCENTIVE SCHEME

A significant amount of work was completed on repositioning existing incentive schemes and introducing new variable pay mechanisms to ensure all permanent employees at Woolworths now participate in a market competitive incentive programme.

WOOLWORTHS MEMORIAL EDUCATION FUND

The restructuring of all Group risk benefits has led to the introduction of the Woolworths Memorial Education Fund at no additional cost to the employee or employer. The Memorial Education Fund has been established to pay for the continued education (pre-school, scholastic and university/technikon) of an employee's children if the employee dies while in Woolworths service.

The Remuneration Specialist Team received the Best Remuneration Team Award in South Africa at the SA Reward Associations (SARA) Annual Awards evening.

OCCUPATIONAL HEALTH AND SAFETY AND SECURITY

All Woolworths buildings are designed within stringent health and safety guidelines and with employee and customer wellbeing as a primary consideration. Joint worker/management health and safety committees are in place. Prevention is an important aspect of Woolworths health and safety procedures and the company supports ongoing communication in the workplace, particularly around safe working practices in high-risk areas such as stores and the distribution centres.

Woolworths currently employs 14 occupational health practitioners to deliver a comprehensive occupational health and wellness programme which includes an employee assistance programme (EAP). This programme provides confidential counselling for personal or business crises as well as lifestyle counseling to employees to help them manage health-related issues.

Ongoing vigilance and a determination to put the safety of our staff and customers at the forefront of our stores security management process have been critical to containing crime during the year – armed robberies have reduced from 18 in 2010 to 8. Fortunately no deaths or serious injuries were recorded.

Injuries on duty	Number of injuries
July 2010 to June 2011	563
July 2009 to June 2010	693
July 2008 to June 2009	551
July 2007 to June 2008	511
July 2006 to June 2007	751
July 2005 to June 2006	637

HIV/AIDS

The latest UNAIDS statistics indicate that approximately 22m people are living with HIV in sub-Saharan Africa. According to a study recently published on AIDS, Anti retroviral treatment (ART) is changing the character of the HIV/AIDS epidemic in South Africa. At the individual level, ART has increased survival of HIV-infected people, while at the population level widespread availability of ART could result in the overall ageing of the infected population. HIV/AIDS is regarded as a potential threat which can be managed and monitored with the appropriate leadership, strategic planning,

implementation of cost-effective and sustainable measures, to manage the impacts on the organisation and its employees.

Activities and accomplishments:

- Review of the Woolworths HIV/AIDS strategy in line with the organisation's strategy.
- Woolworths has a comprehensive Employee Assistance Programme (EAP) which encourages employees/people who are affected or infected by HIV to come forward for confidential counselling and support.
- All Woolworths employees have access to free treatment and care. The Clinical Management Program, (100% Company-funded) offers treatment and other benefits to the HIV-positive employees who do not qualify for membership of the Wooltru Healthcare Fund. Those belonging to the Healthcare Fund can access treatment via the fund.
- Woolworths has launched a testing campaign in line with the Government's National HCT (HIV counselling and Testing) campaign. This includes a Wellness component. These tests include HIV, Diabetic, Cholesterol, Body Mass Index and Blood Pressure Screening.
- HIV/AIDS awareness within stores and Head Office continues, and some individual stores have their own HIV awareness committees that arrange HIV/AIDS-related awareness activities. This will be reinforced by the one-on-one education that takes place with the HIV screening test.
- Woolworths also contributes to better management of issues such as HIV/AIDS in the workplace in partnership with organisations such as the South African Business Coalition on HIV/AIDS.
- Woolworths supports national campaigns such as World AIDS Day and the 16 Days of Activism Campaign for no Violence Against Women and Children, breast cancer and substance abuse awareness.

THE CHALLENGES AHEAD

- Encouraging all employees to know their HIV status by taking part in the HCT Campaign.
- Encouraging employees to confidentially report cases to the Clinical Management Programme, Wooltru Healthcare Fund HIV Programme or Woolworths Health Services to ensure access to support and information;
- Put effective measures in place to reduce the financial impact of the HIV/AIDS epidemic on the organisation;
- Develop an integrated wellness strategy that can be leveraged to enhance our employment brand.

PRODUCT SAFETY AND LABELLING

Woolworths is committed to maintaining the highest possible levels of product safety throughout the business. Product design and manufacture are always assessed against stringent safety standards.

Food safety is critical to the business and mechanisms are in place to ensure that consumers are offered product which has undergone thorough testing and rigid process control to ensure it is as safe as possible. Processes include routine checks:

- the Woolworths-appointed independent SANAS (South African National Accreditation System) accredited food laboratory runs routine checks for any potentially harmful micro-organisms and pathogens. It also routinely monitors pesticide residue levels on fresh produce and heavy metal levels in fresh fish; and
- an independent auditing organisation, International Britannia Limited (IBL), conducts

four hygiene audits a year in each of our stores where food is cooked to ensure that good food handling routines are in place.

Woolworths has a robust product recall process in place, whereby products posing a safety risk are removed from the shelf within two hours of the respective executive being made aware of the risk.

Woolworths labelling policy ensures that customers are given sufficient accurate information to allow them to make informed buying decisions. Woolworths clothing is fully compliant with government requirements in terms of labelling which, in addition to listing the country of origin, require details of fibre content and care instructions plus the importer's code for imported lines or the manufacturer's taxpayer number for local goods.

All Woolworths food labels contain detailed information on ingredients, nutritional values and allergens. Woolworths has a no pin policy in Kidswear, to ensure we keep children safe and free from metal contaminants.

CASE STUDY: BABY AND CHILD SAFETY

Woolworths baby clothing is made from the softest fabrics – specially selected cotton or cotton blends that are designed to wrap your baby in comfort while allowing the skin to breathe.

Seams are soft and specially designed to lie flat against your baby's delicate skin and our blankets are made from extra soft acrylic yarn which is brushed on both sides for extra warmth and comfort.

The same care and attention goes into the making of hats, poppers, buttons, blankets, seams, vests, toys and shoes. Our fabric hats are tested for ultraviolet radiation protection offering excellent protection against the sun and are recognised by the Cancer Association of South Africa. We use flat buttons that don't stick out and make sure they're firmly attached so that baby can't pull them off and swallow them. We do the same for our soft animal toys by making sure they have firmly attached flat eyes that can't be pulled off.

Other key focus areas include:

- **Nickel free**
Allergies to nickel are on the rise which is why we have a "no nickel" policy in clothing trims and jewellery.
- **Reflective strips**
Reflective strips on our school bags, rain jackets and shoes make kids more visible to help keep them safe on the road.

• Lock-stitched buttons

Our buttons are securely lock stitched so there's less chance of them coming loose and possibly being swallowed.

• Safety-tested toys

All our toys are tested to international safety standards. We even use a special gauge to check every part to make sure there's nothing that could cause choking. Age suitability warnings on our kids' products help you choose items that are safe for your baby or toddler.

• Preventing choking

The cords in our kids' clothes are a maximum of 14 cm long and are bar-tacked securely in place to reduce the chance of accidental choking.

• Non-slip shoes

All our baby, toddler and school shoes have slip-resistant soles.



SUPPLIER RELATIONS

All our suppliers, service providers and franchisees, whatever their location, are bound by the Woolworths Code of Business Principles. All our suppliers are regularly assessed against it.

This means that the quality of their workmanship has to be the highest, their workforce has to be treated fairly, and that any negative impact their operations might have on the environment is minimised.

Clothing's 2011 compliance target was 90%, but 89% was achieved, a good improvement, but

still slightly below our objective, largely due to challenges in the engagement of international suppliers and supplier turnover.

Food targeted a 95% compliance with the Code of Business Principles for 2010 and achieved 95.5% compliance over a two-year audit cycle.

Woolworths works closely with our suppliers to minimise the use of natural resources. We also continue to focus on the transformation of our supplier base.



CASE STUDY – WOOLIES RECOGNISES SUPPLIERS FOR THEIR COMMITMENT TO PROTECTING THE ENVIRONMENT

Apart from making exceptional wines, the Lategan family of Bergsig is committed to preserving the estate's natural resources for future generations.

The Lategan family is lucky in many respects. When forefather Willem Lategan chose to plant vines in this narrow ribbon of the Breede River Valley almost 170 years ago, he was on to a good thing. The farm's position at the meeting point of the Drakenstein and Hex River mountains means the wind blows throughout summer, cooling the vines and acting as a natural disease-control agent. In winter, light frost kills any unwanted bugs, while rain showers keep the vineyards watered, meaning supplementary irrigation only. "We have all the natural elements necessary for a healthy farm," says De Wet, "but we are still enthusiastic and vigilant about running an environmentally sound operation."

The Lategan family's commitment to sustainable, ecofriendly farming is sincere. De Wet and brothers Louis and Plum each oversee various sections of the land, and all three want the

future generations to enjoy the same quality environment they have. As a valued Woolworths wine supplier, and in keeping with Woolies progressive Farming for the Future initiative, the brothers focus on preserving water, improving the quality of their soil and protecting the abundant plant and animal life they are privileged enough to "host".

"We use only micro and drip irrigation, which minimises water evaporation and runoff, and calculate the exact amount of water needed per vineyard so we don't over-irrigate," De Wet explains, calculating that Bergsig uses 80 litres of water to make a bottle of wine. Bergsig's owners are as passionate about the endangered indigenous plants that grow on their land as they are about the soil. As members of the Biodiversity and Wine Initiative (BWI), they work tirelessly to remove waterguzzling alien plants from the slopes of the estate.

Protecting the fragile Breede fynbos, home to klipspringers, grysbok, duiker, dassies, giant otters and the rare geometric tortoise is of utmost importance.



A large, stylized letter 'A' in an olive-green color, centered on the page. The letter is composed of thick, solid lines. Inside the 'A', the text 'THE WORLD AROUND US' is written. 'THE WORLD' is in a bold, dark grey sans-serif font, and 'AROUND US' is in a lighter olive-green serif font.

THE WORLD
AROUND US



COMMITMENTS AND PROGRESS

OUR KEY INITIATIVES UNDER THE ENVIRONMENTAL PILLAR OF OUR PROGRAMME INCLUDE ORGANIC AND FREE-RANGE PRODUCTS, HEALTHY EATING CHOICES, PROTECTION OF BIODIVERSITY, ANIMAL WELFARE, WATER MANAGEMENT, WASTE MANAGEMENT AND THE REDUCTION OF PACKAGING. WE CONTINUE TO PROMOTE ENVIRONMENTALLY SOUND FARMING METHODS, ENSURING THAT OUR CONVENTIONAL PRODUCE FARMERS MIGRATE TO ENVIRONMENTALLY SENSITIVE FARMING METHODS AND ORGANIC PRODUCTION.

Commitment	2011	2010	By 2012
Relative water reduction in stores	(5%)	26%	30% relative reduction
Water usage head office complex	29 385 kl^A	29 625 kl	30% reduction
Water usage: distribution centres	150 238 kl^A	151 481 kl	30% relative reduction
Organic food sales (excluding Farming for the Future)	R678m	R631m	R1 billion
Organic and sustainable fibre clothing sales	R590m	R608m	R1 billion
Produce farmers qualifying for the Farming for the Future programme (FFF)	70%	68.4%	85%
Woolworths wine suppliers membership of Biodiversity and Wine Initiative (BWI)	78%	70%	100%
Foods packaging reduction	824 tons	660 tons	2 000 (20% reduction)
Recyclability of foods packaging	86%	66%	90%
Recycled content rigid packaging in % of foods lines	39%	24%	25%
Recycling symbols on foods packaging	95%	83%	90%
Reusable bags sales (no. of bags)	1 019 744	920 000	1 000 000
Reduction in plastic bag sales per transaction (benchmark 1.33)	.76	.995	1
Woolworths recycling facilities	20	8	50
% waste-to-landfill from distribution operations	14%	16%	0

^A Part of Ernst & Young's audited key performance indicators. The basis for measurement of these indicators can be found on www.woolworthsholdings.co.za

SUSTAINABLE AGRICULTURE AND MANAGEMENT OF BIODIVERSITY

Coupled with the need to produce sufficient food for South Africans, is a responsibility on agriculture to manage its impacts on natural resources and biodiversity, particularly since South Africa has the third-highest level of biodiversity in the world.

Over the past decade it has become clear that while a conventional approach to farming has produced relatively cheap food in abundance, this pricing also carries hidden costs for the health of the planet and its people. Years of ecosystem degradation in South Africa's agricultural landscapes has resulted in depleted soils, barren lands and falling water quality, rising input costs and greenhouse gas emissions, and increasing rural poverty.

This situation is driving a move towards the concept of sustainability in farming practices, agriculture which can protect soils and water supply, nourish people, support rural livelihoods and help communities cope with a changing climate. The ideal outcome being an agricultural sector that can meet world food demands, enhance rural livelihoods and underpin stable economic systems.

Woolworths and its suppliers are dedicated to selling products that do not cause harm to the natural world in the way they are made, and we are focused on working with our suppliers to improve farming practices.

We have established a collaborative project with **WWF** which assists in enhancing the environmental benefits, and accelerating the adoption levels, of the FFF Better Management Practices across the Woolworths supply base. The high-impact dairy sector has also been an area of collaboration between WWF and Woolworths around the life cycle analysis of fresh milk.

WWF also play an important role in verifying the progress and results achieved under the FFF programme, as well as providing specialist knowledge and experience across a range of biodiversity and water areas. Woolworths will partially fund WWF's sustainable agriculture work, as part of the collaboration between the entities.

Woolworths broader response includes:

- taking genetically modified (GM) ingredients out of our food wherever possible. Any GM ingredients remaining are clearly labelled – which means customers can make informed choices while shopping;
- selling only badger-friendly honey;
- only sourcing wood which is recycled or independently certified as coming from approved sustainable sources, e.g. Forest Stewardship Council (FSC);

- selling no product or by-product of threatened species in terms of our animal welfare policy;
- working on a sustainable solution for potato farmers in the Sandveld;
- requiring Woolworths wine farmers in the Cape Floral Kingdom to be members of the Integrated Production of Wine (IPW) programme and the Biodiversity and Wine Initiative (BWI), over time;
- shifting conventional farmers to adopt environmentally sensitive farming practices – reducing their impact on the environment, through the Farming for the Future programme (see below); and
- supporting predator-friendly farming and working against indiscriminate forms of predator management that cause pain, distress or death to predators. We are working closely with our supply base, universities, the Department of Agriculture's research farms and a number of other experts in this field, including the Landmark Foundation, to implement guidelines which set out ethical predator control measures. The foods team is also actively involved in an Anatolian sheepdog adoption programme sponsored by the Woolworths Trust.



ENVIRONMENT (CONTINUED)

FISHING FOR THE FUTURE

Woolworths Fishing for the Future initiative is a guarantee to customers that our seafood is: responsibly sourced, legally caught and has full traceability.

Woolworths established our Fishing for the Future Seafood sustainability policy in 2008 and soon after became the first Retailer in South Africa to sign the WWF Retail Charter. Since then we have worked closely with the South African Sustainable Seafood Initiative (**SASSI**) regarding seafood sustainability and have had many sustainability assessments done by SASSI in the last two years.

We were also the first retailer to start labelling our seafood with colour coded logos to indicate the sustainability status of the specific species to the consumer. We have contributed to the future of our oceans by only selling Trawled Hake from Marine Stewardship Council (**MSC**) certified fisheries, stopping the procurement of long line Tuna and launching an extensive range of MSC certified canned seafood to complement the local SASSI programme, and extends our coverage for imported and farmed fish species.

The Three Streams Smokehouse in Franschhoek has been supplying Woolworths with trout since 2002 and each step of the life cycle of the fish can be traced and controlled.

Trout farmed in sustainable systems has the lowest carbon footprint of all farm-raised animals. Global fish consumption has increased five-fold in the last five decades, resulting in aquaculture now being the fastest growing sustainable food production sector in the world. Global sales are estimated at \$80 billion. This demand for fish cannot be met by historical fisheries and therefore the expansion of aquaculture is inevitable. Africa has superb natural and human resources, but the participation of Africa in the global aquaculture sector is lacking. The Katse project in the Lesotho Highlands can become a regional leader in aquaculture.

PALM OIL

Woolworths was the first South African company to become a member of the global Roundtable on Sustainable Palm Oil (RSPO). The RSPO has developed a set of standards called the Principles & Criteria that define the practices for sustainable palm oil production. These standards address the legal, economic, environmental and social requirements of producing sustainable palm oil.

Woolworths, which uses some 600 tons of palm oil each year in its products, has joined the RSPO in order to promote and raise awareness of the need for sustainable palm oil production. This commitment includes purchasing certified sustainable palm oil certificates for the tons of palm oil used in Woolworths foods and beauty products. By buying these Green Palm certificates

Woolworths is contributing to RSPO efforts to incentivise Indonesian and Malaysian palm oil producers to become certified sustainable producers. Woolworths has also undertaken to replace palm oil with alternatives where possible and has further committed to using only certified sustainable palm oil by 2015.

FARMING FOR THE FUTURE

Farming for the Future is Woolworths pioneering holistic approach to farming and is achieving what it sets out to do: help farmers grow quality produce while protecting the environment, preserving natural resources and reducing dependence on chemical fertilisers, herbicides and pesticides – all without adding anything to the price the consumer pays at retail.

Virtually every aspect of the farming process is systematically and scientifically managed. Rather than relying on past experience and blanket formulae, interventions, such as irrigation or the application of fertiliser, are based on actual measurements and analysis. This means that things like water or nutrients are only used if and when required.

While healthy soil is the principal key to producing healthy crops, soil microbial activity and soil minerals are only two of some seven areas that farmers have to monitor regularly. The others include plant health, pest control, water (both in terms of water requirements and management of waste water), and biodiversity.

The latest audits of Woolworths 15 largest fruit and vegetable growers, who supply some 37% of Woolworths fresh produce on a total area of about 45 000 hectares, show:

- an average 20% reduction in the use of synthetic fertilisers;
- an average increase of 34% in compost use per kg produce produced;
- a 3% increase in soil carbon;
- water use was reduced by 720.9 million m³ over the past three years. Although we have had optimal rains, some of this reduction – which represents a 16% drop in water usage – is a result of optimising irrigation and upgrading old systems;
- an 18% reduction in fossil fuel use;
- sustainable pest management techniques, such as integrated pest management, has resulted in a substantial initial decrease – in the region of 50% – in the usage of pesticides and herbicides, as well as an increase in biodiversity; and
- a 32% increase in recycling and a 13% decrease in solid waste material going to landfills.

All Woolworths produce farmers – other than those who exclusively grow organic produce – have adopted Farming for the Future practices and are audited on a regular basis.

**IRRIGATION IS USED ONLY
IF AND WHEN REQUIRED.
THE LATEST FARMING FOR
THE FUTURE AUDITS SHOW
SIGNIFICANT WATER SAVINGS
OF 16% ACROSS TOP SUPPLIER
FARMS**



WATER

South Africa is a water scarce country. In addition, the quality of our water is increasingly threatened, in part by industrial and agricultural activity.

Growing public awareness around water has been driven by droughts, flooding, and concern about acid mine drainage issues. The majority of South Africa's water resource is used in farming irrigation, and Woolworths, as a major supplier of fresh produce, has to play a role in water conservation. According to WWF-SA the stress placed on South Africa's scarce water resources has resulted in more than 84% of mainstream freshwater ecosystems being classified as "threatened" in a recent national survey.

Woolworths has committed to reducing water usage and managing waste water and water effluent. All suppliers who make fabric for our clothes adhere to very strict standards. No materials, dyes or chemicals used in the production of Woolworths clothing or textiles pose what we believe to be an unacceptable risk to health – or to the environment – during their manufacture or disposal. We continue to entrench our strict code of conduct regarding dyes (including the removal of Azodyes), chemicals and water management in our supply chain.

Woolworths joined the CEO Water Mandate during the last financial year. The CEO Water Mandate is a unique public-private initiative designed to assist companies in the development, implementation and disclosure of water sustainability policies and practices. Endorsers of the CEO Water Mandate recognise that through individual and collective action they can contribute to the realisation of the Millennium Development Goals.

We have structured feedback on progress on Woolworths water programme according to the six focal points of the CEO water mandate:



The CEO Water Mandate

CASE STUDY: WOOLWORTHS HEAD OFFICE TO REDUCE MUNICIPAL WATER CONSUMPTION BY 27 000 KILOLITRES A YEAR

Woolworths has tapped into an underground water supply to meet some of its daily water needs. The underground water runs about 20 metres under Woolworths Head Office building in the centre of Cape Town. This water flows into the City of Cape Town's storm water system, and eventually discharges into the sea without previously having been used.

After consulting with the City of Cape Town, and a range of experts, Woolworths realised it could harvest the underground water, treat it and use it instead of municipal water.

Woolworths then installed a water treatment system that purifies the water using a number of steps including reverse osmosis. Some of this water is then used to flush toilets, run the building's car wash, the fountain outside the building and the cooling towers for the air conditioning units.

The treated water is completely safe for use even though it will not be used as drinking water.

This will save the Cape Town municipality an estimated 27 375 000 litres of water a year or 75 000 litres of municipal water a day conserved by Woolworths.

Head office consumption for 2011 was 29 385 kilolitres.

1. DIRECT OPERATIONS

When evaluating new real estate opportunities, Woolworths considers if the design of the property enables the efficient use of water and water waste. This includes:

- water pulse meters in our facilities to accurately monitor water usage;
- storage and use of recycled and grey water systems, retaining as much water on site as possible for reuse;
- use of indigenous shrubs and ground covers, minimising irrigation needs; and
- storm water management – allowing rain water to be stored and used.

The installation of pulse metres has resulted in much better quality information being available, showing a 5% increase in water usage in stores from our benchmark. It appears as if there has not been a major increase in our water usage, but rather that our benchmark data, which had been extrapolated from Rand amounts paid on municipal water bills, was inaccurate. New reduction targets have been set through to 2015.

Good progress has been made against the set targets regarding water usage in head office and distribution centres. Head office facilities have shown an 18% decrease in water usage from our 2008 benchmark, with greater savings to come.

2. SUPPLY CHAIN

- Woolworths measures the amount of water used by suppliers and works with them to reduce water use and improve water waste management during growing, production and manufacture, having recently provided energy and water saving guidelines and tips to our suppliers;
- Within the Foods unit this work includes the reduction of pesticides, fertilisers and water usage;
- Woolworths fresh produce farmers have adhered to Globalgap farming practices, an internationally recognised standard for safe and sustainable agriculture, for a decade;
- Woolworths is the country's leading retailer in certified organic fresh produce, which is grown without the use of artificial chemicals, such as herbicides and pesticides, and does not release potentially harmful chemicals into water supplies;
- Woolworths is also working with our conventional farmers to help them incorporate more responsible farming practices into the way they farm in order to establish a thriving and sustainable microbial population in the soil through the Farming for the Future programme. Farming for the Future measures the water required for the plant and irrigation is used only if and when required. The latest audits show significant water savings of 16% across top supplier farms. The conservative use of chemicals also prevents fertilisers and pesticides from possible fresh water contamination. We're pleased to say by 2012 all our locally grown fresh produce (other than organically certified produce) will be grown this way;
- We completed a water trial with 66 food suppliers which has highlighted issues with run-off water (into rivers and aquifers) from irrigation practices, and waste water from farm processing and are working with the Global Compact and the German Development Agency (GTZ) to further analyse water usage in agriculture and develop methods for reduction. The project is also including the impacts of wine and horticulture.

3. COLLECTIVE ACTION

- Woolworths is working with the Council for Scientific and Industrial Research (CSIR) to identify South African arable areas that are likely to struggle with water scarcity due to the impacts of climate change and to incorporate this thinking in its supply chain strategy; and
- Woolworths is the only retailer to form part of the World Wide Fund for Nature's (WWF) Water Neutral Scheme. The scheme, launched in association with the government's Working for Water programme, encourages corporates to become water neutral. The programme has

multiple objectives of reducing the impact of invasive alien plants on our water supplies, improving the productive potential of land, restoring biodiversity and ecosystems function as well as creating jobs and economic empowerment for the workers removing the alien plants. Woolworths is investing in the water neutral programme by eliminating invasive water-thirsty alien plants on supplier farms and in protected areas, such as the Tankwa Karoo National Park. The project will release enough water into South Africa's water system to offset the water used by Woolworths operations each year, ultimately making the company water neutral. According to WWF approximately 7% of South Africa's average annual run-off is used by alien and invasive plants.

4. PUBLIC POLICY

- We support clear and decisive policy on water strategy and implementation planning and maintenance to ensure preservation of South Africa's scarce water resources; and
- We are working on researching and understanding the water footprint of selected priority products, having recently completed a study in the dairy industry.

5. COMMUNITY ENGAGEMENT

- We are committed to water conservation education, especially assisting to educate our supply chain and provide valuable water savings tips to both customers and employees; and
- We worked with the FLOW (for love of water) movement to highlight water issues over the duration of National Water Week through in-store communication, social media and internal awareness for employees.

6. TRANSPARENCY

We support the activities of the CDP Water disclosure project, and have voluntarily participated in its assessment process the last two years.



CASE STUDY: FREE-RANGE EGGS

Woolworths is proud to have been the first major local retailer to stop selling whole eggs from hens kept in cages in 2004 – only whole free-range eggs are sold in Woolworths stores. We remain the only major local retailer to have achieved this.

We are changing to free-range eggs as ingredients in our foods for animal welfare reasons. In the battery cage system (the dominant form of egg farming in the world), the hens are confined in cages with a sloping floor so that their eggs roll away in order to prevent faecal contamination of the eggs. The cages are normally stacked on top of each other in houses with no access to natural light. The houses use various automated conveyor belt systems to bring the hens food, capture their waste and take away their eggs. Because of the cramped conditions (sometimes less than an A4 sheet of paper per hen – for life), alternative farming methods for eggs have increased in popularity. These include barn, free-range and organic (also free range, but with the additional requirement of organically produced feed).

“Freedom to behave naturally” (one of the 5 freedoms that all animals should receive according to the Farm Animal Welfare Council in the UK) is one of the greatest welfare concerns for the world’s egg laying chickens. Research has shown that hens have a strong preference for laying their eggs in a nest and are highly motivated to perform nesting behaviour. Hens also show a strong preference for a littered floor both for pecking and scratching and for dust-bathing, and a preference to perch, especially at night. Battery caging prevents all of this as the hens are kept in barren cages without

perches or litter, and are so confined for most of their lives that they cannot even flap their wings.

Barn chickens are kept loose in huge warehouses. These chickens have the freedom to move about inside the barn on littered floors, and are provided with perches and nests. However space is usually quite limited. Free range systems allow hens to express natural behaviours to a much greater extent. Free range chickens have daily access to large outdoor areas. This enables them to dust bath, forage for food, flap their wings and move freely. Organic systems are similar to free range systems but in addition the hens are fed on organic feed (grown without the use of synthetic fertilisers and pesticides).

Free-range egg production in South Africa is regulated by the Agricultural Product Standards Act. Woolworths free-range egg supplier farmers are fully compliant with the regulatory requirements and the requirements for free-range production as stipulated by the South African Poultry Association. Our free-range farmers are audited regularly to ensure adherence to our strict standards.

Our free-range hens enjoy access to ample food and water, sunshine and shade, the outdoors and protective shelters. They are fed a grain-based diet that contains no animal by-products.

The first 120 food lines made with free-range eggs have been launched in the last financial year with eighty more set to appear before the end of 2011. We will be changing factory-by-factory as this is controllable and we can guarantee integrity.

ANIMAL WELFARE, ORGANIC AND FREE-RANGE

Woolworths has always had clear guidelines on animal welfare. These include:

- an NSPCA-approved Animal Welfare Code of Practice;
- an Animal Husbandary code; and
- insistence that all animals destined for stores must be reared humanely and treated fairly in accordance with our code – abattoirs are regularly audited by a Woolworths technologist.

Woolworths was also heavily involved in the development and launch of badger-friendly honey, predator-friendly farming and sustainable fishing practices.

We do not permit:

- animal testing – we have never asked or commissioned our private label health and beauty suppliers to conduct testing on animals. Our animal welfare policy requires that suppliers did not use any raw materials tested on animals after 1 January 2001;
 - products made from real fur;
 - selling of whole eggs from caged birds;
 - our health and beauty suppliers of our private label to use ingredients that are by-products of the food industry; and
 - the use of duck feather and down that is not a by-product of the food industry in homeware.
- Woolworths is committed to addressing the issue of mulesing of wool-producing merino sheep.

Mulesing is the surgical removal of strips of wool-bearing wrinkle skin from around the breech of a sheep. Mulesing is a common practice in Australia as a way to reduce the incidence of flystrike on Merino sheep. Although mulesing is not practised in South Africa, Woolworths will continue to monitor local South African suppliers to ensure that they conform to the position statement mandated by Cape Wools SA.

- Woolworths entire private label range of toiletries and cosmetics has been approved by Beauty Without Cruelty (BWC); and
- Woolworths extensive Earth Friendly range of household cleaning and personal care products are made with naturally derived, plant-based, biodegradable ingredients and contain no petrochemicals and no artificial colours. Every product also carries the endorsement of Beauty Without Cruelty and Woolworths has used recyclable bottles which themselves are made from at least 30% recycled materials.



ORGANIC AND FREE RANGE PRODUCTS

Organic sales internationally have fluctuated considerably over the last few years, closely linked to the general state of the economy, but are starting to show signs of recovery in the United States and elsewhere. They have however been fairly stable at Woolworths, based on the fact that Woolworths offers South African consumers a wide range of certified organic products, from pasta and peanut butter to T-shirts and towels. This has made it easier than ever for shoppers to lead a more comprehensive organic lifestyle, often with little premium.

Woolworths began its organic cotton journey in 2004 and has steadily increased its use of organically grown cotton over the past six years. Woolworths offers a comprehensive collection of organic cotton products in children's, men's and women's outerwear and sleepwear, baby clothing, towels and bedding:

- in 2011 our organic and free-range food sales were over R670 million;
- organic clothing sales were considerably higher than 2010 sales, and over R580 million of organic cotton sales were achieved, still below the target we have set for ourselves for the year;
- we sell extensive lines of free-range chicken, beef, lamb, and a small selection of free-range pork; and
- we have set internal sales targets for items made from other sustainable fibres, including soya, bamboo and organic wool, and are making good progress against achieving these.

CASE STUDY: WOOLWORTHS COFFEE

5 895 METRES ABOVE SEA LEVEL

ALL W CAFÉS SERVE ONLY ORGANIC COFFEE MADE FROM AFRICAN ARABICA BEANS, BECAUSE WE BELIEVE IN SUPPORTING AFRICA'S FARMERS – AND ALSO BECAUSE THEY'RE THE BEST ARABICA BEANS IN THE WORLD. THESE BEANS HAVE TRAVELLED FROM A SMALL ORGANIC COFFEE FARM IN TANZANIA, WHERE OVER 60 000 LOCAL SMALL HOLDER FARMERS RELY ON TRADITIONAL, SUSTAINABLE METHODS WHICH ARE IN HARMONY WITH NATURE. THE COFFEE MATURES SLOWLY, SHADED BY TALL TREES, BEFORE BEING HAND-PICKED.

Environmental terms like climate change and global warming have become part and parcel of everyday debates and discussions. However, most of us don't think about the impact it could have on the things we take for granted, like a morning cup of coffee. Woolworths was hoping to change that with an expedition to Kilimanjaro in January 2011.

The aim of the expedition, which was led and filmed by respected expedition guide Sean Wisedale, was to raise awareness of climate change and the effect it's having on coffee farmers in Tanzania – the very farmers who grow the organic coffee Woolworths sells in its cafés around South Africa.

Joining the Woolworths expedition was Climatologist and "50:50" presenter Simon Gear. "A combination of climate change and deforestation is stealing the Kili ice cap from Africa," says Gear. "Many people don't realise how quickly the ice cap is disappearing. An Ohio State University study predicts that the ice on top of Kilimanjaro could be gone sometime between 2015 and 2020. Climate change is one of the four pillars of our Good Business Journey. In Africa, Kilimanjaro's melting ice cap is one of the most visible indicators of global warming."



ENVIRONMENT (CONTINUED)

FREE RANGE PORK

Woolworths supports the NSPCA's position on the total banning of sow crates by 2016. Sow stalls for pregnant sows are a current industry standard. We are, however, committed to working with our suppliers and the SAPPO (South African Pork Producers Organisation) to phase out this practice. Woolworths also has a small supply of free range pork. As demand increases, free range pork will become a more viable option.

SUSTAINABLE FIBRES

Driving innovation in clothing continued to be a strong focus. The use of organic cotton in clothing increased and garments with both 100% organic cotton and clothing with a percentage of organic cotton remain a popular choice among customers.

Bamboo is another one of the sustainable fibres we're using to drive innovation in clothing and homeware products. A range of wooden products from sustainably managed forests are available in homeware.

A whole range of Woolworths duvets are filled with plastic bottles. Stronger than "virgin" fibre, this specially designed fibre made from recycled plastic bottles makes our cushions, pillows and duvets beautifully fluffy and resilient. By using such fibre, we're saving almost 500 000 plastic bottles a year from going to landfill.

In 2009 Woolworths introduced the first 100% South African organic cotton garments for summer. The range of T-shirts for both men and women is being made from South Africa's first commercial scale organic cotton crop, which was harvested last year in Limpopo. The planting of these 22 hectares was part of a multi-year pilot project which involved Woolworths, the Organic Exchange, ComMark, Cotton SA and the Agricultural Research Councils' Institute for Industrial Crops. With this impressive list of associates, Woolworths has produced an exciting and fashionable range that is environmentally conscious and ecologically sound.

PACKAGING

Woolworths is committed to ensuring our packaging is the minimum necessary to protect, inform and promote the product. We have however come to realise that packaging reductions need to be balanced with the impacts these can have on not protecting products properly, and thereby increasing food waste. We are therefore driving the recyclability of packaging and the inclusion of recycled content in packaging as of greater importance than reductions alone.

Our packaging focus is supported by an intensive customer education programme and working with our partners to promote recycling facilities.

We have set targets to reduce packaging to little more than the essential requirements of product protection and information, specifically:

- reduce clothing packaging by more than a third;
- reduce food packaging by 20%;
- decrease food plastic bag usage by encouraging customers to use reusable bags; and
- reduce clothing plastic bag usage where possible.

In food we have saved over 824 tons of packaging against the targets set in 2008 by analysing the packaging in 1 400 lines of food, specifically by weighing over 200 000 tons of food.

We have set clear targets for recycling and reuse. These include:

- recycled material in product packaging;
- restricting packaging materials to those that can be recycled locally and rationalise types of plastic;
- putting symbols on plastic packaging to help customers and recyclers easily identify packaging for sorting;
- involving and influencing the packaging industry to develop more sustainable materials; and
- recycling all store equipment including food trays and hangers.

PROGRESS TO DATE:

- 86% of our packaging is broadly recyclable;
- 39% of the product lines in food currently contain recycled packaging materials. In this way we are helping to reduce our use of virgin materials and build a recycling economy;
- where possible, the sleeves on ready-made meals, dips and other food products are made from cardboard which has 80% recycled paper content;
- Woolworths continues to seek raw material that is independently certified as coming from approved sustainable sources (e.g. material certified by the Forest Stewardship Council – FSC); and
- over 95% of our food lines have symbols on the plastic packaging to help customers and recyclers easily identify packaging for resorting.

STORE OPERATIONS

Woolworths recycles all hangers through Hangerman who collects all unwanted plastic hangers from stores, sorts and cleans them (using a workforce that includes many disabled workers) and sells them back to clothing suppliers at a discount. We have been able to incorporate as much as 50% recycled material in many of our plastic clothes hangers and we make some of our new plastic hangers out of old damaged ones.

Our entire fleet of trolleys and all in-store shopping baskets will be made from recycled material – 86% of this fleet is currently made from recycled material, from post-industrial sources.

Over 30% of our in-store signage is made from recycled material – board made from recycled fibre and virgin pulp – a viable, ecological alternative to the standard plastic commonly used in signage, both fully recyclable and repulpable. In addition the chemicals used in production are all water-based.

PAPER

As part of a focus on reducing paper usage, Woolworths introduced a new head office printing solution which will enable us to more effectively manage our print infrastructure, reduce costs and utilise desktop printing devices more efficiently. This initiative entailed removing the current printers and replacing these with centrally placed low energy consuming machines which are able to print, copy, scan to email and fax. An exciting new feature of this project is “Follow Me” printing, requiring one to swipe ones access card to release a print job helping to reduce paper as printing is only produced when a card is swiped and cannot lie unclaimed next to the printer.

A “treeathlon” competition has also been launched to reduce paper through every business unit competing against one another, in line with a corporate reduction target of 15%.

We have also launched e-statements for customers in our Woolworths black, gold and silver cards, and will roll this out to store card and loan statement categories in 2012.

RECYCLING

Woolworths committed to introducing a nation-wide programme supporting the recycling of our customers’ waste. Steps to achieve this started with a programme in selected stores to collect CFL light bulbs from customers and recycle these. During 2011 this will be expanded to all Woolworths stores, and also include batteries.

In late 2009 Woolworths, along with partners Engen and Nampak, began trialing recycling facilities at eight Engen service stations in the greater Cape Town region, four more were added during the course of the pilot. The pilot has offered Western Cape residents the convenience of dropping off their glass, paper, plastic and cardboard for recycling while filling up their vehicles or shopping at selected Woolworths Foodstops and Engen convenience shops.

The recycling project continues to be well supported by customers, with almost 300 tons of recyclable materials now having been collected from the 12 pilot sites to date (110 tons in 2010).

We’re now planning to install recycling facilities at an additional 22 Engen sites in Gauteng over the next few months. Woolworths also introduced recycling facilities to eight food stand alone stores across the Western Cape and at locations in the Eastern Cape.

Feedback from customers has been positive, but extending the programme is proving difficult as it involves buy-in from each individual landlord.



86%
FOOD
PACKAGING
WHICH IS
RECYCLABLE



39%
PACKAGING
CONTAINS
RECYCLED
MATERIAL



80%
AMOUNT OF
RECYCLED
PAPER THAT IS
USED IN OUR
PACKAGING
(%)

CASE STUDY: RPET

Woolworths is the first major South African retailer to begin using post-consumer recycled plastic in foods packaging. Our ready-to-eat sandwiches, and juice bottles have been packed in containers made with 30% rPET (recycled Polyethylene Terephthalate) made from recycled plastic bottles. The recycled PET is totally safe for food packaging and is scrupulously super cleaned to make sure it meets or exceeds international standards for food safety.

Recycling 1 ton of PET bottles not only saves 6.2 cubic metres of landfill space; it also saves enough energy to keep a 15 watt energy-saver light glowing for 24 hours. Woolworths first began using rPET fibre several years ago for the filling in duvets and pillows. It also helps create jobs – it’s estimated that some 10 000 people earn income from collecting bottles. We’re rolling out rPET packaging to other plastic packaging.



CASE STUDY: RHINO BAGS

WOOLWORTHS CUSTOMERS PROVED IN A BIG WAY THAT THEY ARE NOT PREPARED TO SETTLE FOR THE “BIG 4”

IN RESPONSE TO THE DRAMATIC INCREASE IN RHINO POACHING, IN SEPTEMBER 2010 WOOLWORTHS INTRODUCED A LIMITED EDITION REUSABLE BAG WHICH ASKED CUSTOMERS TO “IMAGINE NO RHINO”, AND IN PARTNERSHIP WITH THE WORLD WIDE FUND FOR NATURE (WWF), COMMITTED R10 FROM THE SALE OF EACH BAG TO HELP PROTECT REMAINING RHINO POPULATIONS FROM EXTINCTION.

Woolworths customers proved in a big way that they are not prepared to settle for the “Big 4”; some 60 000 of these “rhino” bags have been sold so far, amounting to a donation of R600 000.

These funds are being used to ensure that much-needed anti-poaching equipment and support can be secured for rangers across the region.

What’s more, in purchasing these bags, customers are also supporting a small Cape Town BEE company called Isikhwama and helping to reduce the amount of plastic waste that goes to landfill. Isikhwama, which employs semi-skilled and unskilled people who were previously out of work, is one of the small enterprises benefiting from partnership with Woolies.



REUSABLE BAG SALES CONTINUE TO BE STRONG WITH OVER 1 000 000 BAGS SOLD, AND A NUMBER OF NEW DESIGNS LAUNCHED.

PLASTIC BAG USAGE AND REUSABLE BAGS

Woolworths is committed to reducing plastic bag usage as a way of reducing its impact on the environment, saving costs and assisting customers to save costs as well. Woolworths customers are particularly encouraged to use reusable shopping bags, thereby reducing the number of new shopping bags that need to be made.

These have created an opportunity for Woolworths to preserve the environment as well as support enterprise development.

Woolworths two reusable bag suppliers, Isikhwama, based in Maitland, Cape Town, and Gusco, based in Uitenhage, employ 300 semi-skilled and unskilled people who were previously out of work between them.

Reusable bag sales continue to be strong with over 1 000 000 bags sold, and a number of new designs launched.

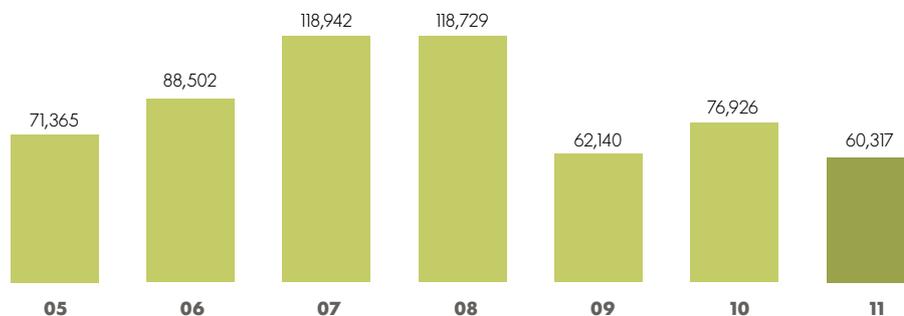
As can be seen by the graph below, total plastic bag sales declined following the introduction of the plastic bag levy, but a year-on-year increase has followed since.

Relative plastic shopping bag sales have also decreased significantly over the last financial year. The 25% reduction target (of 1.0) had been set for 2012, off a 2007 benchmark of 1.3 plastic bags per transaction, with 0.76 already being achieved during the current year (2010: 0.995).

Woolworths "green carriers" food bags are made from 55% recycled plastic, harvested from post-industrial waste, requiring fewer non-renewable resources than would be used to produce bags made entirely from virgin material. The shopping bags used for clothing and general merchandise also contain 45% recycled material which is also harvested from post industrial waste, with a target of 100% recycled bags by 2012.

SHOPPING BAG USAGE

■ SHOPPING BAG USAGE (millions of bags)



HEALTHY EATING AND LIFESTYLE PROGRAMMES

The Good Food Journey is the name we've given to our ongoing quest to offer South Africa food that's better for our customers, better for the environment and better for the people who produce it. It encompasses everything from not using additives like tartrazine and MSG in our foods, switching to more natural flavourants, and offering more organic and free-range choices, to caring for the welfare of animals and promoting healthy eating as part of a healthy lifestyle.

- Woolworths pioneered the practice of date marking ("sell by" and "best before" or "use by" dates) in South Africa, giving customers an indication of when food would be at its best;
- the company focuses on avoiding the use of unnecessary additives (including preservatives) in foods;
- Woolworths does not sell whole eggs from caged hens and our exclusive range of Ayrshire dairy products in addition to all fresh milk is guaranteed free of rBST growth hormones;
- in recent years Woolworths has removed hydrogenated vegetable oils (HVOs) from its fresh prepared food and has removed over 35 tons of salt (based on average annual sales), primarily from its breads, cereals and cold meats, and some 79 tons of sugar from its chilled 100% fruit juices and nectars;
- Woolworths offers yoghurts made with natural flavours and colours, containing no added preservatives and no artificial sweeteners. In addition, all Woolworths yoghurts are made with rBST hormone-free milk. Woolworths yoghurts contain exclusive HOWARU™ probiotic cultures to help stimulate the immune system and assist in lactose digestion;
- Woolworths actively removes and avoids the use of allergens and other ingredients of concern to customers, where possible. No tartrazine or any form of glutamate may be used to produce Woolworths foods;
- Woolworths was the first South African retailer to remove aspartame from its foods. Woolworths has also removed the sweeteners saccharin and cyclamate from its own-brand foods.
- From April 2010 Woolworths-branded foods no longer contain azo dyes, a type of artificial colourant frequently used to colour sweets and other brightly coloured foodstuffs.
- Woolworths pioneered allergen labelling in South Africa by introducing "nut logos" and a "contains" section (later changed to the "allergen" section) on product labels; and
- where we can do so, we will provide choice within our ranges for customers who wish to avoid particular ingredients, e.g. specific gluten-free products, meal solutions not containing garlic, etc.

CASE STUDY: OUR AYRSHIRE MILK IS GUARANTEED FREE FROM:

- Added rBST hormone – BST (bovine somatotrophin) is a hormone which occurs naturally in cows. Sometimes in commercial farming, cows are treated with a synthetic form of this hormone (rBST) to increase milk production. Woolworths suppliers do not follow this practise.
- Antibiotics – When sick, cows are often treated with antibiotics. Woolworths always ensures that this milk is separated. Daily testing ensures that Woolworths Ayrshire milk does not contain antibiotics and guarantees the milk's quality, safety and freshness.
- Animal by-products in feed – Woolworths ensures that their Ayrshire cows have a healthy diet and therefore have excluded the use of animal by-products to supplement their feed.





INCREASING ENERGY
EFFICIENCY AND REDUCING
CARBON EMISSIONS IS
ONE OF THE PILLARS OF THE
GOOD BUSINESS JOURNEY

TREADING
LIGHTLY



CLIMATE CHANGE AND ENERGY

COMMITMENTS AND PROGRESS

With South Africa hosting the COP 17 negotiations in Durban in November/December 2011, much attention has been focused on climate change issues. A further 25% increase in energy tariffs, the spectre of a carbon tax being introduced in 2012, and preparatory work on a green economy strategy by the government have highlighted the financial risks and opportunities associated with energy and climate change.

Woolworths recognises that climate change is a major issue that affects the retail sector both directly through the operations we run and indirectly through our supply chains and the use of our products and services by customers. Woolworths believes in playing its part in increasing energy efficiency and reducing carbon emissions to the atmosphere as one of the four pillars of the Good Business Journey.

CARBON MANAGEMENT PROGRAMME

- Woolworths is committed to engaging with our national government and civil society organisations to develop policies and measures that will provide an enabling framework for the business sector to contribute effectively to building a low-carbon economy.
- Woolworths supports long-term regulatory action around the setting of clear medium and long-term emission reduction targets, as well as adopting goals and incentives for renewable energy production.
- We will engage with our suppliers, staff and customers to create an understanding of the risks and opportunities of climate impacts.
- Woolworths has conducted awareness programmes, campaigns and presentations at stores for the last 25 years to educate staff about efficient use of energy.
- Woolworths carbon footprint has been completed and verified by external experts.
- Woolworths is committed to reducing its relative carbon footprint by 30% by 2012 (benchmark April 2007).
- Woolworths will continue to assess the viability of procuring energy from clean sources.

PRODUCTS AND SERVICES – EMPOWERING OUR CUSTOMERS

- Mobilising our customers to make low-carbon choices in their lifestyles is the most ambitious part of our overall carbon strategy.
- We promote 30°C washing temperatures for clothing and sell a range of detergents that allows for washing at low temperatures. This is an important step because around 75% of the carbon footprint of clothing can result from washing, drying and ironing.

WOOLWORTHS MEMBERSHIPS AND AWARDS

- Woolworths signed the Energy Efficiency Accord with the Minister of Minerals and Energy in 2006 and is working towards achieving the National Energy Efficiency Strategy targets.
- Woolworths is a member of the COP 17 CEO forum.
- Woolworths was chosen as the winner of the retail category in the South African Carbon Leadership Awards 2011 and 2010.
- Woolworths was ranked eighth in the Carbon Disclosure Leadership index as part of the 2010 Carbon Disclosure Project for South Africa and chosen as one of the top 4 companies in the Carbon Performance index.

COMMITMENT	2011	2010	2012 TARGET
Reduce relative carbon footprint by 30% by:			
reducing relative electricity usage by 30%	22.5% relative reduction	18% relative reduction	30% relative reduction
regional food sourcing	We source over 95% of our food from South Africa, based on country of origin labelling.		
restricting airfreight of our food products	We have identified that less than 0.1% of our food is air-freighted and ensure that we only use this form of transport where local alternatives are not available.		
reducing relative transport emissions by 20%	See Sustainable transport strategy and distributable unit (DU) measures below – on track.		
DU/litre	9.59	8.93	9.7
DU/km	4.57	4.16	4.44
Refrigeration	<ul style="list-style-type: none"> • 6 CO₂ refrigeration installations • 53 stores retrofitted with energy-saving technologies 	First CO ₂ refrigerant pilot store launched. <ul style="list-style-type: none"> • Ecofridge truck refrigeration launched. • Waste heat, recycled from the refrigeration system, is pumped back into the food market, helping to maintain comfortable trading conditions. 	Roll out new refrigeration technology retrofit to all large stores.
Lighting	<ul style="list-style-type: none"> • Automated lighting in 213 stores 	The electrical profiles of all stores, depots and offices are monitored remotely to ensure that lighting and air-conditioning units are managed in the most efficient way. <ul style="list-style-type: none"> • Automated light switching equipment has been installed in our top 140 stores to ensure that lights do not remain on after hours. 	Automated lighting rollout complete.
Green buildings	<ul style="list-style-type: none"> • Palmyra store launched meeting green store status. • 18 total sites meeting green store status.^A 	Green elements included in the specifications of all new stores. Finalising greenest store to date for launch end October 2010 – Palmyra Road, Cape Town. 13 sites in total.	Roll out green store model.
Clean energy	<ul style="list-style-type: none"> • Waste to energy pilot at MidRand DC underway. • Other clean energy projects proposals in progress 	Solar heating used to supplement heating in new green stores. Waste to energy models being investigated.	Investigate clean energy commitments appropriate to our business in the light of new legislation.
Work with soil scientists to regularly monitor our farmers' soil sustainability, increasing its CO₂ absorption abilities	<ul style="list-style-type: none"> • 3% increase in soil carbon as audited through our Farming for the Future (FFF) programme 	FFF programme launched with over 100 produce suppliers.	All conventional produce farmers meet FFF standards.

^A Part of Ernst & Young's audited key performance indicators. The basis for measurement of this indicator can be found on www.woolworthsholdings.co.za

SUSTAINABLE TRANSPORT STRATEGY

We have looked at our entire distribution process to make it as socially and environmentally responsible as possible. Some of our initiatives include:

- A route optimisation project in conjunction with the Imperial Group has resulted in a reduction of kilometres travelled and cost savings;
- Woolworths is running a project that sees a 5% recycled cooking oil added to the fuel mix used in 95% of our trucks;
- reducing fuel consumption through the use of Euro five technology in conjunction with Imperial. Five new vehicles are being used to trial this programme. Euro 4 technology is only required by 2014 in terms of current SA legislation. The Euro 5 trucks are being equipped with Bluetec technology with 80% fewer particles and 60% less nitrous oxide and a 2% – 5% fuel saving, estimated at 600 000 litres of diesel per year;
- improving refrigeration through the eco-fridge project. By using nitrogen refrigeration in our fleet, we estimate an approximate saving of 3 000 tons of CO₂ per annum, through diesel reductions, as well as efficiency benefits and noise reductions. The first four units are currently on the road;
- Woolworths uses reusable plastic lugs to transport products to and from our stores, rather than cardboard boxes. These lugs are recyclable and reduce our consumption of natural paper-based resources;
- transit packaging – that is used to protect clothes during transport, as well hangers are collected by stores and sent back to the distribution centres for recycling; and
- an illustration of Woolworths commitment to sustainability at every level of the business is the Woolworths Midrand distribution centre (DC). Every aspect of the design and construction of the 78 000 m² facility has been subject to scrutiny from a social and environmental perspective, ensuring that Woolworths minimises the impact on the surrounding environment and communities.

ENERGY USAGE

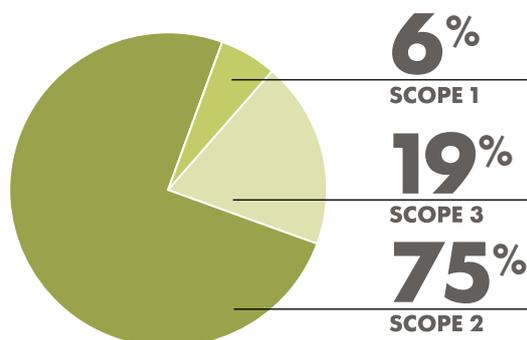
Total energy usage for all corporate stores, head office buildings and distribution centres: 328 388 383 kWh (2010: 319 440 317).

These figures are not directly comparable due to the increase in number of stores year on year and inclusion of some franchise stores in 2011; hence a relative measure of kilowatt-hour per square metre is monitored.

Our relative energy usage was 509 kWh/m² for 2011 (2010: 533 kWh/m²).

This is a 22.5% decrease from the 2004 benchmark, attributed largely to the lighting, design and refrigeration technologies described above, and awareness campaigns to encourage employees to use less energy. Our energy awareness programme helps our staff members to save energy at work and at home, and our energy mascot “Sparky” is a frequent visitor in our stores with his energy-saving tips.

CARBON %



CARBON FOOTPRINT

A carbon footprint calculation was conducted on head office buildings, distribution centres and corporate stores by Woolworths, and independently verified by Global Carbon Exchange (GCX) using the Greenhouse Gas Protocol Corporate Accounting and Reporting Standard.

The verification performed by GCX applied the ISO 14064-3 International Standard for GHG verifications and their verification statement is included on the Good Business Journey report website.

Total emissions are 7% higher in this report than for the previous year.

The Scope 1 and 2 emissions only are 4% higher than the previous year.

The key reasons for this may be attributed to the following:

- the opening of new stores, especially food standalone stores which have a far higher kWh/m² of trading space than an average full-line store and store refurbishments and expansions;
- the inclusion of SA franchise stores in the analysis of the current year data, as well as improved data collection with regard to electricity consumption; and
- the ongoing expansion of categories of Scope 3 emissions and the improved measurement system to provide data for them.

COMPARATIVE INFORMATION:

Scope	Source	Reporting year		
		2009 Company total (CO ₂ eq tons)	2010 Company total (CO ₂ eq tons)	2011 Company total (CO ₂ eq tons)
Scope 1	Company-owned vehicles	32 378.20	68.79	74.18
	Stationary fuels	228.90	293.26	188.38
	Fugitive emissions	26 275.60	27 343.78	29 003.10
Sub-total scope 1		58 882.70	27 705.83	29 265.66
Scope 2	Electricity usage	288 229.10	329 023.53	338 240.03
Sub-total scope 2		288 229.10	329 023.53	338 240.03
Sub-total scope 1 and 2		347 111.80	352 712.29*	367 505.70
Scope 3	Employee commute		31 119.00	33 647.40
	Business travel – flights	1 923.10	7 434.73	8 692.74
	Business travel – car rental	DNR	90.50	84.50
	Business travel – taxis (incl shuttle)	DNR	23.84	DNR
	Distribution (3rd party)	22 248.50	24 862.04*	35 676.38
	Water	DNR	394.38*	828.80
	Waste (materials life-cycle)	4 317.40	6 260.57*	6 561.21
Sub-total scope 3		61 043.70	70 185.04*	85 491.03
Sub-total SA		408 627.40	422 897.34*	452 996.73
Country Road		Not available	17 610	17 610**
Total		408 627.40	440 507.34*	470 606.73

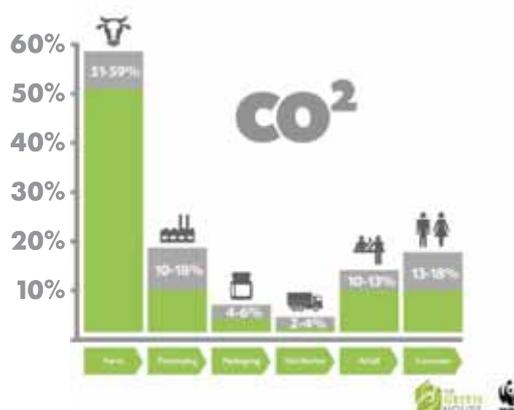
* The 2010 data submitted by Woolworths was reanalysed using the most up-to-date emission factors published by DEFRA in 2010, following their guidelines on which emissions should be recalculated. Furthermore, the 2010 emissions for "water" and "sub-total scope 1 and scope 2" were revised after errors were detected in last year's figures.

** Country Road had not completed its carbon footprint for 2011 by publication date, so 2010 data was used.

CASE STUDY – LIFE CYCLE ASSESSMENT OF FRESH MILK IN THE WESTERN CAPE

A life cycle assessment (LCA) of fresh milk production in the Western Cape has been conducted in conjunction with the Greenhouse and WWF to gain an understanding of the impacts of milk production along its full supply chain, and to identify opportunities for improvement. The system boundary used follows milk from its production on the farm, through processing, distribution, retail and consumption.

The percentage of carbon contributed by each stage is shown alongside.



CASE STUDY: GREEN STORES

WOOLWORTHS HAS DEVELOPED A SUSTAINABLE BUILDING STRATEGY WHICH INCLUDES A LIST OF PRINCIPLES AND EXAMPLES OF HOW THEY COULD BE PRACTICALLY APPLIED.

ALL PROFESSIONAL TEAMS INVOLVED IN OUR BUILDING DEVELOPMENTS ARE REQUIRED TO USE THESE GUIDELINES IN BUILDING DESIGN AND DEVELOPMENT. WE HAVE DEVELOPED OUR OWN RATING MODEL FOR STORES BASED ON THE NUMBER OF SUSTAINABILITY FEATURES THEY INCLUDE.

Please see the criteria and model for this rating system on www.woolworthsholdings.co.za

Woolworths considers the following measures when considering new real estate opportunities:

- natural ventilation including openable windows to offices and cross ventilation;
- energy-efficient lighting and the use of a Building Management System for light switching;
- solar-powered water heating;
- re-use heat generated by plant and machinery to heat buildings in cold periods of the year;
- LED lighting for exterior signs;
- CO₂ refrigeration system;
- under-floor heating in the food market using waste heat and heat pumps and heat reclaim system for food market and cooling;
- natural lighting via exhaust extraction vents;
- reduction in spotlighting and fluorescent lighting as a result of day light usage;
- grey water recycling system;
- dual flush toilets;
- electronic pulse meters installed on all water meters;
- recycling facilities for customers; and
- cardboard shelving and bulkheads.



COUNTRY ROAD

COUNTRY ROAD

CORPORATE SOCIAL RESPONSIBILITY AT COUNTRY ROAD IS ABOUT
TAKING A CONSIDERED APPROACH TO THE WAY WE DO BUSINESS.



COUNTRY ROAD

COUNTRY ROAD LIMITED, ESTABLISHED IN 1974, IS A RETAIL CHAIN OF STORES AND CONCESSION RETAIL OUTLETS OFFERING A RANGE OF CLOTHING AND HOMEWARE UNDER ITS OWN BRAND NAME. COUNTRY ROAD LIMITED HAS 179 RETAIL STORES OR CONCESSION RETAIL OUTLETS ACROSS AUSTRALIA AND NEW ZEALAND AND IS REPRESENTED IN SELECTED WOOLWORTHS OUTLETS AND STANDALONE STORES THROUGHOUT SOUTH AFRICA.

Corporate Social Responsibility (CSR) at Country Road is about taking a considered approach to the way we do business. Through our brand and people we will innovate and create social, ethical and environmental change in the world we live.

In 2009/10, 3-year CSR measures and targets were established with the aim to drive performance in each focal area. These were integrated into the Corporate Strategy and divisional plans in 2010/11. Progress is reviewed annually by the Executive committee by the Board, and reported to our key stakeholders via the CRSEE Review and Country Road website.

Country Road continues to focus on four key areas; our people, community, environment and ethical trade.

PEOPLE

Country Road is committed to attracting, developing and retaining an inspired, high performing workforce, and providing a healthy and safe work environment.

In order to understand and address our employees' priorities, an annual employee opinion survey is undertaken. The results of the 2011 Employee Opinion Survey were positive with an overall score of 75% employee satisfaction.

Country Road is committed to the principle of equal opportunity in employment for all regardless of age, career status, disability, industrial activity, physical features, political belief or activity, pregnancy, race, religion, gender or sexual preference.

Country Road has formalised its commitment and implemented a Diversity Policy.

COMMUNITY

Country Road is committed to supporting the communities in which we operate. Country Road has a Community Policy in place, which offers employees volunteering leave and the opportunity to participate in workplace giving.

In 2008, Country Road entered into a partnership with Redkite, one of Australia's leading childhood cancer charities, and has since donated \$375 000 to Redkite.

Country Road renewed its partnership with Redkite in 2011 and will donate \$377 000 to the organisation over the next three years.

In July 2010, Country Road and Red Cross (in Australia and New Zealand) launched Fashion Trade, a clothing exchange program that rewards customers for donating their preloved clothing to Red Cross. Our community contribution is detailed below:

ENVIRONMENT

Country Road is committed to understanding, managing and, where possible, reducing the environmental impacts of our operations.

In 2008, Country Road became a Signatory to the Australian Packaging Covenant (APC), a national initiative between the government and packaging supply chain, focused on reducing the amount of used packaging that reached landfill.

In 2010/11, Country Road attained a 4.3 rating (out of 5) from the APC (an increase from 3.9 during the prior year) and submitted a second three-year Action Plan.

Wool Sourcing: Country Road has taken a proactive approach towards sourcing a

Measure	2009/10 Actual	2010/11 Target	2010/11 Actual
Total value of community contributions (ex. Fashion Trade & MySchool)	\$267 702	\$227 000	\$263 642
Value of direct company donations to Redkite	\$84 994	\$82 000	\$84 000
Value of direct company donations to other organisations	\$10 000	NA	\$61 300
Commitment to Redkite	\$131 000	\$142 000	\$140 135
Employee fundraising	\$8 770	\$20 000	\$20 726
Customer fundraising	\$38 081	\$45 000	\$50 300
No. employees participating in on-going WPG	23	40	40
Participation in volunteer leave (No. hours)	43	100	94
Cotton bags sales	\$17 759	\$19 535	\$16 526
Funds raised through Fashion Trade	N/A	\$20 000	\$23 445
Funds raised through MySchool	\$6 153	N/A	\$20 000
Product donations (at cost price)	\$129 187	N/A	\$47 133

sustainable supply of non-mulesed wool, by engaging in ongoing consultation with wool industry groups and relevant industry bodies and purchasing non- or ceased-mulesed for a proportion of Country Road wool products. Country Road is committed to generating positive change in this area, by encouraging the adoption of commercial alternatives to current industry practices.

In 2011/12, Country Road will further embed the Company's three-year CSR Strategy into the business and continue to enhance stakeholder communications both to employees and customers in a meaningful way.

ETHICAL TRADE

Country Road sources clothing and accessories from various countries. In doing this, we have to consider the social and ethical implications of the manufacture of Country Road products. All suppliers must be signatory to Country Road's Code of Labour Practice, which follows all relevant International Labour Organisation (ILO) conventions.

Further to this, Country Road has developed an Environmental Code of Practice (ECoP) for the Dyeing, Printing and Finishing of Goods supplied to Country Road, which aims to ensure that within existing technology, no dyes or chemicals used in the production of garments, fabrics, leather and/or textile related products present an unacceptable risk to health or the environment during their manufacture, use or disposal.

Country Road launched a Sustainable Packaging Policy and Guide in March 2010, which aims to integrate sustainable principles into packaging design.



ASSURANCE STATEMENT

INDEPENDENT ASSURANCE REPORT TO THE DIRECTORS OF WOOLWORTHS HOLDINGS LIMITED FOR THE YEAR ENDED 26 JUNE 2011

SCOPE OF OUR ENGAGEMENT

We have completed our independent limited assurance engagement to enable us to express our limited assurance conclusions on whether anything has come to our attention that causes us to believe that the Good Business Journey Report ("the Report") for the year ended 26 June 2011, has not been prepared, in all material respects, in accordance with the self-declared Global Reporting Initiative (GRI) G3 Guidelines B+ application level using the principles of materiality, completeness, stakeholder inclusiveness and sustainability context, and whether the following key performance indicators ("specified KPIs") contained in the Report have not been prepared, in all material respects, in accordance with the basis of preparation as described on the website for each of the specified KPIs ("management's sustainability criteria"):

- Water usage (in kilolitres) at the head office buildings, for the twelve months ended 26 June 2011 as disclosed on page 48;
- Water usage (in kilolitres) at the Maxmead, Montague Gardens and Midrand distribution centres for the twelve months ended 26 June 2011 as disclosed on page 48; and
- The results of the rating of all new South African stores opened in the 2010 and 2011 financial year against the Green Stores model as at 26 June 2011 as disclosed on page 67.

The specified KPIs noted above have been highlighted for identification purposes in the sustainability report by a ⁴.

Our responsibility in performing our independent limited assurance engagement is to Woolworths Holdings Limited only and in accordance with the terms of reference for this engagement (including the release letter dated 5 October 2011) as agreed with them. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Woolworths Holdings Limited for our work, for this report, or for the conclusions we have reached.

Woolworths Holdings Limited has elected to prepare the Report in accordance with the principles of the G3 Guidelines which was published by the Global Reporting Initiative, of which a full copy can be obtained from the Global Reporting Initiative's website.

DIRECTORS' RESPONSIBILITY

The directors are responsible for implementing a stakeholder engagement process to identify all relevant stakeholders, to identify key issues, to

respond appropriately to key issues identified, to determine those key performance indicators which may be relevant and material to the identified stakeholders, and to design and apply appropriate sustainability reporting policies. The directors are also responsible for the preparation and presentation of the Report, the information and assessments contained in the Report and for such internal control as the directors determines is necessary to ensure that the information and data reported meet the requirements of the relevant criteria, and contains all relevant disclosures that could materially affect any of the conclusions drawn.

ASSURANCE PROVIDER'S RESPONSIBILITY

Our responsibility is to express our limited assurance conclusions on the Report and the specified KPIs based on our independent limited assurance engagement. Our independent limited assurance engagement was performed in accordance with the International Federation of Accountants' (IFACs) International Standard on Assurance Engagements (ISAE) 3000 *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information*. This standard requires us to comply with ethical requirements and to plan and perform our engagement to obtain limited assurance regarding the Report and the specified KPIs contained in the Report, as expressed in this report.

BASIS OF WORK AND LIMITATIONS

The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the subject matter and the purpose of our engagement. In making these assessments, we have considered internal control relevant to the entity's preparation and presentation of the Report and the information contained therein, in order to design procedures appropriate for gathering sufficient appropriate assurance evidence to determine that the information in the Report is not materially misstated or misleading as set out in the summary of work performed below. Our assessment of relevant internal control is not for the purpose of expressing a conclusion on the effectiveness of the entity's internal controls.

We planned and performed our work to obtain all the information and explanations that we considered necessary to provide a basis for our limited assurance conclusions pertaining to the Report and the specified KPIs, expressed below.

Where a limited assurance conclusion is expressed, our evidence gathering procedures are more limited than for a reasonable assurance engagement, and therefore less assurance is obtained than in a reasonable assurance engagement.

Our report does not extend to providing assurance on:

- information pertaining to Country Road on page 72 to 75;
- the column headed "Assurance I = Internal, E = External" reflected in the GRI index on pages 78 to 84.

Summary of Work Performed

Set out below is a summary of the procedures performed pertaining to the Report and the specified KPIs which were included in the scope of our limited assurance engagement.

- We obtained an understanding of:
 - o The entity and its environment;
 - o Entity-level controls;
 - o The stakeholder engagement process;
 - o The selection and application of sustainability reporting policies;
 - o How management has applied the principle of materiality in preparing the Report and the specified KPIs;
 - o The significant reporting processes including how information is initiated, recorded, processed, reported and incorrect information is corrected, as well as the policies and procedures within the reporting processes.
- We made such enquiries of management, employees and those responsible for the preparation of the Report and the specified KPIs, as we considered necessary.
- We inspected relevant supporting documentation and obtained such external confirmations and management representations as we considered necessary for the purposes of our engagement.
- We performed analytical procedures and limited tests of detail responsive to our risk assessment and the level of assurance required, including comparison of judgementally selected information to the underlying source documentation from which the information has been derived.
- We considered whether Woolworths Holdings Limited has applied the GRI G3 Guidelines to a level described on page 78.

We believe that the evidence obtained as part of our limited assurance engagement, is sufficient and appropriate to provide a basis for our findings and our limited assurance conclusions expressed below.

CONCLUSIONS

Based on the work performed and subject to the limitations described above, nothing has come to our attention that causes us to believe that:

- The Report has not been prepared, in all material respects, in accordance with self-declared GRI G3 Guidelines B+ application level using

the principles of materiality, completeness, stakeholder inclusiveness and sustainability context; and

- The specified KPIs have not been prepared, in all material respects, in accordance with management's sustainability criteria as described on the website for the year ended 26 June 2011.

OTHER MATTER

The maintenance and integrity of the Woolworths Holdings Limited's Website is the responsibility of Woolworths Holdings Limited management. Our procedures did not involve consideration of these matters and, accordingly we accept no responsibility for any changes to either the information in the Report or our assurance report that may have occurred since the initial date of presentation on the Woolworths Holdings Limited's Website.

Ernst & Young Inc.

Ernst & Young Inc.

Director – JP Grist
Registered Auditor
Chartered Accountant (SA)
Ernst & Young House
35 Lower Long Street

Cape Town
5 October 2011

GRI INDEX

Our self-declared application level is B+, and has been included within the scope of Ernst & Young's assurance.

GRI Disclosure	Issue description	Reported in full/ partially/ reason for omission	Assurance I = Internal E = External	Good Business Journey (GBJ) report section, Annual financial statements (AFS) or Integrated Report (IR) reference
Strategy				
1.1	Statement from the most senior decision-maker of the organisation	full	I	Chairman's and CEO statements IR, Chairman and CEO statement GBJ
1.2	Description of key impacts, risks, and opportunities	full	I	Our key risks, trends influencing our strategy, our strategic objectives – IR Governance and Economic section, Key sustainability indicators – GBJ
Organisational profile				
2.1 – 2.9	Organisation's name, primary brands, operational structure, location of headquarters, countries of operations, markets served, nature of ownership, legal form, scale and significant changes	full	I	Our business profile and model, Shareholder information – IR AFS Governance and Economic section, Social section – GBJ
2.10	Awards received in the reporting period	full	I	Highlights and recognition – GBJ
Report parameters				
3.1 – 3.12	Reporting details	full (restatements covered in section to which they relate)	E	About the Integrated Report – IR Governance and Economic section, GRI index, inside back cover – GBJ
3.13	Policy and current practice with regard to seeking external assurance for the report	full	E	Governance and Economic section – GBJ Abridged Governance report – IR, Assurance statements – GBJ and IR
Governance, Commitments, and Engagement				
4.1 – 4.10	Governance	full	E	Abridged Governance report, Shareholder information – IR Governance and Economic section, Social section – GBJ AFS
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organisation	full	I	Environment section – GBJ
4.12	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organisation subscribes or endorses	full	I	Abridged Governance report – IR Governance and Economic section, Environment section – GBJ
4.13	Memberships in associations single and/or national /international advocacy organisations	full	I	Stakeholder section – GBJ and IR
4.14 – 4.17	Stakeholder details and engagement	full	I	Stakeholder section – GBJ and IR

GRI Disclosure	Issue description	Reported in full/ partially/ reason for omission	Assurance I = Internal E = External	Good Business Journey (GBJ) report section, Annual financial statements (AFS) or Integrated Report (IR) reference
Economic performance				
EC1	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments	full	E	Value added statement – IR Governance and Economic section – GBJ
EC2	Financial implications and other risks and opportunities for the organisation's activities due to climate change	partial	I	Climate change and energy section – GBJ
EC3	Coverage of the organisation's defined benefit plan obligations	partial	I	Abridged Governance report – IR AFS
EC4	Significant financial assistance received from government			N/A
EC5	Range of ratios of standard entry level wage compared to local minimum wage at significant locations of operation	Not publicly reported		
EC6	Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation	partial	I	Transformation and CSI section – GBJ
EC7	Procedures for local hiring and proportion of senior management hired from the local community at significant locations of operation	partial	I	Transformation and CSI section – GBJ
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement	full	E	Transformation and CSI section – GBJ
EC9	Understanding and describing significant indirect economic impacts, including the extent of impacts	partial	I	Governance and Economic section, Transformation and CSI section – GBJ AFS
Environmental performance				
EN1	Materials used by weight or volume.	partial	I	Environment section – GBJ
EN2	Percentage of materials used that are recycled input materials	partial	I	Environment section – GBJ
EN3	Direct energy consumption by primary energy source	full	E	Climate change and energy section – GBJ
EN4	Indirect energy consumption by primary source	full	E	Climate change and energy section – GBJ
EN5	Energy saved due to conservation and efficiency improvements	full	E	Climate change and energy section – GBJ
EN6	Initiatives to provide energy-efficient or renewable energy-based products and services, and reductions in energy requirements as a result of these initiatives	full	I	Climate change and energy section – GBJ

GRI INDEX (CONTINUED)

GRI Disclosure	Issue description	Reported in full/ partially/ reason for omission	Assurance I = Internal E = External	Good Business Journey (GBJ) report section, Annual financial statements (AFS) or Integrated Report (IR) reference
EN7	Initiatives to reduce indirect energy consumption and reductions achieved	full	E	Climate change and energy section – GBJ
EN8	Total water withdrawal by source	partial	E	Environment section – GBJ
EN9	Water sources significantly affected by withdrawal of water	full	I	None
EN10	Percentage and total volume of water recycled and reused	working to refine this data		
EN 11	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas			N/A
EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas	partial	E	Environment section – GBJ
EN13	Habitats protected or restored	partial	I	Environment section – GBJ
EN14	Strategies, current actions, and future plans for managing impacts on biodiversity	partial	I	Environment section – GBJ
EN 15	Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk			N/A to our own operations (none)
EN16	Total direct and indirect greenhouse gas emissions by weight.	full	E	Climate change and energy section – GBJ
EN17	Other relevant indirect greenhouse gas emissions by weight	full	E	Climate change and energy section – GBJ
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved	full	E	Climate change and energy section – GBJ
EN19	Emissions of ozone-depleting substances by weight	full	E	Climate change and energy section – GBJ
EN20	NOx, SOx, and other significant air emissions by type and weight	full	E	Climate change and energy section – GBJ
EN21	Total water discharge by quality and destination	not material for our operations		
EN22	Total weight of waste by type and disposal method.	partial	E	Environment section – GBJ N/A
EN23	Total number and volume of significant spills			N/A

GRI Disclosure	Issue description	Reported in full/ partially/ reason for omission	Assurance I = Internal E = External	Good Business Journey (GBJ) report section, Annual financial statements (AFS) or Integrated Report (IR) reference
EN24	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally			N/A
EN25	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organisation's discharges of water and runoff			N/A
EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation	full	I	Environment section, Climate change and energy section – GBJ
EN27	Percentage of products sold and their packaging materials that are reclaimed by category	partial	I	Environment section – GBJ
EN28	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	full		None
EN29	Significant environmental impacts of transporting products and other goods and materials used for the organisation's operations, and transporting members of the workforce	full	E	Climate change and energy section – GBJ
EN30	Total environmental protection expenditures and investments by type	partial	I	Environment section – GBJ
Social: Labour Practices and Decent Work				
LA1	Total workforce by employment type, employment contract, and region	partial	I	Transformation and CSI section and Social section – GBJ
LA2	Total number and rate of employee turnover by age group, gender, and region	partial	I	Social section – GBJ
LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations	not publicly disclosed	I	
LA4	Percentage of employees covered by collective bargaining agreements	full	I	Social section – GBJ
LA5	Minimum notice period(s) regarding significant operational changes, including whether it is specified in collective agreements	Not publicly reported, part of standard terms of employment	I	

GRI INDEX (CONTINUED)

GRI Disclosure	Issue description	Reported in full/ partially/ reason for omission	Assurance I = Internal E = External	Good Business Journey (GBJ) report section, Annual financial statements (AFS) or Integrated Report (IR) reference
LA6	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs	partial	I	Social section – GBJ
LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region	partial	I	Social section – GBJ
LA8	Education, training, counselling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases	full	I	Social section – GBJ
LA9	Health and safety topics covered in formal agreements with trade unions	not publicly disclosed	I	
LA10	Average hours of training per year per employee by employee category	partial	I	Social section – GBJ
LA11	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	partial	I	Transformation and CSI section and Social section – GBJ
LA12	Percentage of employees receiving regular performance and career development reviews	full	I	All
LA13	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity	partial	E	Social section – GBJ Board members – IR
LA14	Ratio of basic salary of men to women by employee category	Not publicly reported		N/A
Social: Human Rights				
HR1	Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening	full	I	All
HR2	Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken	partial	E	Social section – GBJ
HR3	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained	partial	I	Diversity training provided to all departments

GRI Disclosure	Issue description	Reported in full/ partially/ reason for omission	Assurance I = Internal E = External	Good Business Journey (GBJ) report section, Annual financial statements (AFS) or Integrated Report (IR) reference
HR4	Total number of incidents of discrimination and actions taken	Internally measured, not publicly reported	I	N/A
HR5	Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk, and actions taken to support these rights	full	E	No operations are identified with these risks.
HR6	Operations identified as having significant risk for incidents of child labour, and measures taken to contribute to the elimination of child labour	full	E	No operations are identified with these risks
HR7	Operations identified as having significant risk for incidents of forced or compulsory labour, and measures to contribute to the elimination of forced or compulsory labour	full	E	No operations are identified with these risks
HR8 – 9	Security practices and indigenous rights	full	E	No operations are identified with these risks
Social: Society				
SO1	Nature, scope, and effectiveness of any programs and practices that assess and manage the impacts of operations on communities, including entering, operating, and exiting	partial	I	Transformation and CSI section – GBJ
SO2	Percentage and total number of business units analysed for risks related to corruption	full	I	All
SO3	Percentage of employees trained in organisation’s anti-corruption policies and procedures	Not publicly reported	I	
SO4	Actions taken in response to incidents of corruption	partial	I	Governance and Economic section – GBJ Abridged Governance report, Our key risks – IR
SO5	Public policy positions and participation in public policy development and lobbying	partial	I	Stakeholder sections – IR and GBJ
SO6	Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country	full	I	Not applicable – no donations made as per company policy
SO7	Total number of legal actions for anti-competitive behaviour, anti-trust, and monopoly practices and their outcomes	full		None
SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	full		None

GRI INDEX (CONTINUED)

GRI Disclosure	Issue description	Reported in full/ partially/ reason for omission	Assurance I = Internal E = External	Good Business Journey (GBJ) report section, Annual financial statements (AFS) or Integrated Report (IR) reference
Social: Product Responsibility				
PR1	Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures	partial	I	Governance and Economic section – GBJ Social section – GBJ
PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes	full	I	None
PR3	Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements	full	I	Social section – GBJ
PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labelling, by type of outcomes	full	I	None
PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction	partial	I	Stakeholder section – GBJ Governance and Economic section – GBJ
PR6	Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship	not disclosed publicly	I	
PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship by type of outcomes	full		None
PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	full		None
PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	full		None

FEEDBACK

We appreciate any feedback on our sustainability focus areas or reporting.

Please contact the Good Business Journey manager:

email: JustinSmith@woolworths.co.za

For more information see:

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