

# WHL

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WOOLWORTHS HOLDINGS LIMITED 2013 INTEGRATED REPORT

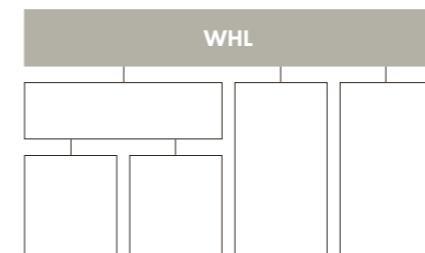
## OUR STRATEGIC OBJECTIVES AND INDICATORS FOR 2013

Our strategy is crafted around seven objectives in support of our vision:

**TO BE A WORLD LEADER IN RETAIL BRANDS THAT APPEAL TO PEOPLE WHO CARE ABOUT QUALITY, INNOVATION AND SUSTAINABILITY.**

STRATEGIC OBJECTIVE	WHAT WE ACHIEVED IN 2013
	Build stronger, more profitable customer relations  Woolworths: 3 million active WReward cardholders tracking 67% of sales Country Road Group: 2.5 million active cardholders
	Become a big foods business  Total sales up 13.3%*, outperforming the market from the second quarter of 2013 Improved availability and reduced waste
	Be a leading fashion retailer in the southern hemisphere  The Witchery Australia acquisition added two brands to our Clothing and General merchandise offering Woolworths sales up 10.1%* and Country Road Group comparable sales in Australasia up 12%
	Continue to build the business in the rest of Africa  Seven new stores opened in addition to eight stores converted Initiated negotiations for conversion of Botswana and Namibia (33 stores) but expansion still slow and cautious
	Become an omni-channel business  Country Road Group site was very successful with penetration at 6% The refreshed Woolworths website was launched in July 2013 with a long-term view of growing this channel
	Offer our customers simple, convenient and rewarding financial services  Debtors book growth of 15.8% We have successfully launched instant credit for store cards in store – now available in nine stores. Further stores will be rolled out over the next 12 months
	Embed the Good Business Journey throughout our business  Woolworths achieved a Level 3 Broad-based black economic empowerment rating We are starting to integrate the Good Business Journey objectives across the entire WHL Group as the focus in the past has been predominantly on our South African operations The WHL Group has been included in the Dow Jones World Sustainability Index for 2012/13 – one of only five South African-listed companies

\*52 week basis



▲ Group turnover up  
**23.2%**

▲ Headline earnings per share up  
**27.3%**  
to 340.4 cents per share

▲ Adjusted headline earnings per share up  
**30.0%**  
to 345.5 cents per share

▲ ROE increased from 47.1% to  
**50.7%**

Number of employees  
**26 908**      Number of stores  
**940**

Fig 1: Operating Profit (Rmillion)

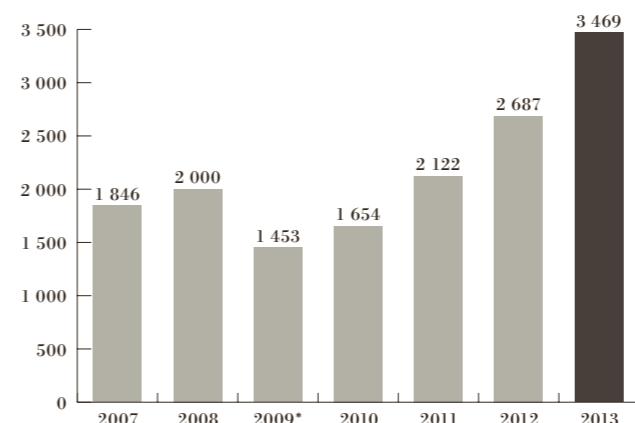
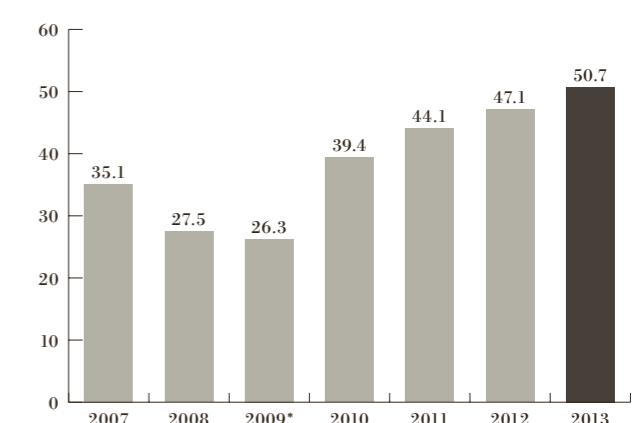


Fig 2: Return on Equity (%)



\*Woolworths Financial Services was a wholly-owned subsidiary prior to 2009



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## OUR INTEGRATED REPORT

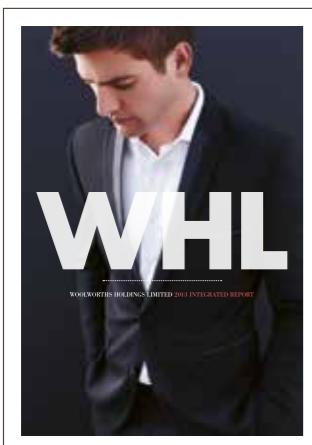
Our 2013 Integrated Report is targeted at all our stakeholders – those customers and communities that have supported the growth of our business since 1931 – and is specifically focused on our shareholders and investors. Our report aims to share our performance for the 2013 financial year, to show how our business model continued to add value and to give our stakeholders a better understanding of the issues, risks and opportunities that we face in terms of business sustainability, value creation and growth.

In compiling this report, we have considered the material included in previous reports, the legislative requirements for reporting and the consultation draft of the international <IR> framework. The information included in the report is consistent with the indicators used for our internal management and Board reports.

The structure of the 2013 report has evolved. Based on the international reporting guidelines and feedback received from our stakeholders, we have restructured our suite of reports. This supports of our efforts to reduce waste in all aspects of our business. Our integrated reporting for 2013 comprises the following reports:

### 2013 INTEGRATED REPORT

This report provides a holistic view of our group's business, strategy and performance for the year, including highlights from our Good Business Journey that pertain to particular business operational segments. We also set out our governance structures and remuneration philosophy. This report has been mailed to shareholders who indicated that they would like to receive this communication from the group.



### 2013 ANNUAL FINANCIAL STATEMENTS

This report provides a more detailed understanding of the financial aspects of our business. The detailed Annual financial statements have been prepared in terms of International Financial Reporting Standards (IFRS) and include the audit committee and directors' reports.

### 2013 GOOD BUSINESS JOURNEY REPORT

This report provides details of our sustainability strategy, the governance of sustainability and a review of performance primarily against our non-financial targets for social, transformation and environmental matters.

### 2013 NOTICE OF AGM AND ABRIDGED FINANCIAL RESULTS REPORT

This report contains the notice of the WHL annual general meeting, a proxy form and material to inform shareholders about any resolutions to be tabled together with abridged financial results. This report has been sent by registered mail to all of our shareholders registered in the company's share register at 20 September 2013. This has been done in terms of the Companies Act, 71 of 2008 (as amended).

### ADDITIONAL INFORMATION

A number of supporting documents and compliance information, such as Board and committee charters, have not been included in the reports listed above. However, they can be accessed via the website at [www.woolworthsholdings.co.za](http://www.woolworthsholdings.co.za). Downloads available include our compliance with the Global Reporting Initiative's G3.1 guidelines, the King III application table as well as our BBBEE certificate.

The WHL Group is making progress towards formalising a process to determine materiality. For this report, those matters – direct or indirect – that are considered material to the group's ability to create value over the short, medium and long term were identified, discussed and refined during the process of establishing the framework and content elements.

The main input elements of our process of establishing material issues were:



All the elements of our Integrated Report can be obtained from the website [www.woolworthsholdings.co.za](http://www.woolworthsholdings.co.za) or from the Group secretary (+27 21 407 6326 or [thobekashuba-mashego@woolworths.co.za](mailto:thobekashuba-mashego@woolworths.co.za)).

## SCOPE OF THE REPORTS

A profile of Woolworths Holdings Limited (WHL) and its subsidiaries is set out on page 11. The performance of these subsidiaries is included for the reporting period ending 30 June 2013 with relevant comparisons to previous periods. Materiality considerations are applied which results in more emphasis being placed on the group's South African operations.

The Country Road Group has been fully accounted for in all aspects of the report. However, from a financial perspective, Woolworths Financial Services (WFS) has only been included in terms of profit earned on shareholding except where highlighted. WFS has been treated as an integrated element of the group in terms of strategy, commentary and key performance indicators.

The report covers a range of financial and non-financial performance measurements to assist our stakeholders with their evaluation and assessment of the Group's overall performance. Please see our key performance measurements on page 19.

## APPROVAL AND ASSURANCE OF OUR REPORTS

The WHL audit committee is responsible for reviewing and recommending the Integrated Report, the Annual Financial Statements and the Abridged Annual Financial Statements to the Board for approval.

The social and ethics committee and the sustainability committee review and recommend the Good Business Journey Report to the Board for approval.

The Board has applied its mind to the Integrated Report and believes that it addresses all material issues, and fairly presents the integrated performance of the group.



**SN SUSMAN**  
CHAIRMAN



**I MOIR**  
GROUP CHIEF EXECUTIVE  
OFFICER

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The only material change from our 2012 Integrated Report has been the decision to align our reporting structure more closely to the segmental information provided in note 39 of the Annual Financial Statements. We considered three levels of reporting which extend from the group to the four operating segments. The level of reporting is highlighted throughout the report (See fig 3).

The most significant events to be noted when evaluating our performance in 2013 are:

- The acquisition of Witchery Australia Proprietary Limited by the Country Road Group in October 2012.
- The reporting period constitutes a 53-week period for Woolworths (52 weeks in 2012) and 12-month periods for both the Country Road Group and Woolworths Financial Services. Figures quoted using a 53:52 week comparison are highlighted.

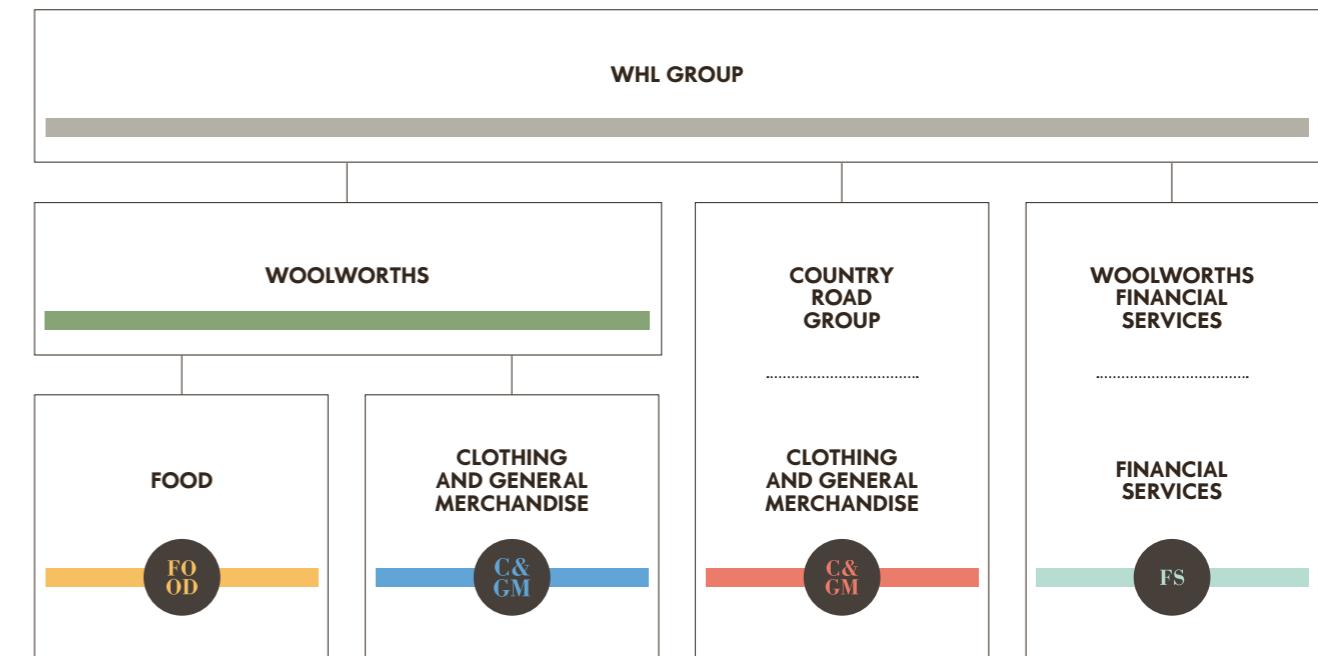


Fig 3: WHL Group levels according to subsidiaries, joint ventures and segments

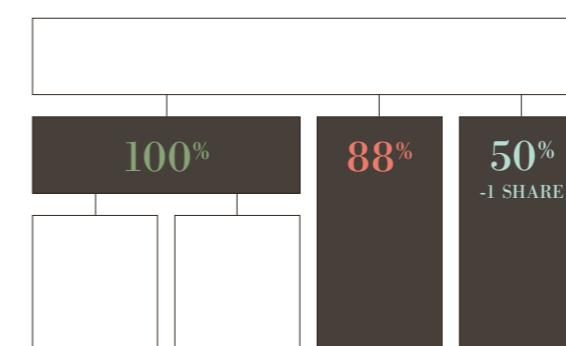


Fig 4: Shareholding of companies within WHL Group

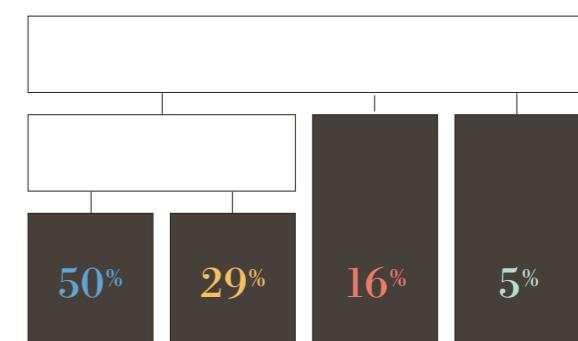


Fig 5: Segment contribution to profit



#### DURING 2013 WE HAVE BEEN RECOGNISED THROUGH THE FOLLOWING AWARDS:

Woolworths was a joint winner of the International Responsible Retailer of the Year award at the 2012 World Retail Awards – an award we also won in 2008 and 2010

WHL Group has been included in the Dow Jones World Sustainability Index and the JSE Socially Responsible Investment (SRI) index for 2012/13

WHL Group was recognised as one of the Ten Most Innovative Companies in Africa in 2012 by Forbes Magazine

Woolworths was chosen as the winner in the supplier development category of the Metropolitan Oliver Empowerment Awards

Overall winner in the 2012 Nkonki Integrated Reporting Awards

Listed under the excellent reports for EY “Excellence in Integrated Reporting Awards 2013”

ICSA Award winner in the sustainability category for the Good Business Journey Report

## NAVIGATION

The following symbols have been applied throughout the report to improve usability and show the integration between relevant elements of the report.



CUSTOMERS



FOOD



FASHION



AFRICA



OMNI-CHANNEL



FINANCIAL SERVICES



GOOD BUSINESS JOURNEY



AWARDS



REFER TO  
WEBSITE



REFER TO PAGE IN THIS  
REPORT



REFER TO THE  
ANNUAL FINANCIAL  
STATEMENTS  
REPORT



REFER TO THE  
GOOD BUSINESS  
JOURNEY REPORT

# WHO WE ARE & HOW WE ADD VALUE

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20 / Our brands

22 / Industry trends

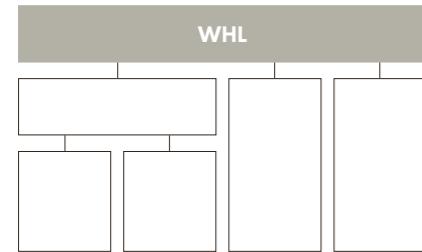
25 / Our stakeholders

28 / Our business model and how we add value



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## WHO WE ARE & HOW WE ADD VALUE



**W**oolworths Holdings Limited (WHL) has been listed on the Johannesburg Stock Exchange since 1997, and is the parent company of Woolworths Proprietary Limited (Woolworths), commonly known as Woolworths in South Africa. Woolworths is one of two WHL subsidiaries, the other being Country Road Ltd (Country Road Group), listed on the Australian Securities Exchange. In addition, WHL holds an interest in Woolworths Financial Services (WFS), a joint venture with the Barclays Africa Group (previously ABSA bank).

Through its subsidiaries, WHL offers a unique spread of fashion, food, beauty and homeware under the Woolworths, Country Road, Trencery, Witchery and Mimco brands, as well as some selected South African and international brands in food and beauty. The group also offers a range of financial services through WFS which includes a credit card, personal loans and insurance products, aimed at the Woolworths customer.<sup>1</sup>

In Africa, the predominant focus is on clothing and general merchandise – we only offer foods in countries bordering South Africa.<sup>2</sup>

The WHL group segments' offerings are focused on higher-income customers in all the areas in which we operate. Both the African and Australasian consumer markets continue to experience an upward migration with a growing middle class being particularly evident in South Africa.<sup>3</sup>

In addition to our retail stores and Engen Foodstops, we are increasing our investment in our online offering for Woolworths and Country Road.

The WHL footprint extends beyond its stores into the communities that buy our products, use our services and supply us with the same. Woolworths' expanded footprint is tracked through our Good Business Journey, which was established as our core sustainability programme in 2007.

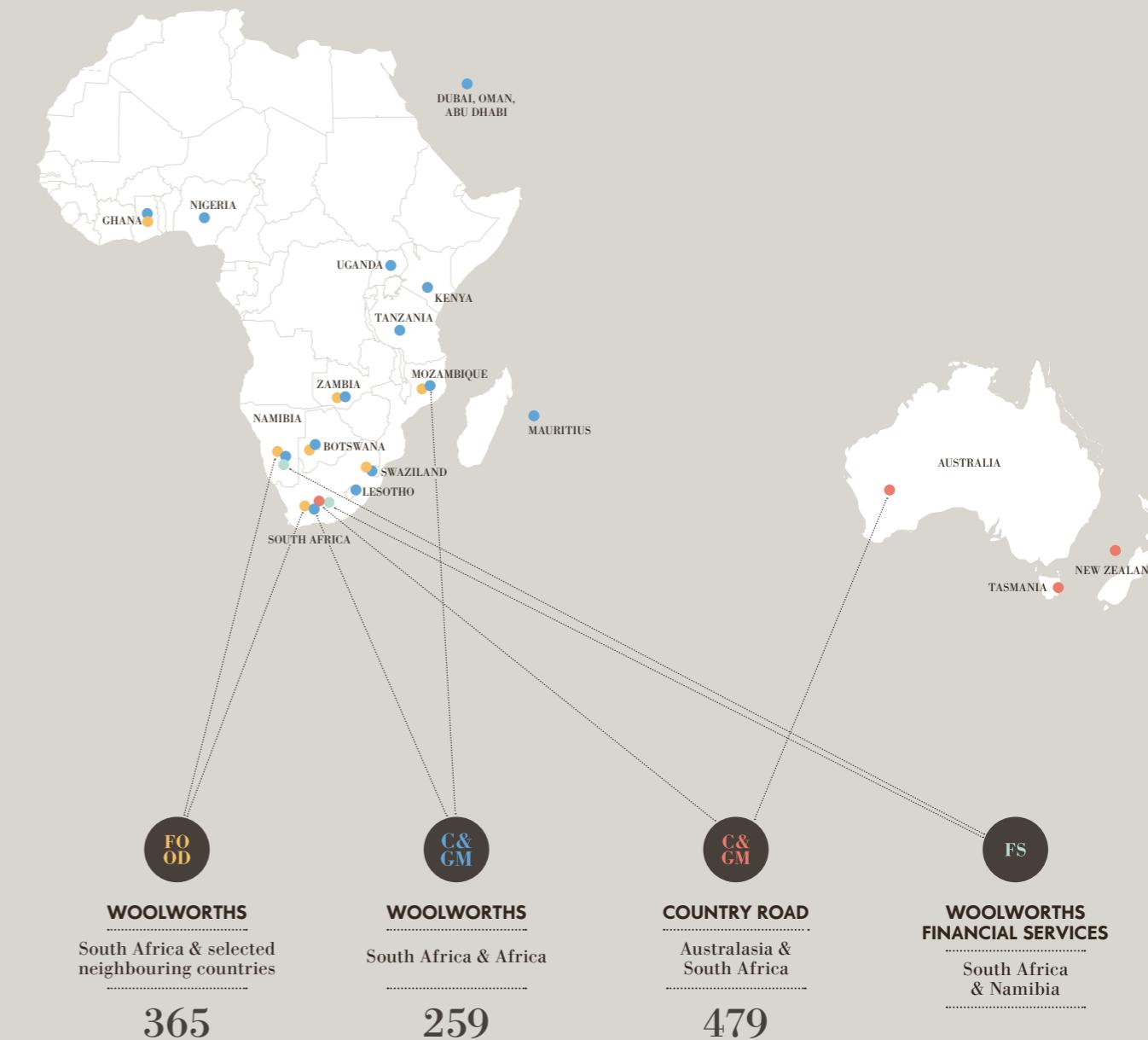
Over the last six years, we have gained valuable experience in managing transformational and social sustainability, use less of our natural resources and effectively reduce our carbon and resource footprint – while still generating positive financial returns for our shareholders. Some

of our successes include our Farming for the Future programme, our recycling project at Engen service stations, cutting energy usage by almost 31% from our 2004 benchmark, and becoming a Level 3 contributor to socio-economic transformation in South Africa. These efforts have been recognised through a number of awards, including the International Responsible Retailer of the Year award and being chosen as the winner in the supplier development category of the Metropolitan Oliver Empowerment Awards.

In the last year, R500 million worth of contributions went to charity organisations where our focus is on addressing some of our country's key challenges – food security, vulnerable children and education.<sup>4</sup>

The Country Road Group has focused predominantly on packaging as its most significant contribution to ensure sustainability of resources. Country Road became a signatory to the Australian National Packaging Covenant in 2008, which has aided the company to continue improving packaging and waste management.

**STORE FOOTPRINT**  
The operations of WHL are South African-based and consist of four segments in two main geographies. WHL has a presence in 14 countries outside of South Africa and Australasia, with a segmental footprint as seen below.



1 For more information see Scope of the Reports on page 10

2 For more information see Our Operational report on pages 84 to 89

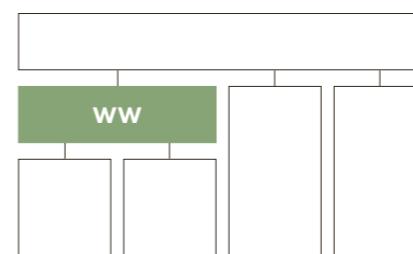
3 For more information see Our Industry Trends on page 22

4 For more information see Our Good Business Journey report on pages 74 to 81

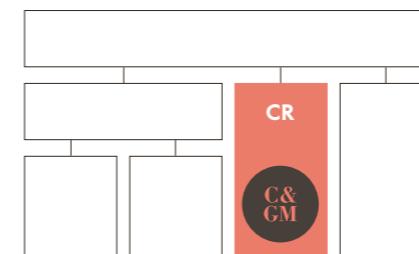
## WHL GROUP'S TURNOVER IS GENERATED BY RETAIL SALES THROUGH MORE THAN 900 STORES IN 17 COUNTRIES.

SEGMENTS	% OF TOTAL TURNOVER	% OF PROFIT BEFORE TAX	MORE INFORMATION
 Woolworths: Food	<b>49.6%</b>	<b>28.6%</b>	Our Finance director's report (page 64) and Operational report (page 84)
 Woolworths: Clothing and General merchandise	<b>30.6%</b>	<b>50.2%</b>	Our Finance director's report (page 64) and Operational report (page 86)
 Country Road Group: Clothing and General merchandise	<b>18.3%</b>	<b>16.1%</b>	Our Finance director's report (page 64) and Operational report (page 88)
 Woolworths Financial Services		<b>5.1%</b>	Our Finance director's report (page 64) and Operational report (page 89)

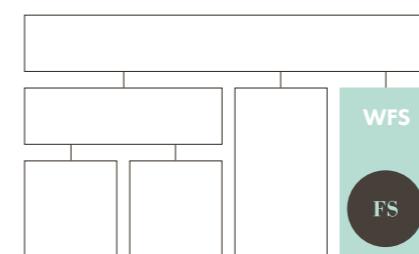
## KEY FINANCIAL AND NON-FINANCIAL INDICATORS



	2013	2012
Turnover	R27 701 million	R24 725 million
Operating margin	10.3%	10.1 %
Number of stores	461	448
Number of employees	23 538	22 462
Revenue tracked on WRewards	67.0%	61.0%
BBBEE level	3	4
Delivery of GBJ targets	90.0%	85.0%
CSI spend	R500.1 million	R438 million



	2013	2012
Turnover	A\$706 million	A\$419 million
Operating margin	9.5%	5.3%
Return on equity	30.2%	18.5%
Number of stores	479	187
Number of employees	3 370	1 360



	2013	2012
Debtors book	R7 958 million	R6 872 million
Interest income	R1 250 million	R1 140 million
Number of active accounts	1 927 million	1 870 million
Impairment charge	1.9%	1.9%
Return on equity	27.6%	23.1%



For more detail on the operational performance of Woolworths, see page 84, for the Country Road Group, see page 88 and for WFS, see page 89.

OUR BRANDS

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**WOOLWORTHS**

**COUNTRY ROAD**

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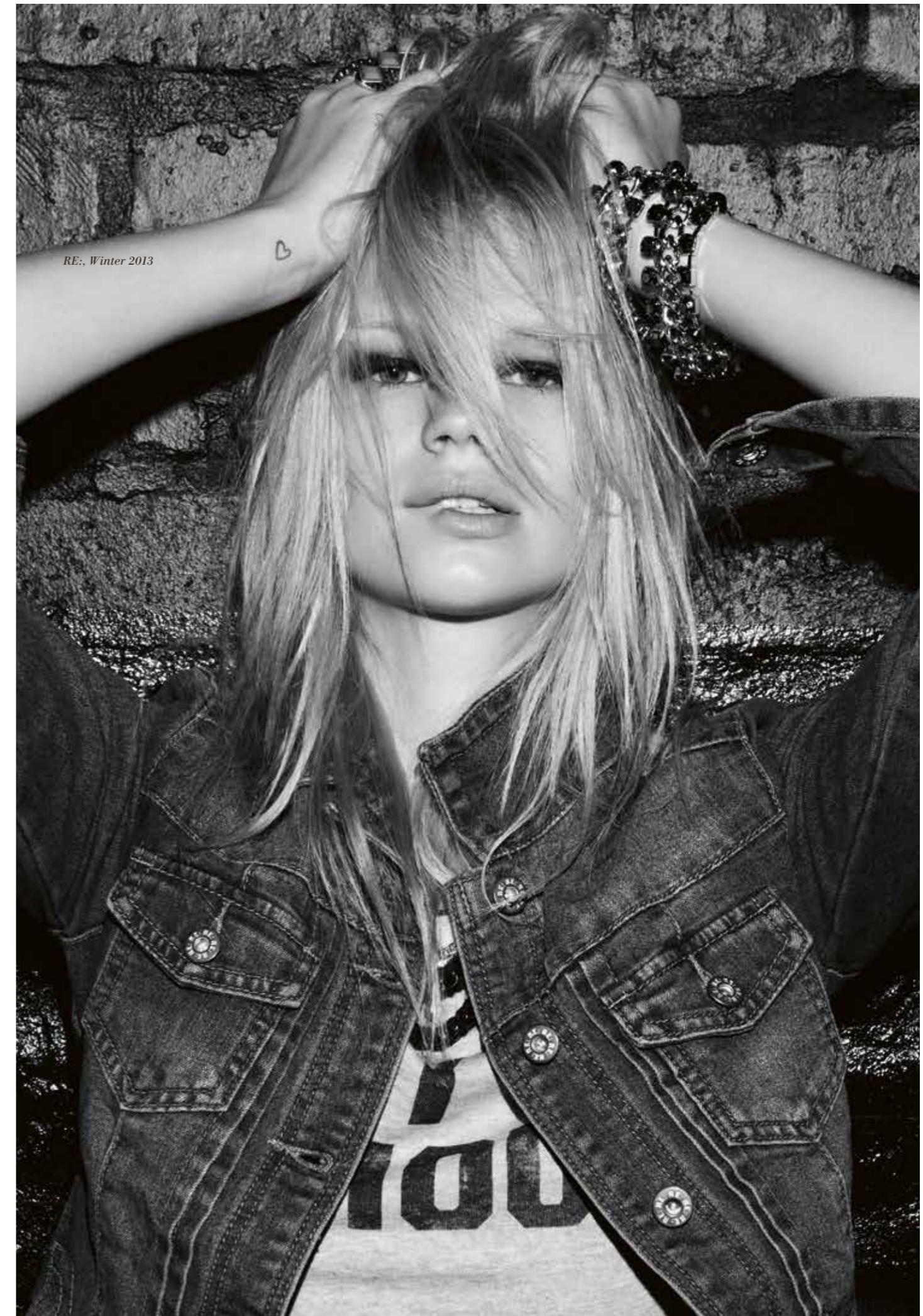
**T R E N E R Y**

**RE:**

**WITCHERY**

**MIMCO**

**WOOLWORTHS** FINANCIAL SERVICES



## INDUSTRY TRENDS

A number of macro economic factors and changing consumer behaviour are shaping the current and future landscape in which global retailers operate. These global trends offer an external and often longer-term perspective on innovation, competitor actions and the needs of customers – an important tool to inform our strategy, to evaluate our offering and to identify opportunities and risks. For the WHL Group's response to these industry trends, see Our Strategy on page 34.

### SLOW GLOBAL ECONOMIC GROWTH

The outlook for global growth remains modest with some signs of recovery forecast for 2014.

While weak global demand has impacted the South African economy, domestic issues have recently returned to the fore. Political tension, wildcat strikes, service delivery protests and Eskom's delayed expansion plans all contribute to low business and consumer confidence. High fuel prices, rising food inflation, muted job creation and slower growth in government spending will probably continue to weigh on income and credit growth – and household consumption expenditure – during the second half of 2013. GDP growth in South Africa for 2013 is forecast at 2.0%, growing to 2.8% in 2014.

The credit environment is perceived to be deteriorating and is not expected to show any signs of recovery in the short term.

The resource-driven Australian economy has suffered in the wake of weaker demand from China and resulting softer commodity prices. The currency has weakened against key trading partners, interest rates are at record lows and the budget deficit has been revised upward. Despite this, the Australian macroeconomic position remains relatively strong, and GDP growth for 2013 is forecast at 2.5% and expected to remain at that level in 2014.

### STRONG GROWTH IN HIGHER INCOME GROUPS

The compound annual growth rate for Living Standards Measure (LSM) 8–10 between 2005 and 2015 is estimated at 5.4% compared to 2% for the total population. South Africa's emerging black middle class continues to drive a disproportionate growth in LSM 8–10. By 2020, we expect LSM 8–10 to represent 27% to 32% of the population.

The All Media Products Survey (AMPS) estimates that LSM 8–10 will account for 41% of total spend on food and 49% of the clothing and footwear spend within South Africa by 2015.

Fig 6: % of population by LSM category

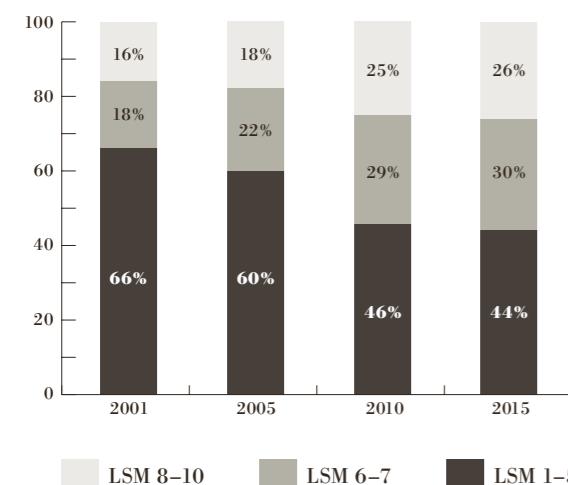
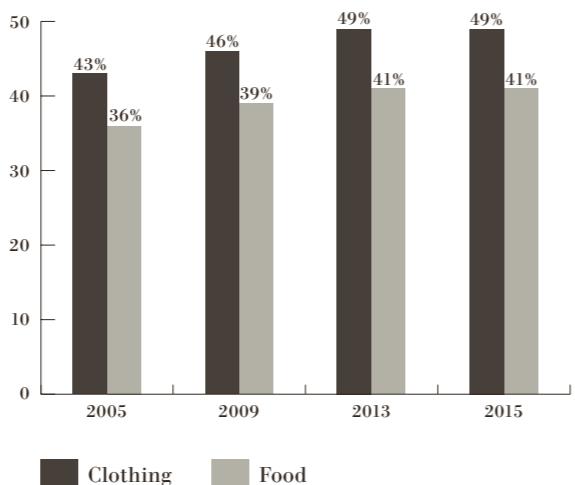


Fig 7: % of revenue for LSM 8–10 category



### GLOBAL COMPETITORS TARGETING THE SOUTHERN HEMISPHERE

Many of the big fashion retailers from the northern hemisphere are growing their presence in both South Africa and Australia. In South Africa, Zara operates four stores, Mango 16 standalone stores plus a number of Edgars concession outlets. Topshop has recently entered the market and H&M will shortly open their first store.

In Australia, Zara and Forever 21 are both growing fast and making their mark on the Australian retail environment. Meanwhile, Australian brands Cotton On and Forever New have both grown in South Africa to about 30 stores each.

Competition is intensifying both in physical and online stores, offering customers a wider choice of fashion at reasonable values. Woolworths and Country Road are continuously improving speed to market, thus enabling the delivery of a more competitive product.

### IMPORTANCE OF OMNI-CHANNEL SHOPPING

Online retail sales in 2012 accounted for 8% of total retail sales in the US and nearly 10% in the UK. Growth in online retailing continues to outperform sales in physical stores and is expected to continue doing so.

One of the major drivers is the prolific and growing use of mobile devices (smartphones and tablets) to access the internet. Customers expect a seamless experience across their devices and in store. Retailers have, for example, progressed from delivery to "click and collect" options – highly successful in the UK and expected to have the same impact in Australia and South Africa in the short to medium term, with Africa being a longer-term opportunity.

Online shopping in Australia now represents 7% of total retail sales, with double digit growth forecast for the next five years. While Australian retailers are improving their online offering and growing online sales, an estimated 45% of Australian online spend goes to overseas-based websites.

User access to the internet continues to grow in South Africa, with online traffic and online spend from smartphones and tablets being a key driver. It is estimated that the online user base will reach nearly 14 million people in 2013. Currently, online retail sales in South Africa represent 0.4% of total retail sales but grew 40% over the last year. More than 40% of South African internet users buy tickets, travel and books while approximately 11% buy clothing and 10% buy food online. Although the South African consumer is still less inclined to transact online than the developed world, this is changing, facilitated by increased availability of broadband.

### RETAIL GROWTH IN AFRICA

GDP growth in sub-Saharan Africa has been over 5% per annum over the past three years. The International Monetary Fund (IMF) predicts that half of the world's 20 fastest-growing economies during the next five years will be found in sub-Saharan Africa, with average growth for the region of over 6% per annum.

In 2012, Moody's assigned credit ratings to Kenya, Nigeria and Zambia for the first time on the back of growing demand from investors for insight on sovereign creditworthiness. African economies are attracting investment and are growing quickly despite high levels of corruption and varying degrees of structural support for doing business.

Recent economic growth has led to rising household incomes and is driving the emergence of Africa's middle class. More than half of Africa's population is younger than 20 and the continent will have a working-age population larger than that of China within the next 30 years. Furthermore, there is improving access to education. As indicated by World Bank figures, there has been a dramatic increase in enrolment levels in tertiary education in Africa over the past decade.

Over one-third of Africa's one billion inhabitants currently live in urban areas. By 2030, this is expected to have risen to 50%, according to a recent report from UN-HABITAT. In support of this urbanisation trend is investment in infrastructure, including shopping malls. Currently, one of the major hurdles to expanding a retail operation in Africa is access to suitable sites.

## CUSTOMERS ARE DEMANDING "VALUE WITH VALUES"

As reported last year, there is an increasing customer understanding of ethical, environmental and community issues. Consumers are demanding more information about where products come from and expect products to have ethical and environmental attributes without a significant increase in cost.

In January 2013, it emerged that some foods in the UK advertised as containing only beef were found to contain horse meat. Although not an issue of food safety, the scandal revealed a serious breakdown in the traceability of the food supply chain. This indicates a risk that harmful ingredients could have been included in the products. This scandal triggered similar investigations in South Africa which uncovered similar issues of mislabelling.

Similarly, the collapse of the Rana Plaza fabric factory building in Bangladesh in April 2013 led to public outcry over worker safety and an appeal to retailers to improve safety conditions, in particular when sourcing product from poorer developing countries.

In terms of the natural environment, growing numbers of South African consumers (in particular Woolworths' LSM 8-10 target market) understand climate change, are concerned about water scarcity, energy efficiency and the increasing cost of energy. They are also aware of social and transformational issues facing the country, and want to see jobs being created and sustained by the companies and brands they support. The impact of this for a retail organisation extends far beyond its own operations, which means that life cycle management of our products becomes a key focus area.

Over 80% of the energy and water impacts of food products take place in the agricultural food chain. In textiles over 50% of the energy and water impacts occur once the product is in a customer's hands. Therefore, it is key for retailers to work closely with suppliers and customers to make real progress in sustainability.

## CREATING RETAIL EXPERIENCES

The experiences created by the world of entertainment, technology convergence and convenience shopping are offering new opportunities for retailers to attract and retain customers. Actively engaging customers through experiential marketing and promotions is changing purchasing behaviour in stores. Research suggests that almost two-thirds of women are more likely to buy a product due to experiential marketing rather than due to TV or digital advertising.

We are seeing a rapidly developing world of experiential retail, where in-store shopping is enhanced with interactive interfaces, augmented reality and social media integration to create a unique experience for each individual consumer. This ranges from virtual mirrors that allow users to try makeup without actually putting it on their faces, to window and storefront displays projected in 3D.

The self-service revolution is related to this trend and is fuelled by the rise in smartphones and touch screens. Whether faced with automated tills, boarding-pass scanners or self-service coffee bars, customers are taking control and being offered even greater choice as part of their in-store experience.

The boundaries between product and service offerings continue to shift as a result of technology convergence, allowing traditional retailers to offer value-adding services in store.

## OVER 80% OF THE ENERGY AND WATER IMPACTS OF FOOD PRODUCTS TAKE PLACE IN THE AGRICULTURAL FOOD CHAIN.



For more detail on how the WHL Group responds to these trends, see Our strategy on pages 34 and 43 as well as the Operational report on pages 84 to 89.

## OUR STAKEHOLDERS

Sustainable relationships form the foundation of the WHL Group's ability to create value. We appreciate that stakeholders' perceptions affect our reputation in all the markets in which we operate, and that we need to deal proactively with these while ensuring that we maintain a balance in our treatment of stakeholders.

Our identified stakeholders and their interests in our activities vary according to geographical location, relevant business segment and nature of the interest. The Board retains oversight of stakeholder management, whilst the implementation and monitoring of stakeholder engagement is the responsibility of the management teams of the Group.

In our South African operations, we continue to formalise our engagement process to ensure that we understand the interests and expectations of our stakeholders, and that we address and communicate these issues effectively.

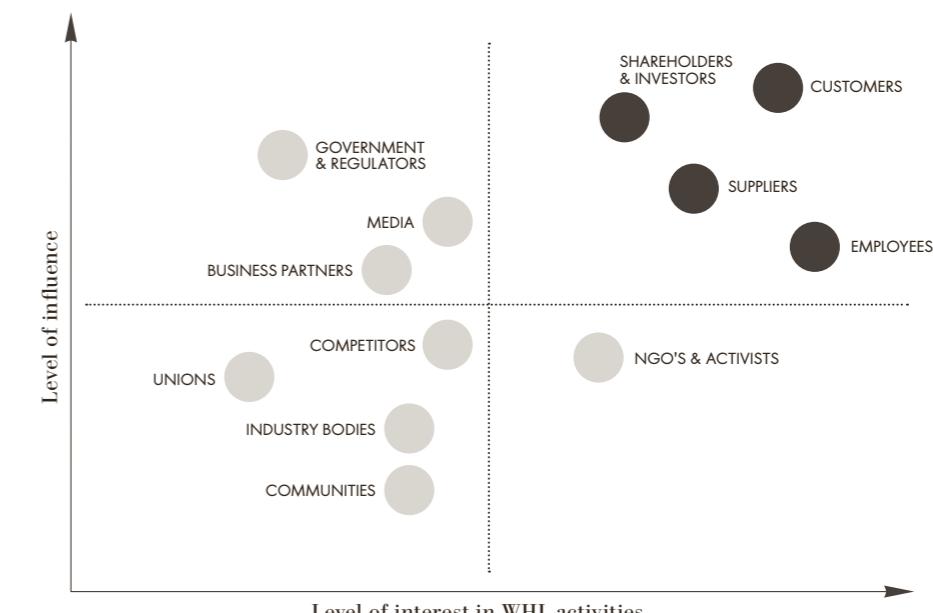
We have made good progress on consolidating our stakeholder engagement activities, understanding the "relationship owner" and consolidating information resulting from these activities. In the process, we prioritise our input and feedback based on the degree to which a particular stakeholder or group is impacted by our activities and the degree to which a particular

stakeholder or group can influence the outcome or success of our activities.

Some of the key principles on which we are basing our stakeholder engagement approach are:

- Constructive and co-operative engagements
- Openness and transparency
- Mutual respect
- Supportive and responsive interaction
- Working towards regular and structured engagements
- Engagements to be based on business critical aspects, national priorities and material issues for the business
- Recognising that all stakeholders are also existing or potential customers

The WHL Group's stakeholder universe includes communities, business partners, unions, industry bodies, government, regulators, customers, etc. To focus our reporting on these stakeholders, we have mapped them according to their ability to impact strategic planning and decision-making and the level of interest in the Group. Although we consider the entire universe of stakeholders in our engagement planning, we focus our reporting on key stakeholders.



See The Good Business Journey Report for more information on all our stakeholders – this includes case studies to illustrate how we dealt with key issues during 2013.

## CUSTOMERS

Why do we engage with customers?	To understand and cater for the needs and concerns of our customers to ensure the sustainability of our revenue.
What do our customers want from us?	<ul style="list-style-type: none"> <li>- Quality, style, value and innovation</li> <li>- Customer service</li> <li>- Product choice and availability</li> <li>- Convenient and enjoyable shopping experience</li> <li>- Product traceability and ethical sourcing</li> <li>- Rewards for their loyalty</li> </ul>
How do we engage?	<ul style="list-style-type: none"> <li>- Interactions in stores and online</li> <li>- Marketing and advertising activities</li> <li>- Taste and W magazines</li> <li>- Focus groups and surveys</li> <li>- Customer contact centre</li> <li>- Social media</li> <li>- Loyalty programme – WRewards</li> <li>- Email and sms</li> </ul>
How frequently do we engage?	Ongoing and daily engagement dependent on customer needs
How do we measure our engagement?	<ul style="list-style-type: none"> <li>- % of revenue tracked on WRewards</li> <li>- mystery shop score tracking how satisfied our customers are with our service</li> <li>- market share</li> <li>- product availability</li> <li>- penetration of LSM 8–10 customers in South Africa</li> </ul>

**2013 PERFORMANCE**

- ✓ Improvements in customer understanding measured via the customer tracking study
- ✓ Ongoing product development and innovation
- ✓ Business focus on key issues, for example availability, product choice, value, store location and service
- ✓ Adopting methods of communication to meet customer preferences (increased social media)
- ✗ Negative feedback about our employment equity practices

## SHAREHOLDERS AND INVESTORS

Why do we engage with shareholders and investors?	To create an informed perception of the WHL Group to ensure that our shares trade at a fair value and that the Board is managing the group in line with good business practices.
What do our shareholders and investors want from us?	<ul style="list-style-type: none"> <li>- Understand our business model, strategic direction and profit drivers</li> <li>- Gain an in-depth understanding of our ability to create sustainable shareholder value</li> <li>- Obtain the right information to ensure that the WHL share is appropriately valued</li> <li>- Understand our role as a good corporate citizen</li> </ul>
How do we engage?	<ul style="list-style-type: none"> <li>- Formally, three times a year at the interim and year-end results presentation and the annual general meeting</li> <li>- Local and offshore roadshows</li> <li>- Attendance at investor conferences</li> <li>- Ad hoc basis as requested by analysts and investors</li> <li>- Analyst store walkabouts</li> <li>- Reporting and website</li> </ul>
How frequently do we engage?	Specific times during the reporting period and on request by analyst and investors
How do we measure our engagement?	<ul style="list-style-type: none"> <li>- WHL share price appreciation</li> <li>- Voting on resolutions at annual general meeting</li> </ul>

**2013 PERFORMANCE**

- ✓ Improved integrated reporting
- ✓ Increase in offshore shareholding to 40%
- ✓ Share price increased by 27.8%
- ✓ Resolutions passed by 90%+ at annual general meeting
- ✓ Engagement with offshore shareholders facilitated change to proposed Memorandum of Incorporation

## SUPPLIERS

Why do we engage with suppliers?	To source products which meet high quality and safety standards, are innovative and meet our customer needs on a sustainable basis. To ensure that they manage their businesses in line with our values and good business practices.
What do our suppliers want from us?	<ul style="list-style-type: none"> <li>- Regular communication to ensure that they can meet orders timeously</li> <li>- Sharing of product innovation plans and trends</li> <li>- Partnering on sustainability solutions and Broad-based black economic empowerment</li> <li>- Growth in supply</li> </ul>
How do we engage?	<ul style="list-style-type: none"> <li>- Regular supplier meetings</li> <li>- Supplier conferences and visits</li> <li>- Supplier audits of our code of business principles</li> </ul>
How frequently do we engage?	Ongoing and regular engagement in line with merchandise cycle timelines. As required by our suppliers

**2013 PERFORMANCE**

- ✓ Review of product offering and ongoing innovation
- ✓ Revised code of business principles
- ✓ New enterprise development initiatives
- ✓ Won the Metropolitan Oliver Empowerment Award for enterprise development as a focus area in BBBEE
- ✗ Unfair labour practices by suppliers became topical internally and externally. We have put stringent measures and audits in place to manage the risk

## EMPLOYEES

Why do we engage with employees?	To ensure that we are experienced as an employer of choice, understand our employees' needs and concerns and share relevant information on the strategy and operating plans to develop a high-performance organisation.
What do our employees want from us?	<ul style="list-style-type: none"> <li>- Training and development</li> <li>- Career path</li> <li>- Reward and recognition for above-target performance</li> <li>- Regular updates on how we are doing</li> <li>- Employee wellness</li> <li>- Ability to give back to their communities</li> </ul>
How do we engage?	<ul style="list-style-type: none"> <li>- Let's Talk team meeting methodology</li> <li>- Intranet, store communications, Shoptalk magazine</li> <li>- Let's Ask people survey</li> <li>- Exco communication sessions</li> <li>- Diversity committees across the business</li> </ul>
How frequently do we engage?	Ongoing and daily engagement at all levels of the business. As required by our employees
How do we measure our engagement?	- Let's Ask employee opinion survey

**2013 PERFORMANCE**

- ✓ Maintained good performance in Let's Ask employee opinion survey results
- ✓ Focus on employee wellness – employee development, remuneration and benefits updated
- ✓ Over R144 million paid to beneficiaries of employee ownership scheme since July 2007
- ✓ Woolworths Trust celebrates 10 years
- ✗ Recontracting with employees received some negative media coverage



See The Good Business Journey Report for more information on all our stakeholders – this includes case studies to illustrate how we dealt with key issues during 2013.

## OUR BUSINESS MODEL AND HOW WE ADD VALUE

WHL GROUP	WOOLWORTHS	COUNTRY ROAD GROUP	WOOLWORTHS FINANCIAL SERVICES
<p><b>RETAIL PRESENCE</b> Extensive store footprint Combination of store formats in addition to online offerings aimed at customer convenience Focused expansion strategies in place Developing presence in selected African countries</p> <p><b>TRUSTED BRANDS</b> Key focus on quality and innovation through strong and well-defined premium private label brands Leader in ethical, sustainable and environmentally aware sourcing</p> <p><b>FINANCIAL PERFORMANCE</b> A 10-year compounded growth rate:<ul style="list-style-type: none"><li>• HEPS + 18.7%</li><li>• Dividend payout + 23.2%</li></ul>A 10-year annual growth in shareholder return of 34% Return on equity of 50.7% is the result of strong focus on growth, profitability, asset management and the ability to maintain strong cash flows</p>	<p><b>BUSINESS RESILIENCE</b> Defensive food and clothing product mix and rand hedge through geographic spread Opportunities to further penetrate market segments</p> <p><b>GOVERNANCE</b> Board with strong commitment to governance, deep experience in global industries and key focus on King III Values-driven business integrated into employee performance management system Included in the JSE SRI Index as well as the Dow Jones World Sustainability Index</p>	<p><b>EMPLOYEES</b> Values-based culture Positioned to be an employer of choice in the retail industry Committed to diversity and transformation Focused training for the development of technical and leadership skills Remuneration policies reward high-performance culture</p> <p><b>CUSTOMER RESILIENCE</b> Focus on higher-income customer Fashion for classic and modern customer Selected mainstream food brands for customer convenience Clear customer segmentation with 67% having a loyal relationship with Woolworths Cash sales of more than 80% and strong loyalty programme which has strengthened customer offering against cyclical shocks</p>	<p><b>OPERATIONS AND SUPPLY CHAIN</b> Centralised operating and distribution model combined with strong management capability delivers significant gross margin improvement Long-standing partnerships with suppliers Well-developed sourcing strategy with focus on shorter lead times and increased benefits from southern hemisphere economies of scale Strong focus on cold chain integrity</p> <p><b>SUSTAINABILITY</b> Numerous awards for sustainability initiatives (see page 75) through the Good Business Journey Level 3 BBBEE contributor with employee share ownership scheme</p>
<p>The WHL Group aims to create value by growing sales through differentiation, improving profitability and being a good business. We believe that this aim is supported by key strengths, which enable us to deliver on our vision:</p> <p><b>TO BE A WORLD LEADER IN RETAIL BRANDS THAT APPEAL TO PEOPLE WHO CARE ABOUT QUALITY, INNOVATION AND SUSTAINABILITY.</b></p>	<p><b>MARKET POSITION</b> Market leader in the Australian premium retail apparel sector with internationally recognised brands Opportunity to grow presence online and in South Africa Scale achieved through Witchery acquisition</p>	<p><b>ASSETS AND RANGE</b> High-quality assets derived from world-class risk management and operating procedures Range of services offered with gearing undertaken by Barclays (ABSA) Products deliver optimised return on investment</p>	



For more about how we create value, see the Good Business Journey Report or our website at [www.woolworthsholdings.co.za](http://www.woolworthsholdings.co.za).



## OUR STRATEGY

32 / Values

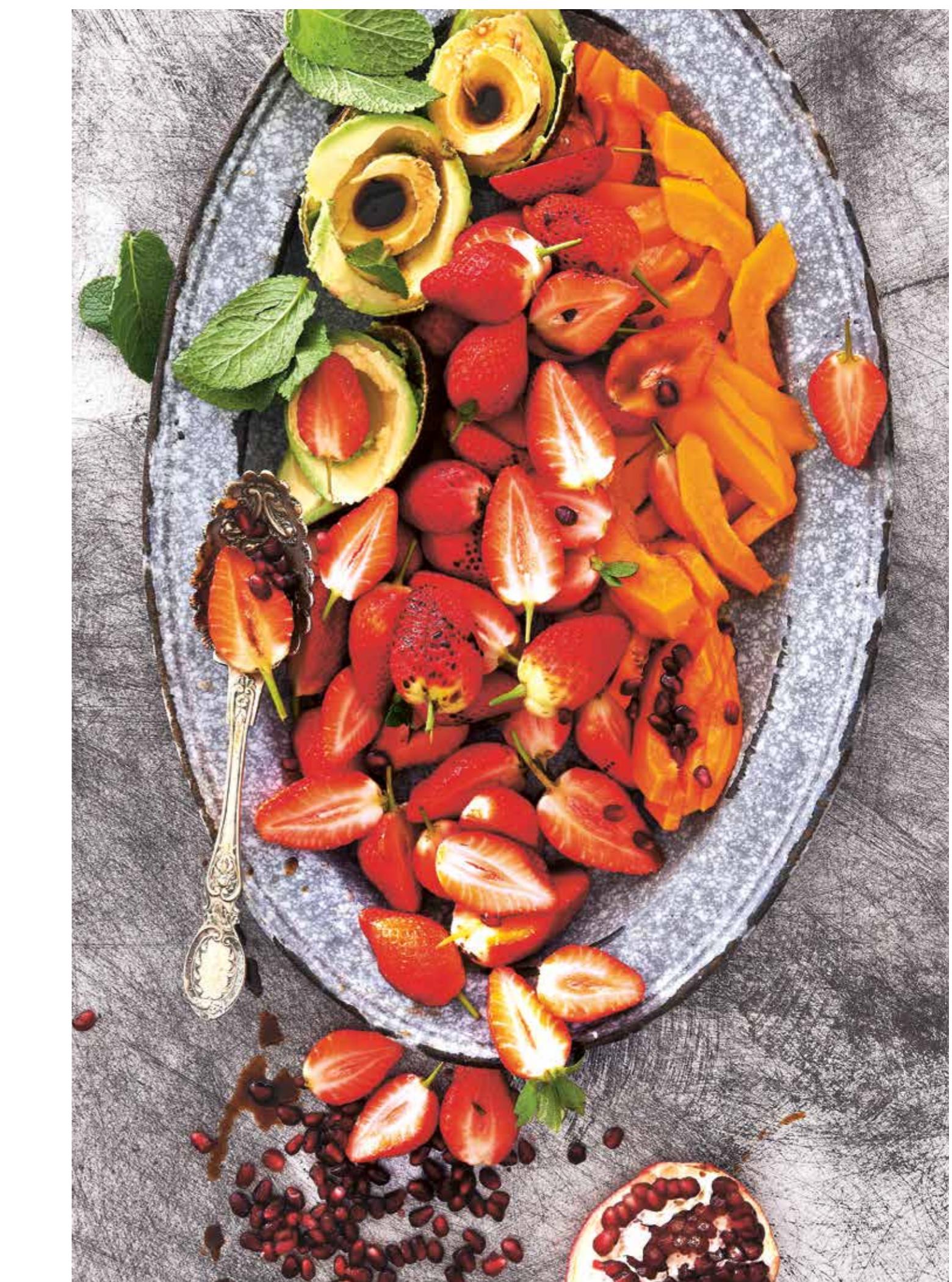
34 / Strategic objectives

## VALUES

A strong value system has always been at the core of the WHL Group. The Woolworths values are explained below. Country Road has its own values, which are well aligned with our group belief and behaviours.

The values and the behaviours aligned to them form part of our employees' integrated performance management process which, in turn, feeds into their annual salary increase and short-term incentive bonus schemes. In this way, employees are committed to carrying out their responsibilities in an aligned manner. The supplier code of conduct also includes elements of our values.

QUALITY AND STYLE	"When we deliver the best we stay focused, adopt a professional approach and demonstrate awareness of market trends"
VALUE	"When we offer value to the business, we encourage collaboration, show effective decision-making and influence others"
SERVICE	"Service means we demonstrate commitment and build effective relationships"
INNOVATION	"When we embrace innovation, we improve processes and seek creative solutions"
INTEGRITY	"When we demonstrate integrity we operate with integrity, develop ourselves and others and communicate effectively"
ENERGY	"When we act with energy, we inspire and engage, and we recognise and value others"
SUSTAINABILITY	"When we contribute to the sustainability of Woolworths, we share the vision and plan for success, support and initiate change and embrace diversity"



## STRATEGIC OBJECTIVES

The group undertakes an integrated approach to strategy and business planning which aligns the operating plan with the longer-term strategy. The operating plan ensures that the organisation is clear on the key targets for the business as a whole. Performance against strategy is formally reviewed by the Board on a quarterly basis.

All our long-term strategic thinking is underpinned by:

- **Our People:** Our objective is to establish a leading Employee Value Proposition that supports transformation and ensures that we have the best talent who are inspired and committed to the company vision and strategic plan
- **Our Customers:** We are dedicated to improving our customer proposition and reach, delighting our existing customers and attracting new customers
- **Our Operations:** We seek to build our business, gaining competitive advantage by delivering world-class operational efficiencies in a sustainable manner

During the past year we have refreshed the WHL Group's strategy to ensure that it remains relevant and takes into account new developments and challenges. A group strategy for 2013 to 2016 was developed to integrate existing initiatives, and ensure the creation of stakeholder value. Our seven-part strategy is to:



Build stronger,  
more profitable  
customer relations



Be a leading fashion  
retailer in the southern  
hemisphere



Become a big  
foods business



Become an omni-  
channel business



Continue to build  
the business in the  
rest of Africa



Offer our customers simple,  
convenient and rewarding  
financial services



Embed the  
Good Business Journey  
throughout our business

### BUILD STRONGER, MORE PROFITABLE CUSTOMER RELATIONS

#### STRATEGIC IMPERATIVE

Our customers are central to our business. While we focus on upper-income segments (LSM 8–10 in South Africa), we monitor the behaviour and contribution of all our defined customer segments, each group identified by specific shopping behaviours. In South Africa, we specifically aim to attract a larger proportion of black customers and strive to retain all our customers into the future.

Through the WRewards programme we can track almost 70% of our South African revenue (which has increased from R9.2 billion to R20.6 billion in the past three years) – discovering how, when, where and what our customers buy. This is critical information in our drive to become a customer-centric organisation. We are increasingly using actual customer data to inform our business decisions and tailor our communications with customers.

Changing the perception on our price positioning is a major focus area. We are sharper in our pricing, more competitive in our sourcing and have started to communicate this very clearly to customers. This is enhanced by WReward promotions.

We are committed to improving customer service, despite the recognition that we have achieved in this regard. The 2013 South African Customer Satisfaction Index score for Woolworths of 85.2 is the highest current score for comparable supermarkets in the USA (Publix: 82) and in the UK (Waitrose: 83). Woolworths is the industry leader, scoring 6.2% above the industry average satisfaction score.

Following the Witchery acquisition, the Country Road Group has the opportunity to combine customer databases and centralise data analytics, thereby growing its loyalty schemes and incentivising cross-shopping between the brands.



Strategic target:

**70%**  
of total sales tracked  
through WRewards programme

OBJECTIVES	ACHIEVEMENTS
Grow the number of active customers on WRewards programme	Total active customers now 3 million
Attract new customers	WRewards programme relaunched

RISK	MITIGATION
We do not become the retailer of choice of customers in our target market	Build strong profitable customer relationships through our loyalty programmes
We are not able to deliver on the price promise and shift our price image	Optimised sourcing and margin management



See the Operational reports for Woolworths Food (page 84), Woolworths Clothing and General merchandise (page 86), Country Road Clothing and General merchandise (page 88), Woolworths Financial Services (page 89) and The Good Business Journey (page 74) for more detail

## BE A LEADING FASHION RETAILER IN THE SOUTHERN HEMISPHERE

### STRATEGIC IMPERATIVE – WOOLWORTHS

The influx of international retailers and the increasing array of fashion apparel at reasonable prices are providing customers with more choice. This intensely competitive environment demands that we focus on becoming more fashionable, while still appealing to our more classic customers. Woolworths' substantial presence in South Africa, our loyal customer base and ongoing supply chain improvements position us well to compete and grow market share.

Our ability to lead the market in fabric and product innovation is a key competitive advantage for the group. Both Woolworths and the Country Road Group target higher-income customers

with brands that are underpinned by the common characteristics of style, quality and good value. The Woolworths value chain improvements will be critical to our success in this segment.

Over the past few years, we have made significant improvements towards being a leading fashion retailer by changing our merchandise cycle, improving our sourcing and delivering increased profit margins. We want to become even faster, more fashionable and more modern. To support this goal, we plan to rationalise further our number of suppliers and continue to develop sourcing locally and in emerging markets.

### STRATEGIC IMPERATIVE – COUNTRY ROAD

As in South Africa, international retailers have been aggressively expanding into Australia over recent years. The influx of large international players and rapid growth of online sales is changing the landscape for retailing in Australasia. We believe that our four distinct brands and the increased scales achieved through the acquisition of Witchery positions the Country Road Group to continue to gain market share.

The short-term focus for the group will be to create a clear differentiation between the Country Road Group brands. Innovative in-store experiences, specialist sales consultants,

optimisation of store profiles, social media initiatives and loyalty schemes will be driving these efforts.

The Country Road Group has already created a centralised shared services structure as part of its cost management plans and will further consolidate sourcing, leveraging volumes to improve margins and flexibility of sourcing. There are also opportunities to leverage combined customer databases and incentivise cross-shopping as a result of centralised data analytics.

OBJECTIVES	ACHIEVEMENTS
Deliver better value	We have grown our range of entry level products and successfully run WRewards offers on a variety of products
Build fashion credibility	Studio W and RE: are becoming well established in the South African market and continue to grow. Our Modern wardrobe is gaining momentum
Optimise sourcing	Driven gross margin growth, while maintaining a substantial portion of local sourcing and increasing speed to market
Lead innovation	We continue to successfully drive innovation in fabric, product design and fit and embed Good Business Journey sustainability attributes

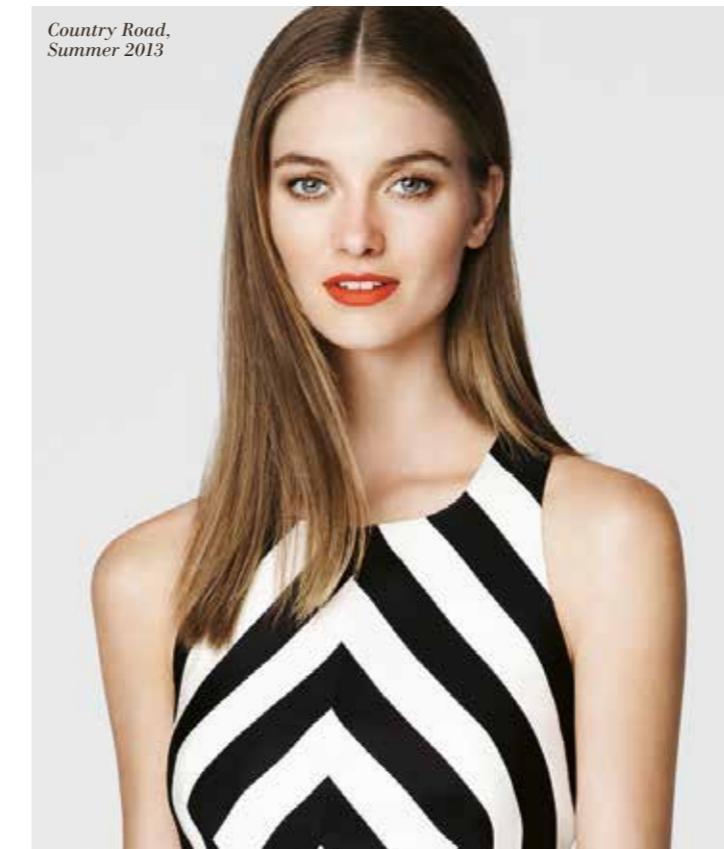
RISK	MITIGATION
Maintain focus on fashion risk	Shorten merchandise cycle and keep flexibility for open-to-buy
Capacity constraints in our distribution centres	We are investigating options to expand capacity to cater for our growing business
Manage the impact of rand depreciation	Woolworths hedges all foreign currency transactions to reduce the impact of exchange rate fluctuations

# 19%

Strategic target:  
Operating margin of



See the Operational reports for Woolworths Clothing and General merchandise (page 86) and The Good Business Journey (page 72) for more detail



OBJECTIVES	ACHIEVEMENTS
Clearly define our complementary brands	We have a well-defined brand strategy in place for each of our four brands
Introduce Witchery and Mimco into South Africa	Plans are in place to launch Witchery and Mimco in South Africa in 2014
Leverage the Country Road Group's existing scalable systems and processes	The plan to integrate Witchery is underway and we are on track to deliver the integration benefits
RISK	MITIGATION
Integration risk	We have developed a comprehensive plan which is being methodically implemented

# 12%

Strategic target:  
Operating margin of



## BECOME A BIG FOODS BUSINESS

### STRATEGIC IMPERATIVE

Previously, Woolworths had a strong market position in fresh foods and speciality products. Recognising that non-perishable foods (groceries) and non-food products comprise nearly 50% of a typical basket of goods at a grocery store, we have developed a supermarket strategy aimed at offering a more complete shop. Key to this strategy is the roll-out of larger format supermarkets and super-locals without compromising the Woolworths difference. This will enable our customers to complete their main shop in our stores, further enhanced by expanded ranges, larger pack sizes and new categories and brands.

OBJECTIVES	ACHIEVEMENTS
Grow our ranges	We are increasing the number of SKU's in our range, in particular in groceries and non-foods
Ensure our value proposition is compelling	We closely monitor the prices of our products, particularly branded goods, against our main competition. Our WRewards programme remains popular with our customers and our Daily Difference publication has become a successful promotional vehicle, showcasing both our wider range and great value
Grow sales of fresh produce	Gained market share over the last 12 months
Open larger-format stores	The first two of our new supermarket format stores have opened (Nicolway and Parkview Kimead). An expanded Waterstone (Somerset West) will be opening in November

7%

Strategic target: Operating margin of



See the Operational report for Woolworths Food on page 84 and The Good Business Journey on page 72 for more detail



## BECOME AN OMNI-CHANNEL BUSINESS

### STRATEGIC IMPERATIVE

Internationally, retailers are striving to achieve a seamless customer experience between stores and online, an omni-channel experience. Mobile devices are increasingly the favoured way to access the internet, a trend apparent in South Africa and in the developed world.

In Australia, online shopping has taken an enormous leap forward and now represents 7% of retail sales. All four Country Road brands are available online and sales are growing quickly.

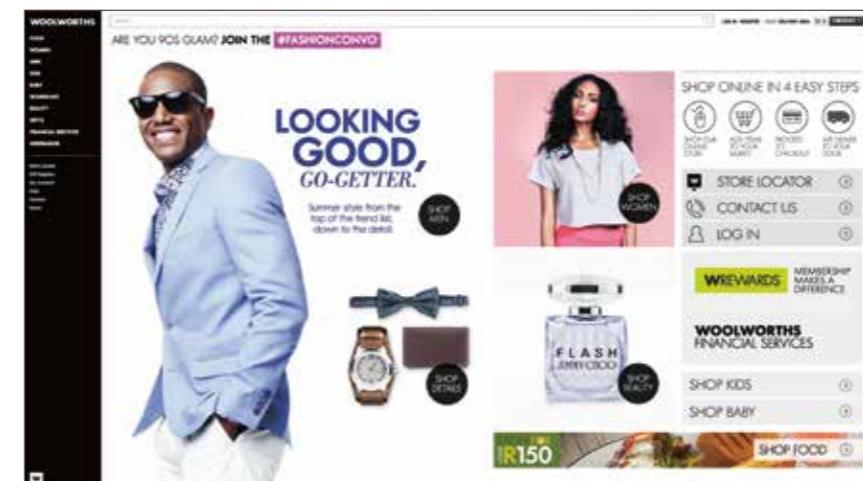
Our omni-channel vision is to offer any WHL Group product or service at a time and place convenient to the customer – regardless of channel. We want to

grow loyalty to our brands and enrich our relationships with customers through a seamless experience. Our investment in this objective is measured and focused on consistency, optimising our offering and seeking efficiencies as we scale the business.

Key success factors in achieving this are our website, mobile compatibility of all our communication, nationwide delivery and single customer sign-on abilities.

OBJECTIVES	ACHIEVEMENTS
Create a simple, consistent user experience	The refreshed Woolworths website was launched in July 2013. Responsive design allows for customer access on all electronic mobile devices
Improve our fulfilment and reach	Established the order fulfilment processes to ensure excellent customer service and greater efficiency
Optimise products and services	Integration of online into merchandise cycle timelines

RISK	MITIGATION
Technology advances require substantial investment	We continue to monitor developments both locally and abroad to ensure that if there are substantial shifts in the way technology is being used, we are well positioned to react to these changes and offer a service that is market leading





## CONTINUE TO BUILD THE BUSINESS IN THE REST OF AFRICA

### STRATEGIC IMPERATIVE

GDP growth in many countries in Africa is expected to outperform South Africa and Australia in the coming years. The formal retail sector is becoming established in many cities and consumers are increasingly shopping in malls. There is an opportunity for Woolworths to take advantage of this trend, building on our existing South African Clothing and General merchandise business, expanding in the countries in which we already operate and launching operations in new regions.

The WHL Group has set out to establish a presence in those Africa markets where we see the longer-term opportunity to

have a substantial business and where early entry is deemed to be a competitive advantage. Our ambition is to reach critical mass in the countries in which we already operate so that we can leverage our investments in supply chain – with a focus on Clothing and General merchandise.

We want to implement sustainable end-to-end processes into these markets to ensure that we improve our customer value proposition. The WHL Group currently has 62 stores in 12 African countries, with three stores in the Middle East.

OBJECTIVES	ACHIEVEMENTS
Grow our footprint	Seven new stores opened and eight stores converted from franchise. We investigate new countries on an ongoing basis, although we are intentionally moving cautiously to minimise risk
Enhance our supply chain into Africa	We have invested in our supply chain to enable more regular deliveries to our stores
Improve customer proposition and build loyalty	We are investing the gains from efficiency improvements to provide better pricing and value to our customers. Loyalty programmes launched in selected countries
Conversion of franchises to corporate	We operate in eight countries on a corporate model basis. In the countries where we have transitioned from franchise, we have seen good sales growth due to improvements in range, catalogues and product availability

RISK	MITIGATION
Country risk	We undertake rigorous viability studies before entering new regions. With exposure to 12 countries in Africa, we also benefit from diversification
Reliability of supply chain	We will continue to review new opportunities to improve speed to market and reliability of our supply chain

Strategic target: Retail sales of

# R1 billion

in 2014

## OFFER OUR CUSTOMERS SIMPLE, CONVENIENT AND REWARDING FINANCIAL SERVICES

### STRATEGIC IMPERATIVE

Interest rates remain low in South Africa and, given current uncertainty in the outlook for the South African economy, we do not expect rate hikes in the short term. While this makes our products more affordable to customers, competition in the market continues to grow and differentiating our product offering remains critical.

Technology advances, in particular around mobile devices, are enabling customers to manage their accounts "on the go". Customers demand a consistent experience across all channels.

Offering our customers simple, convenient and rewarding financial services, will differentiate our products and enable us to grow our business.

Woolworths Financial Services will grow by aligning itself to the Woolworths brand values and differentiating its product range. This means optimising existing customer relationships and leveraging the Woolworths WRewards programme and customer database. Significant investments in technology and operations are being undertaken to support this goal.

# 22%

Strategic target:  
Return on equity of

OBJECTIVES	ACHIEVEMENTS
Instant credit and credit limit increases in store	We have successfully launched instant credit for store cards in store – now available in nine stores and will be rolling out further stores over the next 12 months. In-store credit limit increases remain popular with our customers
Offer new service channels	WFS has been integrated into the Woolworths online proposition and our mobile app has been improved and relaunched. We have also migrated a significant proportion of our customers away from paper statements to electronic channels

RISK	MITIGATION
Risk of rising bad debt levels	Proactive management of credit risk to limit impact of a worsening consumer credit environment



See the Operational reports for Woolworths Financial Services on page 89 and The Good Business Journey on page 76 for more detail



## EMBED THE GOOD BUSINESS JOURNEY THROUGHOUT OUR BUSINESS

### STRATEGIC IMPERATIVE

Now in its 7th year, The Good Business Journey is deeply entrenched in the WHL Group's South African operations. Driving our sustainability initiatives in terms of social and environmental impact, it has been delivering financial results that show strong growth, lower costs and real improvements to the communities and the environment in which we operate. As one of the WHL Group values, it is a driver for growth, change and diversity.

The Good Business Journey index score tracks a range of indicators against pre-determined targets.

The Good Business Journey offers a strong competitive advantage for the group, and remains critical for the sustainability of all our operations over the long term.

We believe that the integration and expansion of the principles and focus areas into the entire group and all the areas in which we operate, will ensure further value creation over the long term.

RISK	MITIGATION
Ability to achieve our transformation targets	Targets are fully integrated into business areas, scorecards and line manager goals We have a procurement policy which supports transformation of our supplier base We provide enterprise development support to a number of enterprises
Ability to attract, retain and develop talent	We continue to build on the employee value proposition We utilise retention mechanisms for key and scarce skills
Water scarcity could negatively affect our operations	The Farming for the Future programme ensures that our food products are farmed in a more sustainable manner We continue to measure and drive water efficiency across our business
Ability to achieve our energy reduction targets which could negatively impact costs	We continue to implement more efficient refrigeration and air-conditioning technology in stores as part of our green store model
Ability to meet customer expectations for our food products to be traceable, ethically sourced, safe and of a high quality	We have a food technology team who are actively involved in product development to ensure compliance with food quality standards We have a defined product recall process, which is tested annually, to remove and, where required, destroy product from our stores and distribution centres We work with a range of certification schemes – MSC, FairTrade etc. to ensure ethical sourcing
Improved stakeholder engagement and relationships	We have made good progress on consolidating our stakeholder engagement activities, understanding the "relationship owner" and consolidating information resulting from these activities
Building our brand	The WHL Group received a range of rewards and accolades during the year (See The Good Business Journey on page 75 for details)

See The Good Business Journey on pages 76 to 81





## OUR BOARD & KEY EXECUTIVES

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46 / Board  
48 / Key Executives

## BOARD

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*Left to right (standing)*

**NORMAN THOMSON (62)**

Executive director and Group Finance director  
Member of the risk committee  
Non-executive director of the Country Road Group and Woolworths Financial Services  
Expertise: Finance and supply chain management  
Joined the Board in 2001

**TOM BOARDMAN (63)**

Independent non-executive director  
Lead independent director  
Chairman of the remuneration committee  
Member of the nominations, sustainability and social and ethics committees  
Expertise: Retail banking, environmental and business leadership  
Joined the Board in 2011

**SIMON SUSMAN (63)**

Non-executive director and Chairman  
Chairman of the nominations and sustainability committees  
Member of the remuneration, risk and social and ethics committees  
Expertise: Retail and environmental  
Joined the Board in 1995 and appointed as Chairman in 2011

**IAN MOIR (54)**

(Australian)  
Executive director and Group Chief executive officer  
Member of the risk, sustainability and social and ethics committees  
Chairman of the Country Road Group and Woolworths Financial Services  
Expertise: International fashion retail  
Joined the Board in 2010

**PETER BACON (66)**  
(British)

Independent non-executive director  
Member of the audit and remuneration committees  
Expertise: International hospitality, business leadership  
Joined the Board in 2006

**LINDIWE BAKORO (39)**

Independent non-executive director  
Member of the audit, remuneration and risk committees  
Expertise: Merchant banking and finance  
Joined the Board in 2009

**ZYDA RYLANDS (48)**

Executive director  
Member of the risk and sustainability committees  
Expertise: Food retail and operations  
Joined the Board in 2006

**ANDREW HIGGINSON (56)**  
(British)

Independent non-executive director  
Member of the audit, risk and remuneration committees  
Expertise: International food retailing and finance  
Joined the Board in 2012

**MIKE LEEMING (69)**

Independent non-executive director  
Chairman of the audit and risk committees  
Member of the nominations committee  
Expertise: Financial services and manufacturing  
Joined the Board in 2004

**CHRIS NISSEN (55)**

Independent non-executive director  
Chairman of the social and ethics committee  
Member of the sustainability and nominations committees  
Expertise: Community development and transformation  
Joined the Board in 2004

*Left to right (seated)*

**STUART ROSE (SIR) (64)**  
(British)

Independent non-executive director  
Member of the remuneration, risk, nominations and sustainability committees  
Expertise: International retail  
Joined the Board in 2011

**THINA SIWENDU (47)**

Independent non-executive director  
Member of the risk and social and ethics committees  
Expertise: Legal and corporate governance  
Joined the Board in 2009

**ZARINA BASSA (49)**

Independent non-executive director  
Member of the audit and risk committees  
Expertise: Retail banking and finance  
Joined the Board in 2011



Detailed CVs of Board members are published in the AGM notice booklet and can be viewed on the website [www.woolworthsholdings.co.za](http://www.woolworthsholdings.co.za).

## KEY EXECUTIVES



*Left to right (standing)*

**BRETT KAPLAN**

Group director: Clothing and  
General merchandise buying

**SAM NGUMENI**

Chief operating officer

**DOUG WALKER**

Chief executive officer:  
Woolworths Financial Services

**CHARMAINE HUET**

Group director: Marketing  
and sustainability

*Left to right (seated)*

**MATT KEOGH**

Group director: Retail operations

**ZYDA RYLANDS**

Managing director: Food

**IAN MOIR**

Group chief executive officer

**NORMAN THOMSON**

Group finance director

*Absent*

**IAIN NAIRN**

Chief executive officer: Country Road  
Group

A full-page photograph of a woman with long, wavy hair, wearing a white short-sleeved dress with lace panels on the shoulders and a belt at the waist. She is leaning against a large, light-colored concrete structure, possibly a bridge or overpass, with her left hand resting on her hip and her right hand holding the hem of her skirt. The background shows a clear blue sky.

Witchery, Summer 2013

# OUR PERFORMANCE FOR 2013

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## OUR CHAIRMAN'S REPORT

The WHL Group has had a good year. We are becoming a larger player of greater scale, covering more geographical areas, and offering broader ranges to our customers. Within all of this change, we stay true to the values that have driven our corporate philosophy for so many years. We contribute materially to the social fabric and to the economies of South Africa, Australia, and increasingly to those in greater Africa. We now generate over 26 000 direct jobs and pay significant taxes, especially here at home, to the South African fiscus.

Operating within a fragile global economy, our performance this year reflects the resilience of our strategy, the strength of our management and the inherent health of a values-based well-governed group.

Over the years, our integrated reports have endeavoured to give consistent and transparent feedback to our stakeholders on the key issues that were pertinent during the year, and on those which are material to our future sustainability. We hope you will find that this report continues that tradition.

## OUR PERFORMANCE THIS YEAR REFLECTS THE RESILIENCE OF OUR STRATEGY, THE STRENGTH OF OUR MANAGEMENT AND THE INHERENT HEALTH OF A VALUES-BASED WELL-GOVERNED GROUP.



### GLOBAL PERSPECTIVE

Globally, retailers were challenged by pedestrian economic growth. Within and because of this, the most successful international retail groups continue to expand their footprints into new markets. Both Australia, and increasingly South Africa, have seen this trend – Woolworths' move into Africa is no different. Our growth into the future therefore is dependent on us being as good at retailing as the world's best, for they are our competition.

On top of this, we are at the dawn of a mega shift in retailing. One as big as the shift from high street to mall over the past half century. Online shopping is changing everything for our customers. Country Road, is already looking at over A\$50 million online sales this year. Our move into Africa, where governments have allowed private enterprise to develop internet access way beyond South Africa, will make significant use of this.

At the same time, the ethics of sourcing and production are coming under increasing scrutiny. We welcome this. As a private label business, our reputation rests on our customers having implicit faith in our products and hence our brand. We could not engender this without our deep-seated set of values. In this case, these have led us, for a number of years, to impose a strict code of conduct with all our suppliers in South Africa and overseas. This meant that we were unscathed by some distressing non-Woolworths procurement scandals during the year. Tainted meat, deeply unacceptable labour practice in Bangladesh, and a number of others affected neither us, nor our suppliers. They do, of course, prompt us to up our vigilance.

Ian Moir and his executive are excited by these challenges and are building a world-class team capable of competing with the best.

### A STRONG POSITION FOR THE WHL GROUP

The Group now has two strong and growing geographical footprints – South Africa and Australia, and is developing a third – Africa. In South Africa, Woolies remains trusted, admired and engrained in the social fabric of the country – and at the core of the group's operations. In Australia, Country Road and its brands fulfill a similar role in the psyche of the Australian customer. With the acquisition of Witchery and Mimco, this business is now one of Australia's largest speciality retail trading groups and is of a similar size to the Woolies Clothing and General merchandise business. It is now a material profit generator for our group and adds to the level of scale we require to remain internationally competitive.

The Group's results for the year were the more notable, given the tightening macroeconomic factors. They represented solid growth in all segments with good containment of costs, strong market share gains in Woolies Food and in Country Road and ongoing margin improvement in the Woolworths Clothing division and Woolworths Financial Services. The growth in turnover of 23.2% and increase in headline earnings per share of 27.3% were both boosted by the acquisition of Witchery Australia Proprietary Limited in October 2012.

Perhaps our crowning success was the achievement of Level 3 in the current BBEE codes. This is a real example of spreading wealth – generating ability across a wide spectrum of previously disadvantaged members of the Woolies stakeholder grouping. Our BEE Share Scheme has paid out dividends of R144.3 million to staff members over the past five years and we look forward to eligible staff receiving a material sum when the scheme finally vests.

### SUSTAINABILITY

Our strong position as a group remains anchored in our Good Business Journey. This emerged from the continuous questioning that our strong value system imposes on us – how do we do business in an ever more sustainable manner? Since launching the programme in 2007, we have made good progress in our six areas of focus: social development, transformation, energy, water, waste and sustainable farming. Woolies now gives away over R500 million annually to various social causes. The bulk of this in the form of date-expired foods goes to local charities. But over R40 million of this is generated by our MySchool programme, bringing our total annual education support through this programme to almost R250 million.

On the environmental front, our energy savings through the GBJ are now over R189 million and our Farming for the Future programme is driving real benefits to soil improvements as well as significant water savings in the field.

We are honoured by the recognition the group received during 2013, particularly in being named Responsible Retailer of the Year for the third time at the World Retail Congress. We also emerged as the industry leader in the South African Customer Satisfaction Index.

Perhaps our crowning success was the achievement of Level 3 in the current BBEE codes. This is a real example of spreading wealth – generating ability across a wide spectrum of previously disadvantaged members of the Woolies stakeholder grouping. Our BEE Share Scheme has paid out dividends of R144.3 million to staff members over the past five years and we look forward to eligible staff receiving a material sum when the scheme finally vests.



See Our Industry trends on  
pages 22 to 24 for more detail

## SOUTH AFRICAN INVESTMENT CLIMATE

It would be an oversight on our part not to address this issue. The WHL Group generates over 23 000 direct jobs in South Africa and probably double that throughout our supply chain. We pay R1 billion in taxes and believe we make a material difference to the lives of millions in this country.

Like most businesses, we watch with deep concern the flow of restrictive, populist legislation being imposed on commerce in South Africa. Most of this, particularly on the restrictive labour and trade practice front, is materially impacting job and small business generation. It is as if those in work are conspiring with government to keep the unemployed out of work and out of the markets.

## OUR COUNTRY NEEDS A FRESH ECONOMIC PHILOSOPHY TO IGNITE ITS TRUE GROWTH POTENTIAL.

It is only by growing private enterprise, large and small, that the fiscus' coffers can be fed. It is business that creates the sustainable jobs and the new industries this country so badly needs. An ever more centralised government stranglehold on industry cannot do this. Our future customers will only come from a more liberalised economy where government and business share a vision of growth – a strengthened, not a weakened, National Development Plan (NDP).

There is now a fledgling engagement between the presidency and organised business – we are encouraged by this and strongly urge government to progress this bilateral engagement rapidly. Our country needs a fresh economic philosophy to ignite its true growth potential.

## GOVERNANCE

The WHL Group's governance framework follows the guidance offered in the Report and is structured to follow the rules of the Companies Act, 71 of 2008 and the JSE Regulations. As a Board, we have been consciously driving ourselves not to be smothered by obsessive application of governance for governance's sake. We rather use these excellent guidelines in a simplified manner to deliver our goal of effective oversight, guidance, and challenge to our executive. As I said last year, it is our values that first drive our thinking and give us clarity on our future world.

We have a well-balanced Board, made up of top business leaders and great thinkers. We are fortunate to have two outstanding UK retailers with us and

## OUR ROLE INTO THE FUTURE

The WHL Group's South African operations face a tougher year, impacted by a slowdown in consumer credit and a tighter market. Our target customers, (LSM 8–10), should be least affected, and we believe this gives us real opportunities for us to pursue market share growth.

In Australia, the Country Road Group's challenge will be to maintain their great momentum. They will also be driving the potential synergies brought to them by the Witchery acquisition.

We expect our Financial Services business to experience an increase in impairment charges to a more normalised level, but at the same time to continue its growth trajectory.

Throughout the WHL Group, there are clear opportunities to consolidate sourcing as we build scale and take on the threat of foreign entrants.

We were fortunate during the year to announce that Ian Moir, our Chief executive, has joined us on a permanent basis. Ian has proved to be an outstanding CEO. He has a deep understanding of our brands and our value system. He has delivered real value to shareholders and gives a clarity of leadership that is greatly appreciated by his Exco teams, his staff and suppliers alike.

Given all of this, we have a conservative but positive view for the year ahead. The application of our values, the progress of our Good Business Journey, our strength of management, our wonderful staff in our stores and distribution centres, our powerful supplier relationships, all in turn give us confidence in predicting sustainable growth well into the future.



**SIMON SUSMAN**



## OUR CEO'S REPORT

This year's landmark acquisition of the Australian Witchery and Mimco businesses by our Australian Country Road business demonstrates our strategic intent to grow and create value by leveraging scale from our strong South African base across a group that now comprises more than 900 stores in 17 southern hemisphere countries.

While our strategic objectives are aimed at driving growth and shareholder value, our Good Business Journey ensures that what we do is right both socially and environmentally.<sup>1</sup> Every choice we make is tested against our values, as these are the foundations upon which we have built our success up until now. Although these values are deeply entrenched they cannot be – and are not – taken for granted.

## WE HAVE THE RIGHT STRATEGIES IN PLACE AND ARE EXECUTING THEM SUCCESSFULLY.



In South Africa, our Woolworths WRewards loyalty programme continues to provide focus to our propensity-based direct marketing activity, giving us the ability to introduce customers to new products and reward their loyalty with innovative benefits, such as instant in-store savings and special event vouchers. The programme is a fundamental part of both the Food and Clothing and General merchandise businesses, tracking 67% of revenue through 3 million active cardholders.

Since 2009, we have achieved compound annual revenue and profit growth of 13% and 26% respectively, confirming that we have the right strategies in place and are executing them successfully.

### GROUP PERFORMANCE

The strong sales growth experienced in the first half of the year continued through into the second half despite the pressure on the SA consumer. The inclusion of Witchery in the second quarter further boosted sales, with total sales growth of 21.3% for the 52-week period.

Sales growth was leveraged by improved gross margins in all business segments, delivering profit growth of 25.1%, with the impact of the 53rd week adding 2% to 27.1%.

Return on equity is now the highest it has been, at 50.7%.

### WOOLWORTHS CLOTHING AND GENERAL MERCHANDISE

Clothing and General merchandise sales grew by 12.3% (52-weeks: 10.1%) with clothing market share unchanged from last year at 15.4%. Gross margin improved from 44.5% to 46.4% – the result of low markdowns from a successful summer season together with the continued benefits from improved sourcing.

Our ambition is to become a leading apparel retailer in the southern hemisphere, driven by the ongoing execution of improved sourcing models aimed at shortening merchandising cycles to provide more newness, more often, in stores. Quality and innovation remain central to the sourcing strategy, as well as ensuring that our customer recognises great value.

The development of our own relatively new brands RE: and Studio W continues to improve with the establishment of a new department to ensure the creation of comprehensive and well-articulated modern collections, helping to attract younger, black customers.

The classic customer remains as important as ever and after seeing some improvement during the past year, we have clear plans to ensure that we strengthen our position in this customer category.

### WOOLWORTHS FOOD

Food sales grew by 15.4% (52-weeks: 13.3%), well ahead of market growth of 7.1%.

Our supermarket strategy continued to show success, while our core produce and protein departments also performed well. The supermarket strategy is aimed at creating a bigger food business by capturing a greater share of our loyal customers' food shop. Our customers saw more products and more choice added during the year. Approximately 90% of the segment's sales are sold under our own premium private label. Our deeply integrated relationships with our suppliers provide us with significant strategic advantages that enable us to consistently deliver quality and innovation to our customers, allowing us to constantly build upon our reputation as a food authority within the South African food retail environment.

In the year ahead, we will offer more branded lines within grocery categories, more choice within all categories, improved price competitiveness with attractive promotional offers and increased bulk value items – all aimed at migrating our existing customers from basket to trolley shopping.

With space growth of 4.9% this year, the supermarket strategy also sees continued space growth in existing stores through expansion as well as the building of bigger new stores that can carry our expanding product catalogue.

### COUNTRY ROAD GROUP

Our Australian business Country Road experienced a marked improvement in sales with its ranges well received by customers. On a comparable basis, sales in Australasia were up 12% against market growth of 2% and the acquisition of the Witchery and Mimco businesses at the beginning of the second quarter added to a highly successful year with turnover growing 68.5% in total.

Looking forward into the new year, the business is excited by the prospect of further profitable growth from all four brands operating with an integrated customer database platform of 2.4 million customers with the added opportunity that exists from the growth and expansion of Witchery and Mimco in South Africa, both in the form of stand-alone stores as well as concessions within Woolworths stores. In addition the enlarged group will continue to focus on extracting the benefits from the integration of its sourcing and operational processes.

## WOOLWORTHS FINANCIAL SERVICES

Our focus throughout the year was on implementing instant credit and credit limit increases in our stores with the introduction of in-store kiosks and point-of-sale technology. Together with the growth in personal loan and credit card products, these initiatives helped achieve total asset growth of 15.8% and net interest income growth – slightly lower than asset growth due to lower interest rates – of 12.0%. Our joint venture relationship with Barclays Africa Group continues to flourish and the business remains extremely well managed with the impairment rate unchanged from last year at 1.9%.

## AFRICA

We continue to take a long-term view on the group's expansion into other countries in Africa. As markets formalise and infrastructure develops, we follow with products and services that fit the market and its price points. We have opened seven new stores in Lesotho, Zambia, Mauritius, Nigeria and Kenya in the past year and our total footprint in Africa now consists of 62 corporate stores in 12 African countries outside South Africa.

To be able to execute our plans effectively, we will have to continue to improve our merchandising and operational capabilities as well as improve our supply chain processes. Discussions to reacquire the franchised operations in Botswana and Namibia ahead of term are ongoing – the consolidation of the region under a single corporate operating model will greatly enhance business efficiencies.

## OMNI-CHANNEL

Digital is without doubt the fastest growing channel in the world. Over time this channel will improve our ability to reach customers as well as enhance their experience and provide them with new ways to shop. In Australia, the group's Country Road online store is expected to generate \$50 million in sales in 2014.

Stepping up our investment in South Africa, we have recently relaunched our improved website and are preparing to move to nationwide delivery as well as giving the customer the ability to click and collect in store. We do not expect online to be a big business in South Africa for some time to come, but our experience in Australia provides us with the insight to know that a tipping point will be reached at some point in the next three to five years.

## OUR GOOD BUSINESS JOURNEY

The Good Business Journey is at the core of the group's South African operations, and encompasses the sustainability ethos of the entire group. It is a comprehensive plan to make a difference in six key challenges facing South Africa and the world at large: social development, transformation, energy, water, waste and sustainable farming.

Our consistent performances on the JSE SRI Index, inclusion in the Dow Jones Sustainability Index and other awards help build our sustainability track record. We believe that our share price growth over the last few years in part reflects the positive long-term impact of this approach.

## OUTLOOK

We believe that economic conditions in South Africa will remain constrained, especially in the lower and middle income segments of the market where consumer debt levels remain under pressure.

In Australia, we expect the market to remain highly competitive as consumer and business confidence remains subdued.

As competition in the retail sector intensifies, we face the challenge with the belief that the group's market positions in both South Africa and Australasia are both well entrenched and growing in strength and that we retain advantages of local market and customer knowledge in addition to the group's differentiated core strengths of quality and innovation.

IAN MOIR

**DIGITAL IS WITHOUT DOUBT THE FASTEST GROWING CHANNEL IN THE WORLD.**



Woolworths, Parkview



Woolworths, Parkview

## FINANCIAL RESULTS

The Group statement of comprehensive income, financial position and changes of equity have been extracted from the Group Annual financial statements. An analysis of the salient features is included in the Finance director's report.

### GROUP STATEMENT OF COMPREHENSIVE INCOME

	53 weeks to 30 June 2013 Rm	52 weeks to June 24 2012 Rm
<b>Revenue</b>	<b>35 399</b>	<b>28 813</b>
<b>Turnover</b>	<b>35 227</b>	<b>28 604</b>
<b>Cost of sales</b>	<b>21 674</b>	<b>18 419</b>
<b>Gross profit</b>	<b>13 553</b>	<b>10 185</b>
Other revenue	115	127
<b>Expenses</b>	<b>10 199</b>	<b>7 625</b>
Store costs	6 828	5 165
Other operating costs	3 371	2 460
<b>Operating profit</b>	<b>3 469</b>	<b>2 687</b>
Investment income	57	82
Finance costs	68	38
<b>Profit before earnings from joint ventures and associate</b>	<b>3 458</b>	<b>2 731</b>
Earnings from joint ventures	180	133
Earnings from associate	9	6
<b>Profit before tax</b>	<b>3 647</b>	<b>2 870</b>
Tax	1 009	811
<b>Profit for the year</b>	<b>2 638</b>	<b>2 059</b>
<b>Other comprehensive income:</b>		
Amounts that may be reclassified to profit or loss		
Fair-value adjustments on financial instruments	128	38
Deferred tax on fair-value adjustments on financial instruments	(40)	(17)
Exchange differences on translation of foreign subsidiaries	92	117
<b>Other comprehensive income for the year</b>	<b>180</b>	<b>138</b>
<b>Total comprehensive income for the year</b>	<b>2 818</b>	<b>2 197</b>
<b>Profit attributable to:</b>		
Shareholders of the parent	2 638	2 059
Non-controlling interests	2 597	2 048
	41	11
<b>Total comprehensive income attributable to:</b>	<b>2 818</b>	<b>2 197</b>
Shareholders of the parent	2 748	2 167
Non-controlling interests	70	30
<b>Headline earnings per share (cents)</b>	<b>340.4</b>	<b>267.3</b>
<b>Earnings per share (cents)</b>	<b>337.9</b>	<b>269.2</b>
<b>Diluted headline earnings per share (cents)</b>	<b>333.8</b>	<b>260.6</b>
<b>Diluted earnings per share (cents)</b>	<b>331.3</b>	<b>262.4</b>

### GROUP STATEMENT OF FINANCIAL POSITION

	At 30 June 2013 Rm	At June 24 2012 Rm
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	6 778	5 011
Investment properties	2 683	2 225
Intangible assets	43	106
Investment in associate	2 440	1 219
Investment in joint ventures	60	51
Prepaid employment costs	713	616
Participation in export partnerships	–	13
Other loans	38	49
Deferred tax	83	89
	718	643
	5 347	5 034
<b>Current assets</b>		
Inventories	2 901	2 216
Trade and other receivables	668	631
Derivative financial instruments	211	41
Tax	5	1
Cash and cash equivalents	1 562	2 145
Non-current assets held for sale	63	–
	12 188	10 045
<b>TOTAL ASSETS</b>		
<b>EQUITY AND LIABILITIES</b>		
<b>Equity attributable to shareholders of the parent</b>	5 619	4 465
Share capital	1	1
Share premium	431	94
Treasury shares	(1 357)	(1 344)
Non-distributable reserve	429	351
Distributable reserves	6 115	5 363
<b>Non-controlling interests</b>	285	107
<b>TOTAL EQUITY</b>	5 904	4 572
<b>Non-current liabilities</b>		
Interest-bearing borrowings	1 908	1 177
Operating lease accrual	705	25
Post-retirement medical benefit liability	487	457
Deferred tax	356	335
	360	360
<b>Current liabilities</b>	4 376	4 296
Trade and other payables	3 837	3 172
Provisions	297	230
Derivative financial instruments	8	16
Tax	107	368
Interest-bearing borrowings	127	510
	6 284	5 473
<b>TOTAL LIABILITIES</b>		
<b>TOTAL EQUITY AND LIABILITIES</b>	12 188	10 045



## GROUP STATEMENT OF CHANGES IN EQUITY

	Attributable to			owners of the parent							Total Rm	
	Share capital Rm	Share premium Rm	Treasury shares Rm	Non- distributable reserve		Distributable reserves			Retained profit Rm	non-controlling interest Rm	Non-controlling interest Rm	
				Foreign currency translation reserve Rm	Share-based payments reserve Rm	Financial instrument revaluation reserve Rm						
<b>Shareholders' interest at 26 June 2011</b>	1	94	(1 333)	251	525	(23)	4 493	4 008	85	4 093		
Profit for the year	–	–	–	–	–	–	2 048	2 048	11	2 059		
Other comprehensive income	–	–	–	100	–	19	–	119	19	138		
Total comprehensive income for the year	–	–	–	100	–	19	2 048	2 167	30	2 197		
Shares repurchased and cancelled	–	–	–	–	–	–	(286)	(286)	–	(286)		
Shares repurchased	–	–	(369)	–	–	–	–	–	(369)	–	(369)	
Share repurchase costs	–	–	–	–	–	–	(1)	(1)	–	–	(1)	
Dividends to shareholders	–	–	–	–	–	–	(1 299)	(1 299)	(14)	(1 313)		
Share-based payments	–	–	–	–	245	–	–	245	–	245		
Settlement of share-based payments	–	–	358	–	(35)	–	(323)	–	–	–	–	
Non-controlling interest arising on business acquisitions	–	–	–	–	–	–	–	–	6	6		
<b>Shareholders' interest at 24 June 2012</b>	1	94	(1 344)	351	735	(4)	4 632	4 465	107	4 572		
Profit for the year	–	–	–	–	–	–	2 597	2 597	41	2 638		
Other comprehensive income	–	–	–	78	–	73	–	151	29	180		
Total comprehensive income for the year	–	–	–	78	–	73	2 597	2 748	70	2 818		
Shares issued	–	337	(337)	–	–	–	–	–	–	–	–	
Shares repurchased	–	–	(192)	–	–	–	–	(192)	–	(192)		
Share repurchase costs	–	–	–	–	–	–	(1)	(1)	–	(1)		
Dividends to shareholders	–	–	–	–	–	–	(1 640)	(1 640)	–	(1 640)		
Share-based payments	–	–	–	–	239	–	–	239	–	239		
Settlement of share-based payments	–	–	516	–	(69)	–	(447)	–	–	–	–	
Non-controlling interest arising on business acquisitions	–	–	–	–	–	–	–	–	108	108		
<b>Shareholders' interest at 30 June 2013</b>	1	431	(1 357)	429	905	69	5 141	5 619	285	5 904		

	2013	2012
<b>Dividend per share declared for the financial year (cents)</b>		
<b>Ordinary shares</b>	234.0	198.0
Interim	86.0	75.0
Final	148.0	123.0
<b>Preference shares</b>	207.0	121.0
Interim	59.0	36.0
Final	148.0	85.0

## OUR FINANCE DIRECTOR'S REPORT

The strong sales growth experienced in the first half of the year continued through into the second half despite the pressure on the SA consumer. The inclusion in the second quarter of the Group's Australian acquisition, Witchery, further boosted sales for the 53 weeks to 30 June 2013, which increased by 23.2% over the 52-week period in 2012.

Sales growth was leveraged by improved gross margins in both the South African and Australian clothing businesses, delivering group profit before tax growth of 27.1%.

Included in earnings and headline earnings are transaction and integration costs of R77 million (June 2012: R27 million) relating to the acquisition of the Witchery Group, one-off store employee

restructuring costs of R43 million and net unrealised foreign exchange gains of R67 million (June 2012: R43 million), all stated before tax.

Return on equity (adjusted for unrealised foreign exchange gains and losses) increased from 46.4% at 24 June 2012 to 49.7% at 30 June 2013.

The total dividend for the year increased by 18.2% to 234.0 cents per share. This is lower than the increase in earnings due to the fact that the STC saving was accrued and paid out in last year's enhanced dividend. This year's dividend is based on the group's stated dividend cover of 1.45 times earnings.

## SALES GROWTH WAS LEVERAGED BY IMPROVED GROSS MARGINS



## 53 WEEK COMPARISON

Headline earnings per share (HEPS) and earnings per share (EPS) for the 53-week period to 30 June 2013 were 27.3% and 25.5% higher than the corresponding 52-week reporting period. HEPS is 2.7% higher when adjusted for these non-core items.

Fig 8: Earnings per share

Earnings per share 53:52 weeks	53 weeks to 30 June 2013 cents	52 weeks to 24 June 2012 cents	Change %
HEPS	340.4	267.3	27.3
EPS	337.9	269.2	25.5
Adjusted HEPS	345.5	265.7	30.0
Diluted HEPS	333.8	260.6	28.1
Diluted EPS	331.3	262.4	26.3
Adjusted diluted HEPS	338.7	259.0	30.8

## 52 WEEK COMPARISON

The group manages its retail operations on a 52-week basis and, as a result, a 53rd week is required approximately every six years for realignment. The group's earnings are approximately 2% higher this year as a result of this additional week.

To facilitate comparison against the 52-week prior year, the remainder of this report is based on pro forma 52-week financial information.

On this basis, and as shown in the following table, HEPS and EPS for the pro forma 52-week period were 25.3% and 23.5% higher than the corresponding 52-week prior year and diluted HEPS and diluted EPS were 26.0% and 24.2% higher respectively. Dilution arises from share options granted in terms of employee share option schemes.

Fig 9: Earnings per share

Earnings per share 52:52 weeks	52 weeks to 30 June 2013 cents	52 weeks to 24 June 2012 cents	Change %
HEPS	334.9	267.3	25.3
EPS	332.4	269.2	23.5
Adjusted HEPS	340.0	265.7	28.0
Diluted HEPS	328.4	260.6	26.0
Diluted EPS	325.9	262.4	24.2
Adjusted diluted HEPS	333.4	259.0	28.7

Fig 10: Segmental Performance

Group results Divisional contribution 52:52 weeks	2013 Rm	2012 Rm	Change %
Woolworths Clothing and General merchandise	1 816	1 611	12.7
Woolworths Food	1 043	884	19.9
Country Road Group	588	185	>100
WFS JV	180	133	35.3
Woolworths Treasury	16	41	(61.0)
Adjusted profit before tax	3 643	2 854	27.6
Adjustments	(53)	16	
Profit before tax	3 590	2 870	25.1

## WOOLWORTHS CLOTHING AND GENERAL MERCHANDISE

Fig 11: Clothing and General merchandise Income Statement

52:52 weeks	2013 Rm	2012 Rm	Change %
Sales	10 552	9 585	10.1
Cost of sales	5 659	5 321	6.4
Gross profit	4 893	4 264	14.8
Other revenue	14	21	(33.3)
Expenses	3 096	2 677	15.7
Store costs	1 890	1 674	12.9
Other operating costs	1 206	1 003	20.2
Operating profit	1 811	1 608	12.6
Earnings from associate and joint venture	5	3	66.7
Adjusted profit before tax	1 816	1 611	12.7
Adjustments	43	36	
<b>Profit before tax</b>	<b>1 859</b>	<b>1 647</b>	<b>12.9</b>

Woolworths Clothing and General merchandise sales grew by 10.1% on a 52-week basis.

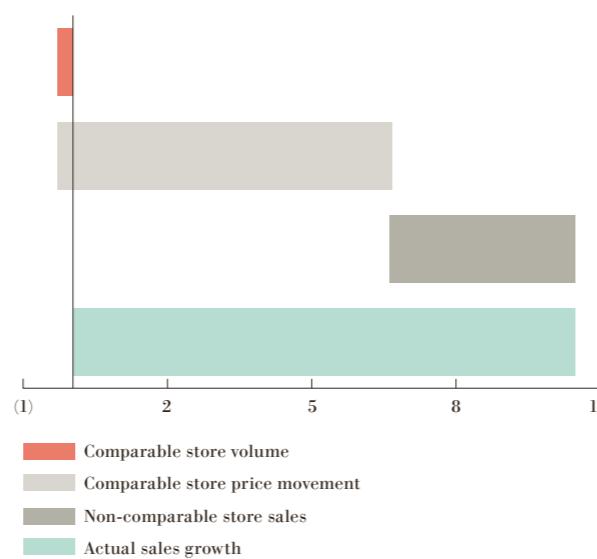
Clothing sales grew by 13.7% with price movement of 7.1% (comparable store sales increased by 9.3%) with market share unchanged from last year at 15.4%. General merchandise grew by 7.2% and by 3.0% in comparable stores.

Gross profit margins improved from 44.5% to 46.4% as we continued to generate benefits from improved sourcing and inventory management.

Total expenses (excluding store employee restructuring costs and unrealised foreign exchange movements) increased 15.7%, impacted only by new stores and non-comparable costs with comparable store cost growth of 5.8%. Adjusted profit before tax grew by 12.7% and operating profit margin increased to 17.2% from 16.8% last year.

Net new store footage of 9,943m<sup>2</sup> (2.6%) was added during the year.

Fig 12: Clothing and General merchandise sales growth 52:52 weeks (% on last year)



## WOOLWORTHS FOOD

Fig 13: Food Income Statement

52:52 weeks	2013 Rm	2012 Rm	Change %
Sales	17 149	15 140	13.3
Cost of sales	12 758	11 323	12.7
Gross profit	4 391	3 817	15.0
Other revenue	74	84	(11.9)
Expenses	3 426	3 020	13.4
Store costs	2 269	2 056	10.4
Other operating costs	1 157	964	20.2
Operating profit	1 039	881	17.9
Earnings from associate and joint venture	4	3	33.3
Adjusted profit before tax	1 043	884	18.0
Adjustments	(23)	(7)	
<b>Profit before tax</b>	<b>1 020</b>	<b>877</b>	<b>16.3</b>

Our supermarket strategy, which is aimed at capturing a greater share of our loyal customers' food shop, continued to show success, while our core produce and protein departments also performed well.

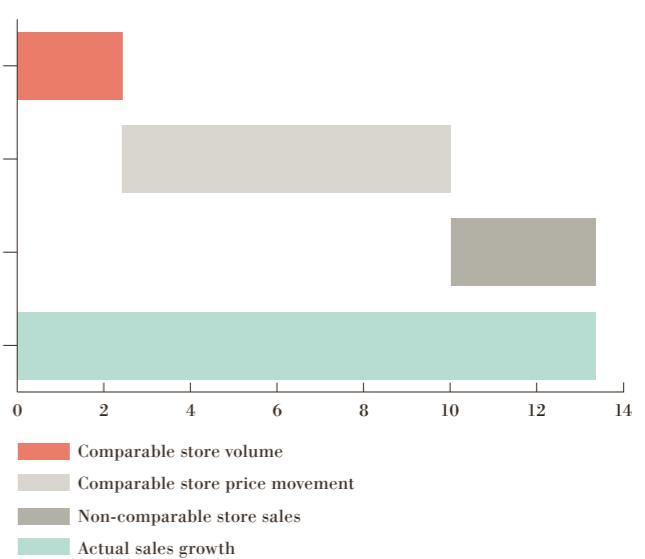
Food sales grew by 13.3% on a 52-week basis, well ahead of market growth of 7.1% growing at an annualised 15.3% in the second half compared to first-half growth of 11.1%. Price movement was 7.6%.

Sales in comparable stores grew by 10.0%.

Gross profit margins improved from 25.2% to 25.6% as a result of ongoing value chain optimisation.

Expenses (excluding the impact of store employee restructuring costs) increased 13.4% with core expense growth impacted only by new stores and non-comparable costs. Comparable store costs increasing by 5.4%. Adjusted profit before tax grew by 18.0% and operating profit margin increased to 6.1% from 5.8% last year.

Fig 14: Food Sales Growth 52:52 weeks (% on last year)



Net new store footage of 7 775 m<sup>2</sup> (4.7%) was added during the year.

We have reset our medium-term operating profit margin target from 6% (which we intended to reach by 2014) to 7% to achieve by 2016.

We plan to add 24% new space to Food over the next three years.

**10.1%**  
Sales up

**13.3%**  
Sales up

## COUNTRY ROAD GROUP

Fig 15: Country Road Group Income Statement

52:52 weeks	2013 A\$m	2012 A\$m	Change %
Sales	706	419	68.5
Cost of sales	269	169	59.2
Gross profit	437	250	74.8
Other revenue	3	3	-
Expenses	373	231	61.5
Store costs	284	179	58.7
Other operating costs	89	52	71.2
Operating costs	67	22	>100
Investment income	2	1	100.0
Finance costs	5	1	>100
Adjusted profit before tax	64	22	>100
Adjustments	(8)	(1)	
<b>Profit before tax</b>	<b>56</b>	<b>21</b>	<b>&gt;100</b>

On 2 October 2012, Country Road acquired all the ordinary shares of Witchery Australia Holdings Proprietary Limited (The Witchery Group) from Gresham Private Equity for a total value of R1 555 million (A\$180.9 million). The Witchery Group operates under both the Witchery and Mimco brands.

The acquisition transforms the Country Road Group into one of Australia's largest speciality fashion retailers with complementary brands and a market-leading position in the mid to upper tier of the market. In addition, Country Road's scalable information systems and business process infrastructure are planned to deliver significant operating cost synergies to the enlarged group.

Reflecting the acquisition of the Witchery Group and improved trading conditions, Australasian sales were up 77.7% (in Australian dollar terms) with comparable store sales up 12.0%. South African (rand denominated) sales were up 29.1% (with comparable store

A\$64 million

Adjusted profit before tax

sales up 13.8%) where the Country Road and Trenery brands continue to perform very well. Overall, the segment's sales increased 68.5% in Australian dollar terms.

Ongoing focus on cost and inventory management ensured that operating profit margin was leveraged to 9.5%, with adjusted profit before tax increasing to A\$64 million.

Return on equity increased from 18.5% to 30.2% in Australian dollar terms due to the improved operating performance. Country Road's balance sheet includes goodwill, trademarks and brands of A\$148 million.

The business continues to be run in a highly efficient manner, with operating profit margin targeted at 12% in the medium term.

We plan to add 20% new space over the next three years which includes the introduction of the Witchery and Mimco brands to South Africa in the form of stand-alone and Woolworths concession stores.

## WOOLWORTHS FINANCIAL SERVICES (WFS)

The joint venture with Barclays Africa Group showed consistent growth throughout the year. The average book was 13.0% higher, and ended the year 15.8% ahead of the previous year. New point-of-sale and in-store kiosks came on-stream in July 2012 and have enhanced our capacity to process credit applications and credit limit increases.

The business operates three key products – the In-Store Card that can be used only for purchases in Woolworths stores, Woolworths' Visa Credit Cards, and Personal Loans. In addition to the yield on these assets, the business generates insurance and other non-interest revenues in line with the regulations of the National Credit Act, 34 of 2005.

Interest income increased 9.6% to R1 250 million although the gross yield on assets contracted from 17.6% to 17.0% due to the reduction in interest rates governed by the National Credit Regulator. However, borrowing costs also declined and, with funding levels well managed, the net interest margin declined by just 0.2% to 12.2% yielding R898 million, an increase of 12.0% on last year.

The impairment charge (comprising bad debts written off during the year as well as the movement in the provision for doubtful debts) remained unchanged at 1.9%. We expect impairments to increase to between 4% and 5% as the book grows.

The yield on the book after the impairment charge is taken into account is the "risk-adjusted yield". The yield decreased from 10.5% to 10.4%, while still increasing the risk-adjusted margin by 11.9% to R760 million.

Non-interest revenue grew by 20.1% as a result of increased revenues from the growing credit card portfolio.

Fig 16: Woolworths Financial Services Income Statement

	2013 Rm	% to book	2012 Rm	% to book	Change %
Interest income	1 250	17.0	1 140	17.6	9.6
Interest paid	352	4.8	338	5.2	4.1
Net interest income	898	12.2	802	12.4	12.0
Impairment charge	138	1.9	123	1.9	12.2
Risk-adjusted margin	760	10.4	679	10.5	11.9
Non-interest revenue	555	7.6	462	7.1	20.1
Operating costs	816	11.1	757	11.7	7.8
<b>Profit before tax</b>	<b>499</b>	<b>6.8</b>	<b>384</b>	<b>5.9</b>	<b>29.9</b>
Financial Services assets (average)	7 332		6 490		
Return on equity	27.6%		23.1%		
Joint venture profit before tax	499		384		
Taxation	139		118		
Profit after tax	360		266		
Less 50%	180		133		
<b>Equity accounted</b>	<b>180</b>		<b>133</b>		

Expenses grew 7.8% as a result of further investment in collection effectiveness and book growth initiatives.

Profit before tax grew by 29.9%, with the profit to book ratio increasing to 6.8%, from 5.9% a year earlier.

The book has a gearing ratio of 84.0% funded by ABSA at a three month JIBAR-linked rate. This gearing leveraged the operating ratio to generate a return on equity of 27.6%, ahead of the joint venture's 2016 medium-term target of 22%.

Book growth

15.8%

## TREASURY OPERATIONS AND CASH POSITION

The business remains extremely cash generative, with cash generated by operating and joint venture activities of R4 581 million.

Tax paid amounted to R1 140 million.

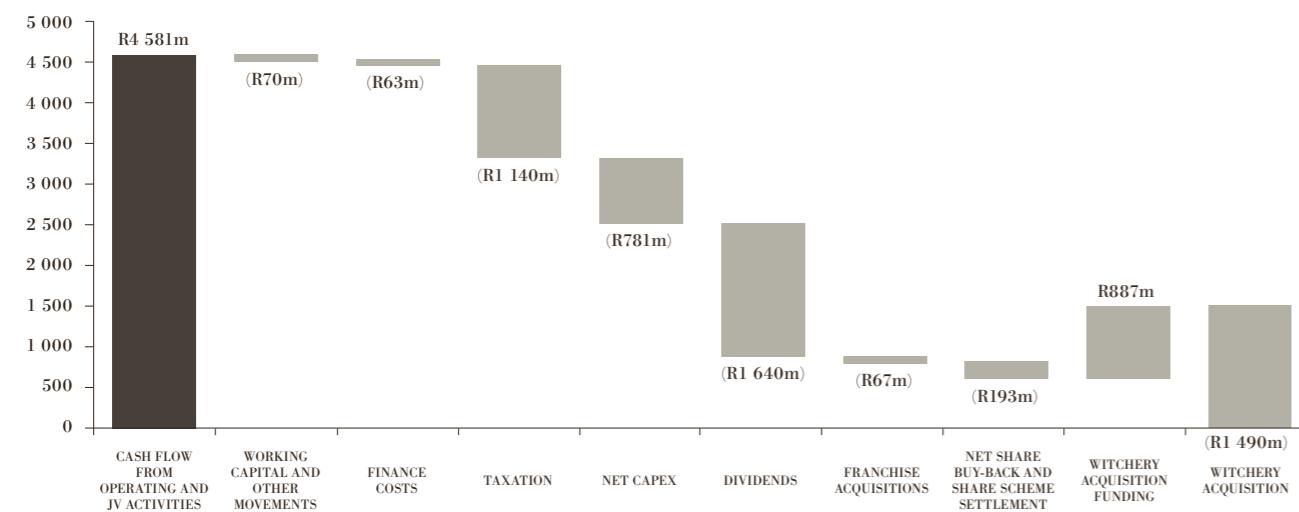
The net cash outflow on capital expenditure, which is explained in more detail below, amounted to R781 million.

The Group's R1.5 billion acquisition of the Australian Witchery Group was funded by a rights issue by the Country Road Group that raised R96 million (A\$11 million) from minorities of the group and by a five-year amortising term loan of R791 million (A\$92.0 million) through a Senior Syndicated Facility Agreement.

The Group's dividend policy of an annualised coverage ratio of 1.45 times headline earnings per share is designed such that the Group operates on a broadly "cash-neutral" basis.

The Board also considers the appropriateness of special dividends or share repurchases if no other opportunities present themselves for the utilisation of excess cash.

Fig 17: Cash generation (R million)



## TAXATION

The Group's effective tax rate decreased from 28.3% to 27.7%, mainly due to the cessation of Secondary Tax on Companies.

## CAPITAL EXPENDITURE

The Group invested R862 million (including accruals) in property, plant and equipment, R362 million on the Woolworths store development programme, R141 million on the Country Road Group's store development and integration projects (excluding the Witchery acquisition itself), R230 million on Woolworths IT projects and R129 million on other Woolworths infrastructure projects.

## FINANCIAL RISK MANAGEMENT

Financial risks related to funding (liquidity and counterparty risks), interest rate risk and foreign exchange risk are managed by treasury committees both in South Africa and in Australia. The committees meet on a regular basis. Short and long-term funding requirements are assessed in order to optimise funding structures.

Liquidity risk associated with borrowings is managed by staggering the timing of maturities of borrowings and maintaining appropriate short-term committed and uncommitted banking facilities.

Unutilised banking facilities total R3 025 million at June 2013 (2012: R2 710 million).

Interest-bearing borrowings carry interest rate risk. As part of the process of managing the group's fixed and floating rate borrowings mix, the interest rate characteristics of new borrowings and refinancing of existing borrowings are positioned according to expected movements in interest rates.

It is the group's policy to cover all foreign currency exposures arising from the acquisition of goods and services with forward exchange contracts.

Both Woolworths and Country Road manage their foreign exchange exposures using aggregate pools to provide effective economic hedges for foreign currency exposures. However, due to the complexity in documenting the relationship between hedging instruments and hedged items required in terms of IAS 39, hedge accounting is not applied to the South African operations.

## ACCOUNTING STANDARDS

The annual financial statements have been prepared in accordance with International Financial Reporting Standards.

Various IFRS, IFRIC interpretations and amendments were adopted during the current year. These standards and amendments had no impact on the group's reported results. Details can be found in note 1 on page 34 of the annual financial statements. All additional disclosures required by these standards have been provided for both the current and comparative period.

## PROSPECTS AND FINANCIAL TARGETS

We believe that economic conditions in South Africa will remain constrained, especially in the lower and middle-income segments of the market where consumer debt levels remain under pressure.

Trading for the first eight weeks of the new financial year has been positive both in South Africa and Australia.

Attention will also continue to be given to improving underperforming stores by a critical analysis of costs and operational activities (especially those that impact availability and food waste). During the year, underperforming stores reduced from 6.6% to 3.7% of space. In Head Office, detailed cost-to-sell ratios continue to be set for all departments.

The group's effective tax rate in 2014 is expected to be 28%.

Capital expenditure is expected to be approximately R1.4 billion per year for the next years, which takes into account the rollover of unspent capital expenditure during 2013.

The capital expenditure programme, together with the group's revised dividend cover of 1.45 times HEPS is expected to result in the maintenance of a broadly neutral cash position.

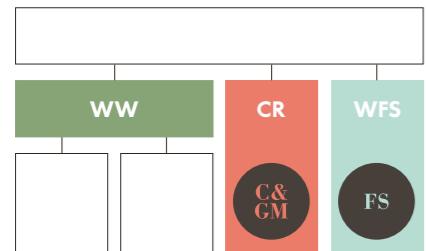


# THE GOOD BUSINESS JOURNEY

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76 / Social sustainability  
79 / Environmental sustainability  
81 / Value created

## THE GOOD BUSINESS JOURNEY



**S**ustainability is entrenched in the WHL Group's culture and core to how our customers perceive our offering and brand. This section reports on the sustainability activities of Woolworths, the Country Road Group and our joint venture, Woolworths Financial Services.

The Good Business Journey is the group's comprehensive plan to make a difference in six key areas – all of them challenges facing South Africa and the world at large: transformation, social development, energy, waste, water and sustainable farming.

One of the WHL Group's seven strategic objectives (see page 43) is to embed the Good Business Journey throughout our business. To support this, the Good Business Journey aims to support the following strategies:

- Commercial imperative – realising that all we do is not only good for the environment or people, but drives commercial growth and the future sustainability of our business
- Risk management – managing risks related to people, the environment and in the socio-economic landscape
- Stakeholder engagement and relationships – expectation from our stakeholders that we implement the Good Business Journey in line with our values
- Building our brand

### MANAGEMENT OF THE GOOD BUSINESS JOURNEY

The Good Business Journey objectives and the specific measurements related to each are integrated into the WHL Group's strategic planning cycle and balanced scorecard process. To ensure consistency across our operations, each Woolworths business area has a set of Good Business Journey objectives against which they are measured twice per annum.

The Good Business Journey index was reviewed during the financial year to ensure the ongoing relevance of the weighted system that prioritises all 200-plus indicators and provides a score across each focus area of the Good Business Journey, as well as for each business unit. Updated targets were set across the business through to 2015 as part of our Good Business Journey – Beyond 2012 Programme. Work will start soon on defining a revised set of targets through to 2020.

The total sustainability measurement score for the year 2013 was 90% (2012: 85%).

# 90%

The total WHL sustainability measurement score for the year 2013



### OUR AWARDS

From an external perspective, we measure our Good Business Journey progress internationally by the awards that the group receives, as these provide an independent range of feedback on how stakeholders rate the performance and reputation of the group. During 2013, these included:

- WHL Group was a joint winner of the International Responsible Retailer of the Year Award at the 2012 World Retail Awards – an award we also won in 2008 and 2010
- WHL Group was again included in the Dow Jones World Sustainability Index (one of only five South African listed companies) and the JSE Socially Responsible Investment (SRI) Index for 2012/13
- Woolworths was recognised as one of the Ten Most Innovative Companies in Africa in 2012 by Forbes Magazine
- Woolworths was chosen as the winner in the supplier development category of the Metropolitan Oliver Empowerment Awards
- Woolworths claimed the sustainability business award within the Trade and Services Category for its Farming for the Future programme in the inaugural Nedbank Capital Sustainable Business Awards
- MySchool MyVillage MyPlanet won the "Best Corporate Social Responsibility Initiative Linked to Loyalty" award for their "Doing Good Is Good Business" campaign at The International Loyalty Awards
- Woolworths has been recognised as one of the top six companies in South Africa for performance in reducing carbon emissions by the Carbon Disclosure Project (CDP). Woolworths also achieved a score of 94% in the Carbon Disclosure Leadership Index
- Woolworths Food came first overall in the Orange Index® Benchmark for 2012 – an accolade we have won four times in the past 12 years. Woolworths also won the clothing retail category. The Ask Afrika Orange® Index is the largest and most widely referenced service excellence benchmark in South Africa
- The South African Customer Satisfaction Index SAcs is a national economic indicator of customer satisfaction in the quality of products and services available to household consumers in South Africa. The customer satisfaction score recorded for Woolworths (85.2) is the highest current score for comparable supermarkets in the USA (Publix: 82) and in the UK (Waitrose: 83). Woolworths is the industry leader, scoring 6.2% above the industry average satisfaction score



More detailed reporting can be found in The Good Business Journey report and on our website [www.woolworths.holdings.co.za](http://www.woolworths.holdings.co.za)



DeFynne Nursery is one of the small, local enterprises that have benefitted from our enterprise development scheme. They supply us with a range of indigenous plants, fruit trees, lavender and more.

## SOCIAL SUSTAINABILITY

People are at the core of the WHL Group and create value for stakeholders through the application of their skills, competencies, knowledge and experience – thereby delivering products and services according to the WHL Group's long-term strategy.

Our strategic intent is to establish and drive an employment value proposition (EVP) that will continue to attract, engage and retain the best, diverse talent.

## PEOPLE ARE AT THE CORE OF THE WHL GROUP AND CREATE VALUE FOR STAKEHOLDERS

People management at Woolworths focuses on the following:

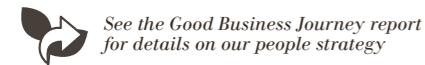
- Attract, develop and retain talent
- Create a future fit business
- Continue our commitment to diversity
- Build a high-performance culture
- Create a values-based culture

We boast a wide range of in-house and external training and development programmes that are designed to help employees deliver our business strategies, foster talent and equip our employees with vital skills and experience.

We are deeply committed to transformation and extend opportunities to learners from disadvantaged backgrounds. There was a significant increase in the number of unemployed graduates that were offered workplace experience across our business, the total number of tertiary students that were offered the opportunity to complete their practicals with us and the total number of unemployed South Africans that were offered bursaries.

During 2013, we also partnered with Western Cape-based FET college lecturers to expose them to the retail industry to create an understanding of the skills required by our sector.

Country Road Group is committed to attracting, developing and retaining an inspired, high performance workforce and providing a safe and healthy workplace.



*See the Good Business Journey report  
for details on our people strategy*

Fig 18: Our employee demographics

	2013	2012
Total employees WHL Group	26 955	27 053
Total Woolworths	23 585	25 693
Total Country Road	3 370	1 360
Woolworths % male	34.5%	34.5%
Woolworths % female	65.5%	65.5%
Woolworths % with disabilities	1.79%	1.83%
Woolworths health and safety – number of injuries on duty	682	778

Fig 19: Woolworths Key social indicators

	2013	2012
Overall BEE level	Level 3 80.45	Level 2 72.93
Equity ownership	7.63	7.89
Management control	9.75	9.7
Employment equity	10.87	12.32
Skills development	13.21	11.00
Preferential procurement	18.99	14.62
Enterprise development	15	12.4
Socio-economic development	5	5
Total CSI contribution	R500.1m	R438m
Surplus product distributed	R448m	R393m
MySchool contribution	R41m	R35m
No of employees trained	24 531	22 538

### EMPLOYEE SATISFACTION

Woolworths and the Country Road Group both measure employee satisfaction. The employee engagement survey, Let's Ask, done annually at Woolworths was completed with a final achievement of 74.1% versus 75.1% last year. This is very good as we have remained in our targeted range, while at the same time increasing the overall response rate to 86.6%.

In Australia, an externally hosted alignment and engagement survey was performed for Country Road Group during 2013. The results of the survey revealed an employee engagement score of 74% and alignment of 56%. The feedback from the survey will be used to further optimise the integration process and for inclusion in the incentive plans and reward systems.

### TRANSFORMATION

Woolworths achieved a Level 3 BBBEE contributor status (2012: Level 4) in anticipation of the imminent changes in the BEE Codes of Good Practice. The following principles are at the heart of our BBBEE strategy:

- True empowerment in line with "the difference" that we strive to be in the South African economy and society. While we ensure compliance with relevant legislation, embracing the spirit of the law is paramount.
- Broad-based beneficiation of our efforts where jobs are created, businesses are grown and communities developed sustainably.
- Commercial relevance to ensure that our involvement is sustainable. Employment equity and skills development, for example, have become a critical aspect of ensuring we have the right and appropriately skilled talent to meet our stakeholders' needs
- Partnerships with our employees, suppliers, business partners, government, development agencies and other organisations to ensure sustainable impact.
- Sustainability of transformation is an integral part of the business through the implementation of a structured governance and organisational developmental approach.

We have launched an automated BBBEE scorecard tool that tracks the impact of transformation using the BBBEE scorecard on a monthly basis and for each business unit. We have come to appreciate the impact of measurement and linking transformation with integrated performance.

### BBBEE EMPLOYEE SHARE OWNERSHIP SCHEME

The BBBEE employee share ownership scheme (BEESOS) was established in July 2007 with the intention of empowering and

benefiting Woolworths' employees. A Board of trustees with a majority of employee representatives is chaired by Dolly Mokgatle.

The trustees exercised the voting rights of the preference shares at the group's annual general meeting. Our BEESOS Trust continues to distribute financial benefits to employee participants, who have collectively received R144.3 million in dividend payments from inception of the Trust to 30 June 2013. The total number of employees who benefited from the BEESOS as at 24 June 2013 was 6 687 compared to 7 157 in 2012. The decrease in numbers is due to labour turnover. The full benefit of the BEESOS will be realised in 2015.

### ETHICAL SOURCING

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. All our suppliers and service providers, 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 2013 compliance target was 95%, and 94% was achieved, a good improvement from previous years, with challenges in the engagement of international suppliers and supplier turnover preventing a score closer to 100%.

Food targeted a 95.5% compliance with the Code of Business Principles for 2013 and achieved 96% compliance over a two-year audit cycle.

In the past year, Woolworths has joined Sedex Information Exchange, which is the world's largest collaborative platform for managing ethical supply chain risk. Sedex is a unique, not for profit and innovative platform, encouraging companies to manage ethical supply chain risk and streamline the challenging process of engaging with multi-tier supply chains.

As most of the Country Road Group's apparel and accessories is sourced offshore, we have to consider the relative social and ethical implications of the manufacturing in those countries. All suppliers must sign our Code of Labour Practice, which is aligned with the International Labour Organisation conventions in relation to ethical trade and the Ethical Trade Initiative base code.

Apparel suppliers undergo regular social compliance audits, which include ensuring they meet all relevant standards of our Code of Labour Practice.

## ENVIRONMENTAL SUSTAINABILITY

### CASE STUDY: WOOLWORTHS TRUST 10-YEAR CELEBRATION

The Woolworths Trust was formed in 2003 to co-ordinate our community development and charity activities. This year the Woolworths Trust celebrates its tenth birthday – a decade of making the difference for others. Over the past ten years, the Woolworths Trust funded programmes that address the vital issues of food security, child vulnerability and education, as well as supporting our own employees' involvement in the community. This includes:

- holding nearly 1 000 EduPlant workshops for 50 000 educators who went back to their schools and started food gardens;
- support for thousands of orphaned children;
- exposing more than 500 under-resourced schools and 35 000 learners in the Eastern Cape and Gauteng to class lessons through the Making the Difference Educational Programme;
- upgrading 11 Heartbeat after-care centres which provided support to over 3 500 children;
- donating 75 water tanks to EduPlant schools;
- supporting thousands of communities impacted by natural disasters with funding and product donations;
- raising awareness of preventable childhood injuries through our campaign (in partnership with Childsafe) "You're Bigger. Be the Adult.";
- donating over R2 million to charities nominated and supported by our employees;
- supporting more than 1 000 needy charities annually by distributing surplus food from our stores.



We remain dedicated to selling products that do not cause harm to the natural world in the way that they are made, and we continue to work with our suppliers to improve farming practices. See our Good Business Journey report for environmental objectives, initiatives, performance and case studies. Our key environmental initiatives at Woolworths include the following:

#### FARMING FOR THE FUTURE

This programme aims to help farmers grow quality produce while protecting the environment, preserving natural resources and reducing dependence on synthetic fertilisers, herbicides and pesticides – all without adding anything to the price the consumer pays. During the past year, 133 of our primary fresh produce and horticulture suppliers were independently audited against our Farming for the Future standard. In 2013, Woolworths won a Nedbank Capital Sustainable Business Award in the category Trade and Services, for our Farming for the Future programme.

#### ANIMAL WELFARE

As retailers, we believe it is our ethical obligation to ensure that our suppliers treat the animals in our supply chain in the most humane way possible. We have now started on a journey, working closely with our supply base and experts in this field, including Conservation International South Africa, the Endangered Wildlife Trust (EWT), Landmark Foundation, Cape Leopard Trust and Cheetah Outreach, which will ultimately see all Woolworths products produced on farms that do not use gin traps, poisons or pack hunting with dogs, or any other indiscriminate method of predator management.

Woolworths also continues to offer South African consumers a wide range of free range and certified organic products, making it easy for shoppers to lead a more comprehensive organic lifestyle, often with little premium.

#### WATER

Woolworths has committed to reducing water usage and managing waste water and water effluent across our own operations, within our supply chain and through collective action, partnerships, research and education.

Good progress has been made against the set targets regarding water usage in Head Office and distribution centres. Through the Farming for the Future programme, we are also working with all our suppliers to understand and manage their water footprint.

#### CARBON FOOTPRINT

Greenhouse gas emissions were calculated for the period 1 January to 31 December 2012 with a focus on the company's South African operations and independently verified by Global Carbon Exchange using the Greenhouse Gas Protocol Corporate Accounting and Reporting Standard published in 2004.

Our carbon footprint calculations for this year include our corporate buildings, all corporate stores in South Africa (including Country Road and Trenery but excluding franchise stores) and five out of seven distribution centres. Total emissions are 3% lower in this report than for the previous year.

Fig 20: Woolworths Key environmental indicators

	2013	2012
Relative water reduction in stores	20%	1%
Free range and organic food sales (excluding Farming for the Future, including free range egg and egg ingredients)	R4 billion	R1 173 million
% of total clothing sales from products containing sustainable fibres/inputs	5%	8%
Produce farmers qualifying for the Farming for the Future programme	98%	95%
Foods packaging reduction (improvements made)	185	105
Number of Woolworths recycling facilities	71	61
Percentage of products with demonstrable water and energy saving attributes (Clothing)	45%	40%

**CASE STUDY: PACKAGING IMPROVEMENTS**

*In line with our revised targets to focus on a certain number of packaging improvements on an annual basis, we have made over 185 packaging improvements in the last year. These improvements include:*

**Woolworths was the first retailer in South Africa to introduce take away coffee cups made with Forest Stewardship Council (FSC) certified board with certified chain-of-custody. All our in-store bakery cartons are also made using FSC board with certified chain-of-custody.**

**FSC**

**Eliminating the sticky labels on our pre-packed rolls and buns resulted in eliminating over 23 000 kg of material each year.**

**23 000 kg**

**The use of rPET in packaging has since been expanded to almost all of our food lines where PET is used in the packaging, eliminating the use of more than 200 000 kg of non-renewable virgin plastic and diverting more than 6 million plastic bottles from landfill annually and recycling them back into our packaging.**

**3 000 kg**

**Reducing the sleeves on our family range of prepared meals, resulted in annual packaging savings of more than 22 000 kg of board.**

**200 000 kg**

**22 000 kg**

**In 2013, Woolworths became the first major South African retailer to use post-consumer recycled milk and juice plastic bottles in packaging by introducing 30% recycled HDPE (recycled High Density Polyethylene) into the packaging of selected Earth Friendly and other Woolworths cleaning products.**

**30%**

**Where food contamination is not a concern, we have made use of cardboard made with at least 80% recycled paper. For example the sleeves for our ready meals.**

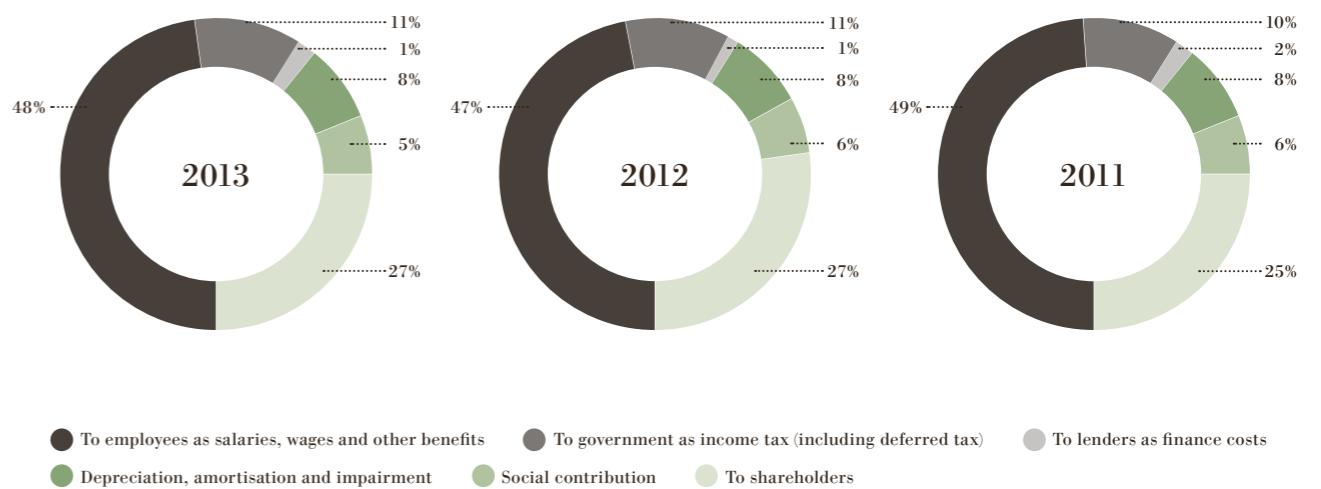
**80%**

**FSC**

## VALUE CREATED

	2013 Rm	2012 Rm	2011 Rm
<b>VALUE CREATED</b>			
Revenue and earnings from joint ventures and associate	35 588	28 952	25 977
Less: Cost of sales	21 674	18 419	16 683
Cost of services and other operating expenses	4 337	3 114	2 871
	9 577	7 419	6 423
<b>DISTRIBUTION OF WEALTH</b>			
To employees as salaries, wages and other benefits	4 636	3 478	3 166
To government as income tax (including deferred tax)	1 009	811	659
To lenders as finance costs	68	38	84
Depreciation, amortisation and impairment	767	606	513
Social contribution	500	438	370
To shareholders: – Earnings retained	957	749	713
– Dividends	1 640	1 299	918
	9 577	7 419	6 423

## DISTRIBUTION OF WEALTH



# OUR OPERATIONS

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84 / Woolworths Food

86 / Woolworths Clothing and General merchandise

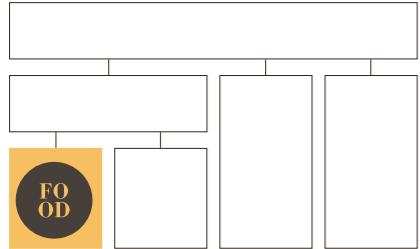
88 / Country Road Clothing and General merchandise

89 / Woolworths Financial Services



Woolworths, Winter 2013

## WOOLWORTHS FOOD



The food segment's strategic objective is to become a big foods business. To achieve this, we are doing the following:

- Grow our ranges to offer a complete shop
- Continue to invest in price and ensure our value proposition is compelling
- Continue to build on our strengths, in particular fresh produce
- Roll out larger-format stores

For Woolworths to be the destination of choice for grocery shoppers in the upper living standards measure, we have been extending our ranges, expanding stock-keeping units, offering more branded goods, introducing more bulk, investing in price and expanding space.

Although the Woolworths private label remains our priority, we have increased our catalogue to include more of the top national brands that contribute to our complete shop while still adhering to our brand values and quality standards.

We added a number of grocery SKU's to our food offering and expanded our total food space to 172 000 m<sup>2</sup> during 2013. Price movement in food on average was 7.6%, positioning our food offering as a direct competitor to the other major players in the market.

	2013	2012
Sales	R17 149 million	R15 140 million
Gross profit margin	25.6%	25.2%
Operating profit margin	6.1%	5.8%
Sales growth above market	6.3%	2.0%
Trading space South Africa (including franchise)	172 000m <sup>2</sup>	164 000m <sup>2</sup>
Trading space Africa (excluding franchise)	4 000m <sup>2</sup>	4 000m <sup>2</sup>
Availability: perishables	86%	84%
% of Food products with a sustainability attribute	57.4%	52%

However, our growth and expansion has not been to the detriment of our Good Business Journey scorecard. We recognise that expansion demands more deliveries, more kilometres and more trucks on the road. Therefore, we have adapted our trucks to use Euro 5 technology, saving an estimated 600 000 litres of diesel per year. We are also saving an estimated 3 000 tonnes of CO<sub>2</sub> each year by using improved refrigeration in our trucks through the eco-fridge project.

We contract with a number of suppliers who provide us with high-quality, safe products. All our suppliers are bound by the Woolworths Code of Business Principles and are regularly assessed against its requirements. The principles require a certain quality of workmanship, that their workforce has to be treated fairly and that any negative impact their operations might have on the environment is minimised.

Food targeted a 95.5% compliance with the Code of Business Principles and achieved 96% compliance over a two-year audit cycle.

In the manufacturing process, we are committed to ensuring that our packaging provides protection, information and promotion of every product. We have set

targets to reduce packaging and have achieved the following:

- 98% of our packaging is broadly recyclable and
- 41.5% 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

As the safety of a large number of our food products depends on optimal storage temperatures being maintained, we take great care to maintain a strict cold chain. The cold chain is the whole process from producer, via the Woolworths distribution system and the Woolworths stores, to our customers. The correct temperature ensures that we increase the product life and avoid any growth of microbial pathogens.

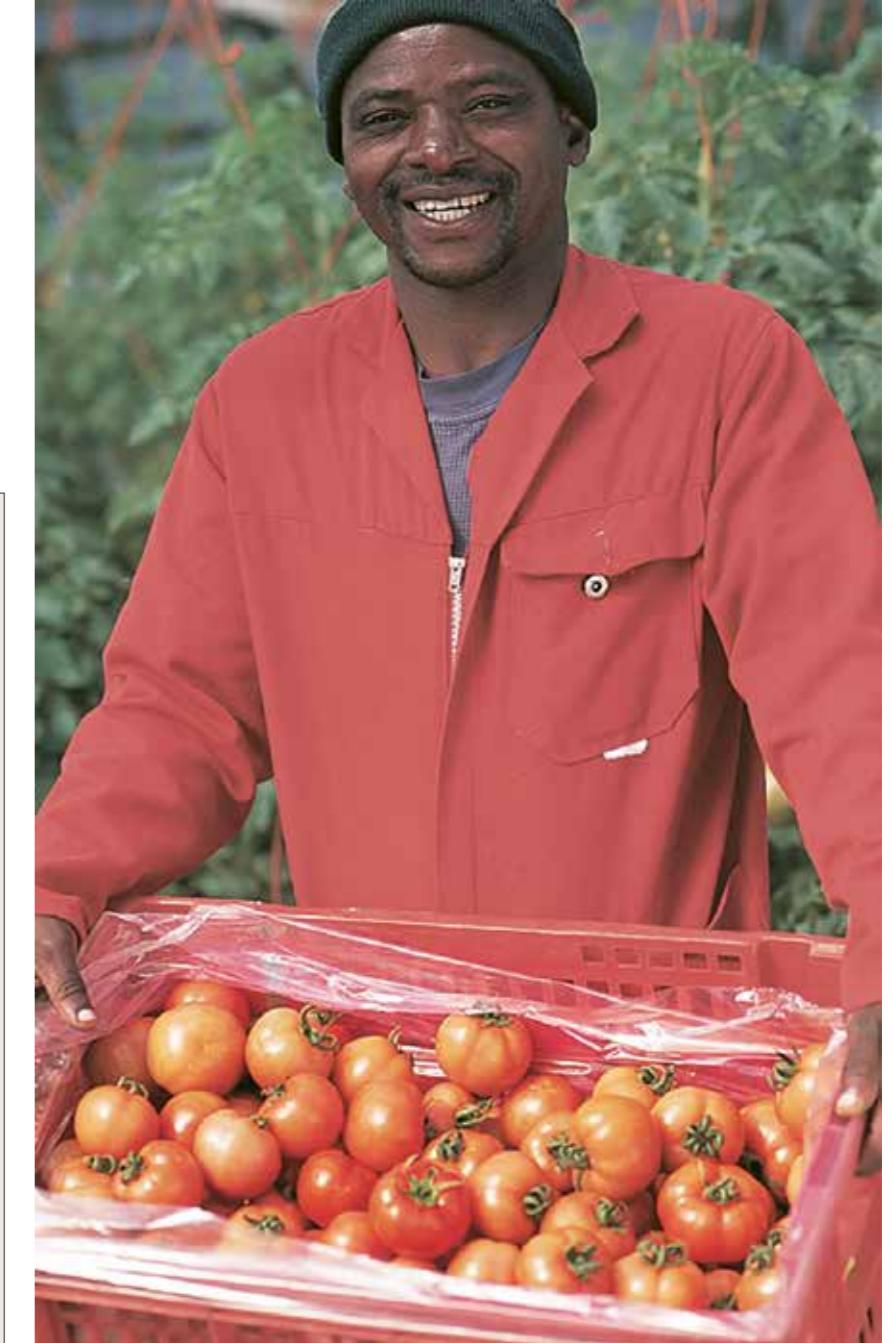
# 98%

of our packaging is broadly recyclable



## FOOD

Also refer to Our Strategy on page 38





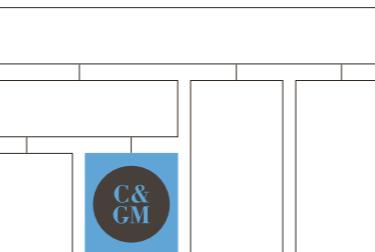
#### CASE STUDY: CHIC SHOES

*When their previous employer shut its doors in 2004, three of the managers took over the machinery and started Chic Footwear. Despite their skills and the hard work of their 95 employees, difficulties with raw materials supply and a shortage of funds stood in their way. When they approached Woolworths it was apparent that some changes were needed before they could supply a world-class leather product at a competitive price. So our buying and design teams stepped in to help with product development. We helped get their production line operating more efficiently. Their raw material suppliers came on board. A loan of R1.9 million financed through the Woolworths Enterprise Development programme, helped them procure fabric and cover operational costs.*

*In November 2011, they delivered their first order of 5 000 pairs of leather pumps to Woolworths. By mid-2012, they'd produced over 100 000 pairs, employed 110 more staff, and had started looking forward to a brighter future. Today they have 250 employees and have produced over 400 000 pairs of leather pumps for Woolworths to date.*



## WOOLWORTHS CLOTHING AND GENERAL MERCHANDISE



	2013	2012
Turnover	R10 552 million	R9 585 million
Gross profit margin	46.4%	44.5%
Operating profit margin	17.2%	16.8%
Market share	15.4%	15.4%
Trading space South Africa (including SA franchise)	359 000m <sup>2</sup>	354 000m <sup>2</sup>
Trading space Africa (excluding franchise)	39 000m <sup>2</sup>	34 000m <sup>2</sup>
Availability: clothing replenishment	88%	85%
% of Clothing products with a sustainability attribute	48%	50%

# 90%

of WHL sales in Africa consist  
of clothing

The South African Clothing and General merchandise segment's strategic objective is to be a leading fashion retailer in the southern hemisphere. To achieve this, we are doing the following:

- Deliver better value
- Enhance fashion credibility
- Deliver speed to market
- Optimise sourcing
- Lead innovation

Although the Clothing and General merchandise segment has been growing in line with the market for the financial year, performance benefited most from sourcing gains, which improved margins. Further gains were also realised following initiatives to improve inventory and optimise stock turn.

Almost 10 000m<sup>2</sup> of additional Clothing and General merchandise space was added during 2013 which contributed to good availability. For the past two years, these initiatives have enabled us to consistently grow our customer base in the higher income brackets, where we have the biggest market share.

We have had great success with Magic and Heat Generation as innovation in our apparel ranges. We will build on these

further and will also launch "Stay New" into key everyday basics

Although the group has an international sourcing capability, we remain proud of the fact that 24% of clothing sourced for the South African segment of the business is South African in origin – a significant contribution to the SA economy. We only consider sourcing abroad where local or regional supplier partners are unable to provide the ideal quality, value and innovation that our customers expect.

We continue to actively support the local clothing industry in our supply chain development initiatives, and have been focusing on speed to market as an important competitive advantage. Local manufacturers are in a better position to respond quickly to changing consumer buying patterns, stock management and fashion trends.

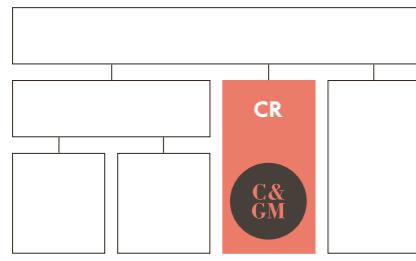
Product safety and ethical sourcing remain our most significant material issues in this segment of the business.

Ninety percent of WHL sales in Africa consist of clothing. During the year, seven new stores were opened in Africa with a further eight stores converted from a franchise operation.



Also refer to Our Strategy on page 36

## COUNTRY ROAD GROUP CLOTHING AND GENERAL MERCHANDISE



	2013	2012
Sales	A\$706 million	A\$419 million
Gross profit margin	61.9%	59.7%
Operating margin	9.5%	5.3%
Return on equity	30.2%	18.5%
Trading space Australasia	87 000m <sup>2</sup>	45 000m <sup>2</sup>
Trading space South Africa	12 000m <sup>2</sup>	11 000m <sup>2</sup>

The Country Road Group owns four brands: Country Road, Witchery, Trenery and Mimco. The acquisition of the Witchery and Mimco brands in October 2012 has created opportunity to build scaleable benefits. In June 2012, the group had 187 stores, by June 2013, it had 479 stores.

The Country Road Group aims to create one of Australia's largest speciality fashion retailers with leading complementary brands and a market-leading position in the mid to upper tier of speciality fashion. This supports the WHL Group's strategic objective to be a leading fashion retailer in the southern hemisphere. To achieve this, we are doing the following:

- Creating one of Australia's most prominent speciality fashion groups
- Clearly defining and growing differentiated brands
- Leveraging the Country Road Group's existing scalable information systems and business processes across the group

The expansion of the WHL Group's presence in Australasia strengthens our southern hemisphere presence and provides a natural rand hedge for the WHL Group. It gives the group greater operational scale, diversified revenue streams and industry-leading margins.

The market segments in which the Country Road Group operates are

highly competitive and customers continue to be discerning in their search for value.

The group has started leveraging Country Road's existing scalable information systems and business processes across the group. At the time of the acquisition, expected synergies were identified as a major focus area, which include supply chain efficiencies, systems integration, administration and shared service efficiencies. Synergies have started to be realised.

Eighteen new Country Road and Trenery stores will be opened in South Africa in the next three years. The Witchery and Mimco brands will be launched in South Africa in early 2014.

Country Road Limited became a signatory to the National Packaging Covenant in

2008, which has aided the company to improve packaging and waste management. Country Road became an Australian Packaging Covenant (APC) Signatory in 2010.

Initiatives under the Country Road Group's improvement plan focus on operational activities in four key areas, all of which are aligned to APC's three goals: improving packaging design; increasing recycling and demonstrating commitment to product stewardship. Country Road's goals include:

- Design better take-home packaging
- Increase sustainable sourcing
- Reduce and recycle
- Communicate progress and lessons effectively

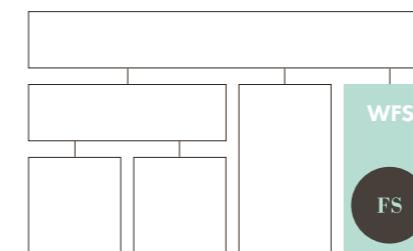
### GOOD BUSINESS JOURNEY CASE STUDY: COUNTRY ROAD

*Bagpac is based in Johannesburg and produces and supplies recyclable paper shopping bags for Trenery and Country Road stores. Bagpac is one of 40 small businesses that have experienced accelerated growth through the Woolworths Enterprise Development Programme. With the majority of luxury shopping bags having been imported for decades, this local supplier is proving that South Africans can innovate and manufacture at a price that is globally competitive while also creating jobs and upskilling other South Africans.*



Also refer to Our Strategy on page 37

## WOOLWORTHS FINANCIAL SERVICES



	2013	2012
Average debtors' growth	15.8%	8.3%
Active accounts	1 927 000	1 870 000
Impairment	1.9%	1.9%
Return on equity	27.6%	23.1%

\*metrics refer to operations as a whole

Accessibility, information and trust in the Woolworths brand are key drivers in growing the book, which continued to gain momentum from the previous year. Impairments have remained low due to strong risk management and collections despite a healthy increase in the book.

Woolworths customers can now access instant credit in nine large stores, and will be able to have this service in a further nine stores by December 2013. In-store applications through new credit kiosks are processed in 15 minutes.

The initiative to extend credit limit increase capability at point of sale continues to do well. 32% of in-store card customers take up this option.

### GOOD BUSINESS JOURNEY CASE STUDY: WOOLWORTHS FINANCIAL SERVICES

*Customers linking their Store Cards to the MySchool MyVillage MyPlanet fundraising programme donate up to 1% of the value of every Woolworths purchase they make to the school of their choice. We have contributed almost R250 million to date to MySchool on behalf of our customers. In 2013 alone we contributed R41 million to the MySchool programme through over 808 900 active MySchool supporters.*



Also refer to Our Strategy on page 41



# OUR CORPORATE GOVERNANCE

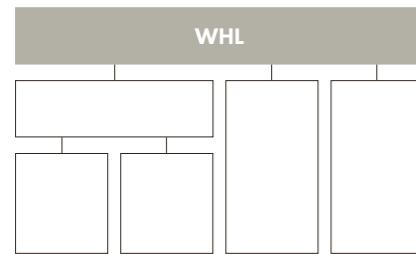
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- 119 / Assurance

*Trenery, Summer 2013*



## OUR CORPORATE GOVERNANCE



The Board of WHL has been designated as the axis around which the execution of the group's corporate governance revolves.

The Board is tasked with directing, administering and controlling the affairs of the company and has a responsibility to manage the activities of the company in a transparent, fair and responsible way.

In doing so, the Board discusses the strategic direction of the group twice a year and engages management on performance against the strategy quarterly. The Board tests the effectiveness and viability of management execution to ensure that the strategic objectives are delivered.

The Board is supported by the nomination, remuneration, social and ethics, sustainability, audit and risk committees to carry out the oversight role of ensuring that the activities of the company are managed in the manner that is consistent with ethical leadership and values of the group.

These committees report quarterly to the Board as to how they carried out their responsibilities and annually assessed their mandates as enunciated in the committees' terms of references.

The Board has appointed Board members to manage and direct its activities at the subsidiary level for Country Road, Africa and Woolworths as well as WFS.

These committees report to the Board on their activities in line with their delegated powers and authorities.



Woolworths, Parkview

### BOARD GOVERNANCE PROCESS

The Board process is managed by the Group Company secretariat department supported by the risk, legal, compliance and governance functions reporting to the Group Company secretariat and Group director: Governance. There are well-entrenched governance structures within the group to ensure proper assurance is given to material, significant strategic and operational matters. These include:

- Real estate board to manage real estate development
- Investment committee to manage approval of capital planning
- Tax committee
- Treasury committee

Each business unit is supported by an Executive leadership team that reviews the strategic objectives, capital initiatives and assesses the risks and identifies opportunities, as well as operational execution of the strategy.

The WHL Board embraces the intent of integrated reporting and considers the full spread of financial and non-financial reporting with a balanced approach to performance and compliance. The Board is committed to transparency and accountability as the fundamentals to safeguard the group's assets and protect value for shareholders.

The Board is of the opinion that the group has applied all significant governance principles and is compliant with all significant Listings Requirements of the JSE. The group has not breached any regulatory requirements and has not failed any statutory obligation.

The Board is also of the opinion that the risk process is effective in continuously identifying and evaluating risks and ensuring that these risks are managed in line with business strategy and tolerance levels. To help us assess that our risk management processes follow best practice, we engaged an

external assurance provider to perform an independent assessment of our risk framework and processes. The output from this review has provided management with opportunities to continuously improve the risk framework and processes. The review indicated that the processes are in line with local South African retail benchmarks.

The WHL Group's values support its approach to governance and drive decision-making in every aspect of the group's operations.

### BOARD GOVERNANCE STRUCTURE

The figure below illustrates the distribution of responsibilities among the different governance parties in the WHL Group. This is the mechanism through which the group monitors the implementation of strategy, policies and the performance.

Fig 21: Board governance structure





#### CASE STUDY: FOURIE'S POULTRY

*In an age when most things seem to happen in an instant, it's refreshing to be reminded of those that don't. Like the partnership we've had with Fourie's Poultry, now in its 57th year.*

*The world was a very different place in 1955 when John Fourie's father Deon began raising chickens on a farm in Wilgeboom, just outside Potchefstroom. During the following year, he began supplying the Woolworths stores in Potchefstroom, Carltonville and Klerksdorp from his capacity of 4 000 chickens a week. By 1969, when John Fourie took over the business, they were also supplying our stores in the greater Johannesburg area.*

*Today, they supply some 60% of our chickens, including some 100 000 free range birds a week, which are produced at a separate facility.*

*More than half a century on, they're still as passionate about delivering the very best quality as they were at the beginning.*

*The Fouries have always been and are committed to our good food policies and to ensuring that all animal welfare policies are followed. They use no routine antibiotics in any of their farmed chickens, adhering to natural growing processes for all their poultry. Deon Fourie, grandson of the man who started it all, is a representative on the advisory committee for legislation concerning free range in South Africa.*

## KING III APPLICATION

The WHL Board takes responsibility for the holistic application of the principles contained in the King III Code, without diluting the group's focus on sustainable performance. Where the Board has deemed that recommended practices are not appropriate for WHL, this report follows King III in explaining the reasons for an alternative approach to and application of governance.

The complete King III register is available on the website [www.woolworthholdings.co.za](http://www.woolworthholdings.co.za). The table below summarises the areas where we have elected to deviate from the recommended application:

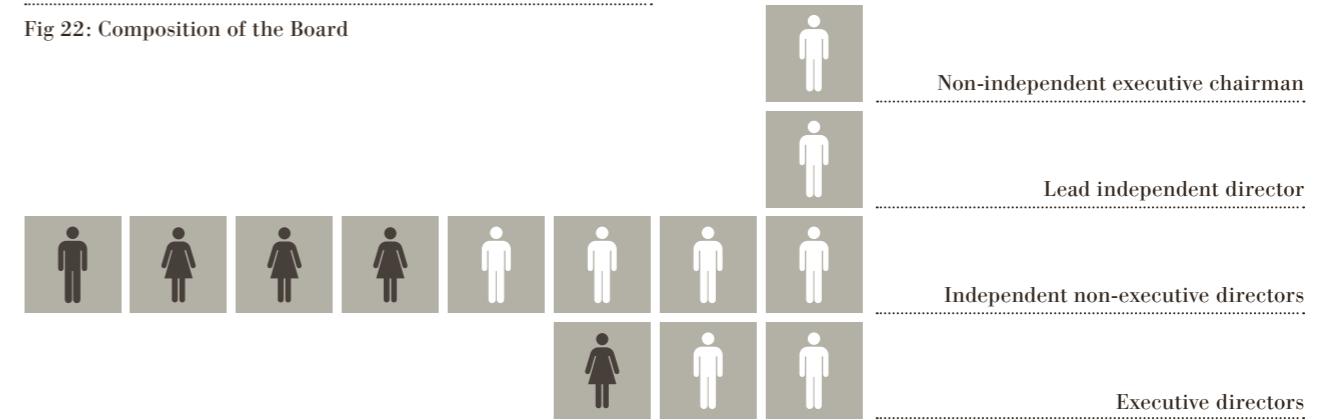
Principle	Rationale
The board should elect a chairman of the board who is an independent non-executive director. The CEO of the company should not also fulfil the role of chairman of the board	See page 96
The evaluation of the board, its committees and the individual directors should be performed every year	See page 96

## OUR BOARD

### ROLE AND FUNCTION

The WHL Board is guided by a charter which is reviewed annually. The charter includes a delegation of authority which states the matters to be dealt with and the delegation of matters by the Board to its committees. There are a number of governance policies that complement the delegation of authority. These policies are reviewed on an annual basis and the Board approves all amendments. The Board charter and key governance policies are available on our website [www.woolworthholdings.co.za](http://www.woolworthholdings.co.za).

Fig 22: Composition of the Board



### COMPOSITION

The group has a unitary Board with a diverse composition. The directors (see page 46 for their profiles) bring a wide range of skills and experience to the Board. No individual director has unfettered powers of decision-making or influence on the Board.

The responsibilities of the Chairman and CEO have been clearly defined and are separate. The Chairman is responsible for providing overall leadership of the Board and ensuring that the Board receives accurate, timely and clear information so as to

ensure that the directors can perform effectively. The CEO is responsible for the execution of the strategy as approved by the Board.

The Nominations committee considers succession and recommends candidates for Board vacancies based on skills, experience and the need to ensure diversity and balance in the composition of the Board.

An appropriate induction programme is in place for new directors. They are provided with all the necessary documents to familiarise themselves with the group and issues affecting the Board. An ongoing programme focuses on existing Board members and aims to create an evolving understanding of the business, governance and compliance environment. This includes site visits to stores, suppliers and distribution centres and is co-ordinated within the quarterly Board meeting schedule.

#### INDEPENDENCE AND TENURE

The independence and performance of all Non-executive directors is reviewed annually by the Chairman. A formal independence test is performed on those directors retiring by rotation at the annual general meeting. The Memorandum of Incorporation states that Non-executive directors may serve for up to a nine-year period subject to rotation. The Board has the discretion to extend the tenure of a director who has served nine-years after being satisfied that the director is still independent and performing his duties to acceptable standards. Mike Leeming and Chris Nissen would have both served on the Board for nine consecutive years and should retire at the 2013 annual general meeting. The Board, at its discretion, has agreed to extend their tenures for an additional year. These two directors chair the Audit, Risk and Social and ethics committees and it was considered key that their directorships be extended to allow for a smooth transition

with the incoming Finance director and management of the Social and ethics committee. Their independence has been assessed and the nominations committee is satisfied that they remain independent.

The Chairman, Simon Susman, is classified as non-independent by virtue of him having held the position of Group chief executive officer within the previous three years. In addition, he holds a number of WHL shares which are material to his wealth. Tom Boardman is the Lead independent director who oversees matters discussed by the Board when the Chairman may, or is perceived to, have a conflict of interest.

#### BOARD EVALUATION

WHL Board and committee evaluations are performed every two years due to the significant amount of time that is committed to these processes and the feedback/implementation of recommendations. An evaluation was performed in April and May 2013 by an independent service provider. The feedback of the results indicated that the WHL Group's strategic direction is clear, that the Board is competent and that the core Board processes are working well. There is an opportunity to include additional expertise, especially in the fields of information technology and its business application as well as Australian and African retail. The streamlining of board documentation and targeted directors' development programmes are areas which can potentially further enhance the Board's functioning.

An informal performance evaluation of individual directors takes place on an ongoing basis. A formal review by the Chairman is done prior to any director being put forward for re-election, and is shared with the Nominations committee and the Board.

#### GROUP SECRETARY

The Board is cognisant of the duties of the Group secretary and has created an environment in which the Group secretary is able to ensure that Board procedures and relevant regulations are fully adhered to. The Group secretary is not a director of the company, but the directors have unlimited access to the advice and services of the Group secretary. The Board assessed and was satisfied that the Group secretary is competent and has the appropriate qualifications and experience required by the Group. The Group secretary's qualifications are outlined on page 23 of the 2013 Notice of AGM and Abridged financial results report. The Board is also satisfied that the Group secretary has maintained an arm's length relationship with the Board. The Group secretary acts as secretary for the committees of the Board.

#### ETHICS AND INTEGRITY

The WHL values (see page 32) determine behaviours and decision-making processes in the group, and form a material part of each employee's performance appraisal process. At Woolworths, the latest annual Let's Ask employee survey has shown that 81% of employees feel positive about Woolworths as an ethical company.

The Woolworths Ethics Programme is supported by corporate policies on gifts, insider trading and conflict of interests. We have a zero-tolerance policy towards fraud, theft, corruption or any similar illegal behaviour. We continue to promote the anonymous tip-off line run by Deloitte.

#### BOARD ATTENDANCE AND ACTIVITIES

MEMBERS	2013 ACTIVITIES	ATTENDANCE	
		Strategy	Board
Simon Susman (c)	<ul style="list-style-type: none"> <li>- Approved the strategy, three-year financial plan and one-year budget for 2014</li> <li>- Discussed and considered material issues relating to execution of strategy</li> <li>- Approved the half-year and year-end financial results and JSE announcements</li> <li>- Elected to take up the rights offer for the issue of shares by Country Road on the acquisition of Witchery Group</li> <li>- Approval of Non-executive directors' fees for tabling at annual general meeting</li> <li>- Considered the declaration of directors' personal financial interests at each meeting</li> </ul>	2/2	4/4
Ian Moir		2/2	4/4
Peter Bacon		2/2	4/4
Lindiwe Bakoro		2/2	4/4
Zarina Bassa		2/2	4/4
Tom Boardman		2/2	3/4
Andrew Higginson		2/2	4/4
Mike Leeming		2/2	4/4
Chris Nissen		2/2	4/4
Stuart Rose		2/2	4/4
Zyda Rylands		2/2	4/4
Thina Siwendu		2/2	4/4
Norman Thomson		2/2	4/4
Sindi Zilwa*		0/1	1/1

(c) denotes Chairman of the Board or committee

\*Sindi Zilwa retired from the Board on 15 November 2012.

Apologies tendered and accepted when absent from meetings



## BOARD COMMITTEES

The role and responsibility of each Board committee are set out in terms of reference which are reviewed on an annual basis and approved by the Board.<sup>1</sup>

In line with the delegated powers and authorities, the committees report quarterly to the Board as to how they have carried out their responsibilities. All committees reviewed their responsibilities and are satisfied that they have carried these out during the year.

### NOMINATIONS COMMITTEE

The nominations committee ensures that there is a proper succession planning for the CEO and the Executive directors. This will ensure that the five-year group strategy is well executed.

MEMBERS	2013 ACTIVITIES	ATTENDANCE
Simon Susman (c)	- Recommended that two directors due to retire after nine years' service continue on the Board for continuity for audit, risk and social and ethics committees	4/4
Tom Boardman		4/4
Mike Leeming	- Reviewed the succession planning for the Group chief executive officer and recommended a change to his contractual obligations with the company	3/4
Chris Nissen	- Managed the external independent Board evaluation process	4/4
Stuart Rose**	- Assessed the competence and expertise of the Group secretary	3/3

\*\* Appointed to committee during the year.

### RISK COMMITTEE

The risk committee is tasked to ensure that all significant risks are identified, evaluated and effectively managed. The metrics that track progress of business units against their strategic objectives are tested and verified. These form the basis of the risk appetite set by the Board. It further ensures that the group's business continuity plans are up to date and tests are being carried out in distribution centres, stores and head office. The insurance programme is evaluated every year to ensure that it covers all the insurable risks. It also has oversight of information technology governance and regulatory compliance. Risk management is applied according to the principles of three lines of defence.

MEMBERS	2013 ACTIVITIES	ATTENDANCE
Mike Leeming (c)		4/4
Simon Susman		4/4
Ian Moir	- Reviewed the key risk profile to ensure alignment with group performance objectives	4/4
Lindiwe Bakoro	- Received report from external independent providers on maturity level of risk framework and processes	4/4
Zarina Bassa	- Approved new methodology for identification and management of risks	4/4
Andrew Higginson	- Reviewed operational and legal risks	4/4
Stuart Rose	- Reviewed information technology risks as presented by the Chief information officer	4/4
Zyda Rylands	- Combined assurance model and compliance monitoring plan approved	4/4
Thina Siwendu	- Approved whistle-blowing policy	4/4
Norman Thomson		4/4
Sindi Zilwa*		1/2

### AUDIT COMMITTEE<sup>2</sup>

The audit committee ensures that the group's financial standing is sound. It also ensures that the internal financial controls are adequate and effective. In addition, it approves the external audit fees, ensures that the internal audit department is well resourced and that the finance processes are effective.

MEMBERS	2013 ACTIVITIES	ATTENDANCE
Mike Leeming (c)	- Reviewed and recommended the half-year results, Annual Financial Statements and Integrated Report to the Board for approval	4/4
Peter Bacon	- Reviewed the scope of the external audit and approved fees	4/4
Lindiwe Bakoro	- Considered the internal audit coverage plan and ensured integration with the combined assurance model	4/4
Zarina Bassa	- Satisfied with internal financial controls	4/4
Andrew Higginson	- Approved internal audit charter	4/4
Sindi Zilwa*	- Reviewed competency and experience of the Finance director and the finance function	4/4
	- Approved insider trading, price-sensitive information, complaints and external auditors' independence policies	1/2

### REMUNERATION COMMITTEE<sup>3</sup>

The remuneration committee ensures that the group offers a compelling employee value proposition. The committee ensures that short and long-term incentives are commensurate to the group's performance against strategy with challenging trigger points and performance conditions.

MEMBERS	2013 ACTIVITIES	ATTENDANCE
Tom Boardman (c)	- Approved the remuneration policy	4/4
Peter Bacon	- Ensured that remuneration of CEO, Executive directors and Executive committee members is in line accordance with the remuneration policy	4/4
Lindiwe Bakoro	- Approved remuneration package for Finance director-elect and adjustments as a result of change in contract of Group chief executive officer	4/4
Andrew Higginson**	- Approved the short and long-term incentive scheme designs and performance conditions and targets for the 2013 financial year	2/2
Stuart Rose		4/4
Simon Susman	- Approved vesting for applicable share awards	4/4

\*\* Appointed to committee during the year



1 The full terms of reference of each committee can be found on our website at [www.woolworthsholdings.co.za](http://www.woolworthsholdings.co.za).



2 The statutory report from the audit committee is included in the Annual Financial Statements report on page 22 and can also be downloaded from the website at [www.woolworthsholdings.co.za](http://www.woolworthsholdings.co.za).



3 Details of WHL remuneration are disclosed in the Remuneration report on page 102

**SUSTAINABILITY COMMITTEE<sup>4</sup>**

The sustainability committee focuses mainly on environmental issues including: water as it impacts our food supply chain, energy use in stores, climate change and its impact on our supply chain and how we can deliver to our customers. The committee ensures that the Food and Clothing segments embed Good Business Journey principles in their decision-making and how they source material.

MEMBERS	2013 ACTIVITIES	ATTENDANCE
Simon Susman (c)	- Reviewed the execution of the environmental aspects of Good Business Journey programme	4/4
Tom Boardman	- Reviewed GBJ strategy for Woolworths Food and Clothing and General merchandise	4/4
Chris Nissen	- Reviewed report on external benchmarking with retail, social and environmental trends	4/4
Ian Moir	- Appointed external assurance providers	4/4
Stuart Rose	- Reviewed the external assurances provided on key metrics	4/4
Zyda Rylands		4/4

**SOCIAL AND ETHICS COMMITTEE<sup>5</sup>**

The social and ethics committee is driving our Good Business Journey pillars, focusing on social development and transformation. It is a relatively new committee which is maturing in its role to oversee the impact of the group's activities on our communities, including our CSI programme, which is implemented through the Woolworths Trust. The committee ensures that the group's employment equity measures are in line with the spirit of the law as well as contributing to job creation. This includes principles of the UN Global Compact.

MEMBERS	2013 ACTIVITIES	ATTENDANCE
Chris Nissen (c)	- Approved the targeted level BBBEE contributor status and strategy, plans and progress to achieve target	4/4
Tom Boardman	- Approved external BBBEE verification agency	4/4
Ian Moir	- Reviewed EE plans submitted to Department of Labour and skills development plans in line with Skills Development Act, 97 of 1998	4/4
Thina Siwendu	- Reviewed social and ethics committee framework of policies and processes to manage activities	4/4
Simon Susman	- Reviewed the activities of the Woolworths Trust and its donations and charitable giving	4/4
Sindi Zilwa*	- Reviewed the activities of the BEE Employee Share Ownership Scheme Trust	1/2

<sup>4</sup> More detailed reporting can be found in the Good Business Journey Report and on our website at [www.woolworthsholdings.co.za](http://www.woolworthsholdings.co.za).

<sup>5</sup> A copy of our BBBEE certificate and more details of our transformation efforts are available in the Good Business Journey Report and on our website at [www.woolworthsholdings.co.za](http://www.woolworthsholdings.co.za).

**CASE STUDY: WWF PARTNERSHIP**

Woolworths was the first retailer to formalise a broad-base, multifaceted partnership with the World Wide Fund for Nature South Africa (WWF-SA) during the past year. The three-year partnership is based on a range of shared conservation interests, including:

- the conservation of energy;
- freshwater ecosystems;
- the promotion of sustainable agricultural practices; and
- the protection of fish stocks.

This partnership combines a number of human, social and relationship capitals, such as technical expertise, research

capabilities, industry insights and networks. Woolworths will work with its suppliers on targets in its dairy, beef, seafood and textiles operations and on furthering its carbon and water efficiency strategies.

WWF-SA will be addressing its priorities of meeting the challenge of transforming the food and fibre production system to ensure sustainable production as well as exploring broader opportunities for low-footprint business operations.

The two partners have previously co-operated in Woolworths' Farming for the Future programme and WWF-SA's sustainable fishing initiative (SASSI).



## REMUNERATION PHILOSOPHY AND POLICY

### ALIGNMENT WITH GROUP STRATEGY

The remuneration committee believes that the group's remuneration policies are designed to achieve alignment between Woolworths Holdings Limited's business strategy and the behaviour of the Group chief executive officer, Executive directors, Exco and senior management (including prescribed officers). Therefore, the group's remuneration policy and the implementation thereof are focused on achieving a fair and sustainable balance between guaranteed package, short-term incentives, long-term incentives and retention schemes for these employees.

To achieve a performance culture and an alignment with shareholders, through value creation, the total reward mix is geared towards a high percentage of pay "at risk" for the achievement of stretched goals which are aligned to company performance, individual performance (IPM) and employee behaviour. This is explained as follows:

- the annual review of salaries takes into account both financial and non-financial individual performance against agreed goals, individual behaviour against company values and market competitiveness;
- short-term incentives will only be paid if the incentive trigger on minimum annual profit before tax and exceptional items (PBTAE) has been met. The target for the short-term incentive is determined annually in advance and set above the minimum incentive trigger.
- Target performance warrants an on-target percentage payout.
- Stretched performance targets are very robustly set and the achievement of stretched company targets are rewarded appropriately, with linear payout between the minimum incentive trigger and stretch performance.

Final payouts are modified against the delivery of agreed business unit targets and achievement of individual performance (IPM);

- vesting of any grant of share appreciation rights (SARS) depends on whether headline earnings per share (HEPS) growth targets are met; and
- vesting of any Long-Term Incentive Plan (LTIP) grant depends on whether HEPS growth and total shareholder return (TSR) targets are met. Vesting of the LTIP is equally dependent on the achievement of the following performance conditions:
  - for the achievement of a minimum target HEPS growth a threshold percentage of shares vests and for the achievement of stretched HEPS growth targets 100% of 50% of the grant vests;
  - for the achievement of minimum target TSR performance a threshold percentage of shares vest and for the achievement of stretch TSR performance 100% of 50% of the grant vests.

The group performance conditions underpinning the vesting of "at risk" remuneration were selected as they are seen as measures encouraging sustainable growth, without encouraging excessive risk taking.

The alignment with other stakeholders and especially our customers is supported by the individual goals which incorporate selected metrics of the Woolworths Good Business Journey as well as goals and metrics aligned to the delivery of the Woolworths business strategy.

The WHL Group's strategic objectives are set out in this Integrated Report and the composition of the Group chief executive officer, Executive directors, Exco and senior management total remuneration packages reflect and reward the achievement of these objectives through the delivery of key individual and business unit goals which are linked to these objectives.

The remuneration committee has the discretion to exercise reasonability and discretion to pay ex gratia payments where extraordinary value was created by executives.

### THE REMUNERATION POLICY HAS BEEN DESIGNED AND IMPLEMENTED TO ATTRACT, RETAIN AND REWARD TOP EXECUTIVES AND SCARCE SKILLS.



*Details of the directors' remuneration schedules are set out on page 110.*

### REMUNERATION PRINCIPLES FOR EXECUTIVE DIRECTORS

The remuneration policy has been designed and implemented to attract, retain and reward top executives and scarce skills.

The principles applied in the integrated remuneration policy are:

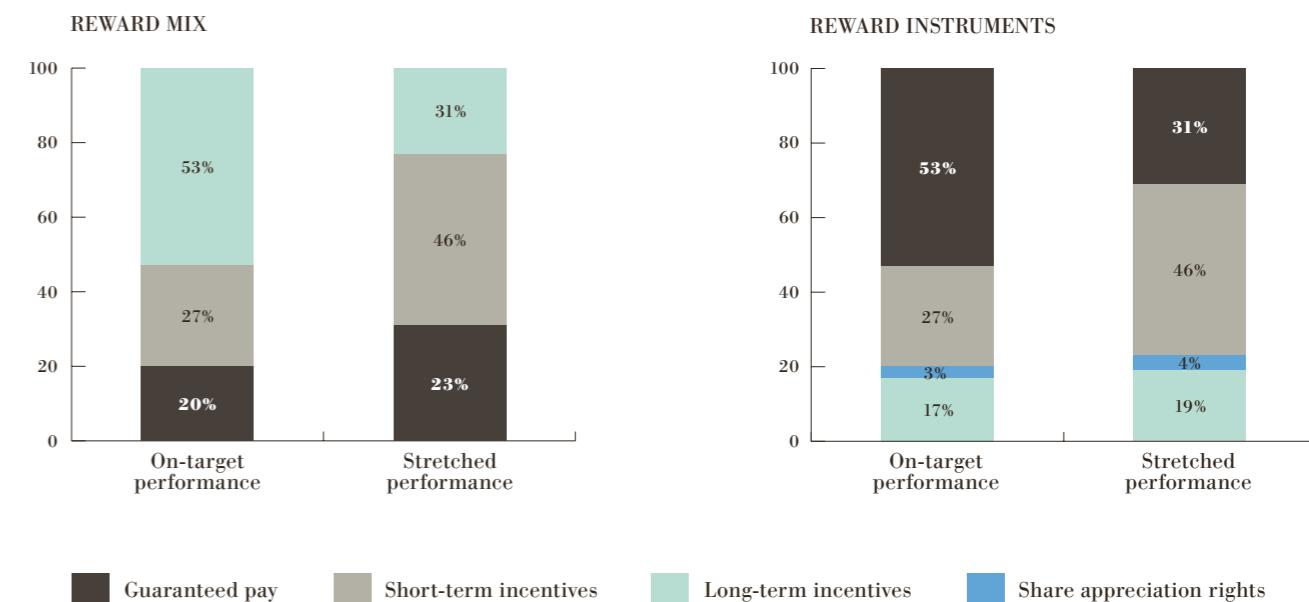
- support the delivery of group strategy;
- the guaranteed pay (TCoE) is benchmarked against major South African retail and non-retail companies to ensure competitiveness;
- TCoE also recognises and rewards individual responsibility, performance and behaviour;
- top retail executives are attracted, retained and appropriately rewarded; and
- a balance is created between short and long-term incentive schemes.

Executive pay is made up of three elements:

- TCoE: market related and tailored to individual performance and behaviour;
- short-term incentives: paid as an incentive on achievement of PBTAE targets; and
- long-term incentives: paid if performance conditions are met on the vesting date and designed to incentivise the long-term delivery of strategic goals and financial performance as well as support medium to long-term retention of senior executives and core and scarce skills.

These elements are explained in more detail as follows: **Fig 23** below shows how the group's integrated reward strategy translates into the composition of the Group chief executive officer and Executive directors' remuneration packages (the aggregate of both) and the mix between guaranteed and variable pay. The long-term incentive component is calculated based on the fair value thereof and not face value of the instruments:

Fig 23: Composition of total remuneration package for Group chief executive officer and Executive directors in 2013



**GUARANTEED PAY (TCoE)**

TCoE is reviewed annually against retail peer companies in South Africa. Market conditions, company performance, internal comparability, individual performance and responsibility are taken into consideration.

TCoE includes compulsory contributions to the Woolworths Group Retirement Fund and the Wooltu Healthcare Fund. In addition, senior management can elect optional structuring options within TCoE, which include:

- additional voluntary pension contributions to the Investment Solutions Pension Fund;
- car allowance;
- car leasing options;
- additional discount structuring on Woolworths purchases; and
- overseas subsistence allowance.

On average, the Group chief executive officer and Executive directors' TCoE for the financial year increased by 18.58%, which includes the impact of the permanent employment offered to the CEO.

Increases awarded for other categories of employees were:

Exco (excluding Executive directors, but including internal reorganisation and merit adjustments of some Exco members)	11.05%
Management	6.13%
Staff	8.17%

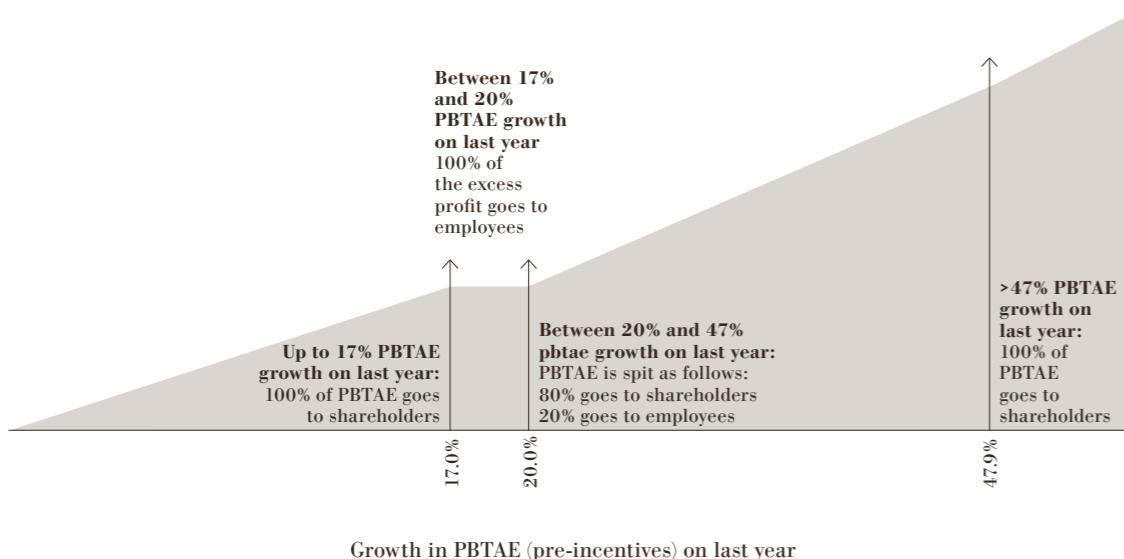
**SHORT-TERM INCENTIVE SCHEME**

Executives and senior management participate in an annual short-term incentive scheme. It is designed to motivate Executives to achieve the short-term strategic, financial, operational and sustainability (including transformation) objectives in the annual business plan.

The bonus pool is self-funding and is created (inclusive of the on-target cost of the incentive) after achieving a predefined PBTAE growth target. Financial performance below threshold warrants no bonuses being paid. The short-term incentive scheme therefore has a gatekeeper which ensures that minimum levels of financial performance are met before a bonus pool accrues. This is in line with best practice remuneration governance principles.

Profit sharing between shareholders and employees is explained in **fig 24** below.

Fig 24: Profit sharing between shareholders and employees

**EARNINGS POTENTIAL**

The Group chief executive officer, Executive directors and Exco's earning potential in terms of the short-term incentive scheme is capped at stretch performance. Earning potential for the short-term incentive at threshold, target and stretch is illustrated in **fig 25** for the different levels (as % of TCoE)

The earning potential is applied on a sliding scale between threshold, target and stretch performance. The group considers stretch performance levels to be robustly set aligning with shareholder and stakeholder value creation. The group also believes that earning potential for bonuses is fair in comparison to the value created at threshold, target and stretch performance. In order for the CEO, Executive directors and Exco

Fig 25: Earning potential and capping as % of TCoE

ROLE	Threshold	Target	Stretched
Group chief executive officer	25%	70%	150%
Executive Directors and Exco	18%	50%	150%

to achieve maximum bonus, pre-incentive PBTAE needs to grow by 48.4% on last year. Threshold payments equal a pre-incentive PBTAE growth of 17%.

**WEIGHTING OF FINANCIAL METRICS AND IPM**

In terms of the company's balanced scorecard approach both group and operating segment financial performance as well as IPMs are used to calculate bonus payments. IPMs are individual goals measured through the company's integrated performance management process. The details and weighting of these performance metrics in calculating the bonuses paid are set out in **fig 26**. The performance metrics may vary according to the responsibilities of each Exco member.

A pre-incentive PBTAE of 29.8% for the 2013 financial year was achieved and performance bonuses were paid out.<sup>1</sup>

In finalising bonus payments the remuneration committee has an element of discretion to mitigate any unintended consequences.

Fig 26: Financial and IPM weighting metrics

ROLE	GROUP FINANCIAL		OPERATING SEGMENT FINANCIAL		IPM	
	Weighting	Metric	Weighting	Metric	Weighting	Metric components
Group chief executive officer	70%	WHL Group PBTAE	0%	n/a	30%	- Operating profit margin - Market growth/share - Acquisitions - Cost to sell - BEE
Finance director	70%	WHL Group PBTAE	0%	n/a	30%	- Operating profit margin - Return on equity - Cost to sell - BEE
Executive Director food	40%	WHL Group PBTAE	30%	Operating segment PBTAE	30%	- Operating profit margin - Cost to sell - Stock turn - Market growth/share - Availability - BEE

**LONG-TERM INCENTIVE SCHEMES**

The long-term incentive schemes aim to drive both long-term shareholders' growth and talent retention.

The Woolworths Holdings Share Trust manages the shares for the purposes of the long-term incentive share schemes. The Trust Deed rules were approved by shareholders in November 2010 to bring them in line with schedule 14 of the JSE Limited Listings Requirements. The maximum number of shares available for allocation in terms of the share schemes is 85 000 000, representing approximately 10% of the current issued share capital.

Share scheme:

Opening balance available	<b>26 180 685</b>
Allocations made to participants	(3 973 550)
Exercised/lapsed	<b>9 410 607</b>
Sold by participants	(6 586 306)
<b>Closing balance available</b>	<b>25 031 436</b>

Shares allocated to participants under the long-term incentive scheme may be purchased on the open market or new shares may be issued. Shares and grants may not be awarded or exercised during the closed period.

The long-term incentive schemes make use of three instruments, namely:

- Share Appreciation Rights Scheme (SARS);
- Long-term Incentive Plan (LTIP); and
- Restricted Share Plan (RSP), which was set up as an attraction and retention mechanism.

In any one financial year, the maximum market value of grants and/or offers in terms of the long-term incentive schemes may not exceed 250% (face value) of an individual's TCoE. The aggregate total number of shares awarded to an individual participant in terms of the long-term incentive scheme may not exceed 12 700 000.

The previous share options and share purchase schemes are still in existence. However, since the introduction of the new share schemes in July 2007 and November 2009, no new grants have been made.

**SHARE APPRECIATION RIGHTS (SARS)**

Participants are awarded a conditional right to receive shares equal to the value of the difference between the share price at the time that the rights were granted and the share price when the rights are exercised (should the share appreciate in value).

Grant limits	<ul style="list-style-type: none"> <li>- Group chief executive officer: face value allocation of 70% of TCoE calculated at the grant date.</li> <li>- Executive directors and Exco: face value allocation of 60% of TCoE calculated at the grant date.</li> <li>- The grant price is the volume weighted average price of a share as quoted on the JSE for the five business days immediately preceding the date on which the allocation is made.</li> </ul>
Vesting period	<ul style="list-style-type: none"> <li>- Not less than three years. The Woolworths strategic planning cycle is three to five years and therefore, in order to align shareholder and executive interests, the financial plan and targets which underpin the vesting period are agreed for a three-year period.</li> </ul>
Performance conditions	<ul style="list-style-type: none"> <li>- Headline earnings per share (HEPS) growth of Consumer Price Index (CPIX) plus 6% over a three-year performance period.</li> </ul>
Retesting if performance not met	<ul style="list-style-type: none"> <li>- Not permitted</li> <li>- Awards lapse</li> </ul>
Other	<ul style="list-style-type: none"> <li>- SARS not exercised within a period of seven years lapse.</li> <li>- Rules governing cessation of employment, change in control and delisting are as per the rules of the scheme and align with King III practice recommendations.</li> </ul>
Number of participants	458

**LONG-TERM INCENTIVE PLAN (LTIP)**

The LTIP provides for the delivery of conditional awards in shares after three years from date of grant provided that certain conditions are met.

Grant limits	<ul style="list-style-type: none"> <li>- Group chief executive officer: face value allocation of 100% of TCoE calculated at the grant date.</li> <li>- Executive directors and Exco: face value allocation of 65% of TCoE calculated at the grant date.</li> <li>- The grant price is the volume weighted average price of a share as quoted on the JSE for the five business days immediately preceding the date on which the allocation is made.</li> </ul>
Vesting period	<ul style="list-style-type: none"> <li>- Three years, subject to achievement of performance conditions over a three-year performance period.</li> <li>- The Woolworths strategic planning cycle is three to five years and therefore, in order to align shareholder and executive interests, the financial plan and targets which underpin the vesting period are agreed for a three-year period.</li> </ul>
Performance conditions	<ul style="list-style-type: none"> <li>- Equally weighted between HEPS growth and TSR of the company relative to the TSR of a selected peer group index for the same period.</li> <li>- The HEPS condition has a minimum threshold for 30% vesting and a stretch target for 100% vesting.</li> <li>- TSR condition: <ul style="list-style-type: none"> <li>- if the TSR performance of Woolworths falls below the lower quartile (ie if 75% of our peers perform better than Woolworths), then this portion of the LTIP does not vest.</li> <li>- if the TSR performance of Woolworths exceeds the upper quartile (or 75% of our peers) performance, then 100% of the award vests.</li> </ul> </li> </ul>
Peer group for TSR evaluation	<ul style="list-style-type: none"> <li>- Our peer group consists of Woolworths' direct and indirect competitors, namely: Foschini, JD Group, Lewis Group, Massmart, Mr Price, Clicks, Pick n Pay, Shoprite and Truworths.</li> </ul>
Retesting if performance not met	<ul style="list-style-type: none"> <li>- Not permitted</li> <li>- Awards lapse</li> </ul>
Other	<ul style="list-style-type: none"> <li>- Vesting occurs on a linear scale in accordance with an agreed threshold and stretch target.</li> <li>- Participants receive a payment settled in equity on vesting equal to the value of dividends paid on the vested shares during the vesting period.</li> <li>- Rules governing cessation of employment, change in control and delisting are as per the rules of the scheme and align with King III practice recommendations.</li> </ul>
Number of participants	16

**DEFERRED BONUS PLAN (DBP)**

Discontinued with effect from 1 July 2012. A new allocation matrix was approved for the Group chief executive officer, Executive directors and Exco which incorporate the effect of discontinuing DBP.

Number of participants who will still receive the matching award (due to previous allocations)	Allocated in August 2010, matching in August 2013.	Allocated in August 2011, matching in August 2014.
Number of participants: 7	Number of participants: 7	Number of participants: 7



Details of the long-term incentive awards made to executive directors are set out on pages 114 to 118.

## PERFORMANCE GRAPHS

The TSR graph below compares the TSR performance of the company to the TSR index of the peer group of companies at the lower, median and upper quartile. These comparisons are for the August 2010, August 2011 and August 2012 LTIP awards. The HEPS graph indicates the target HEPS which was required for the full vesting of the August 2010 SARS and the LTIP awards, against Woolworths' actual HEPS.

Fig 27: TSR growth against peer group companies

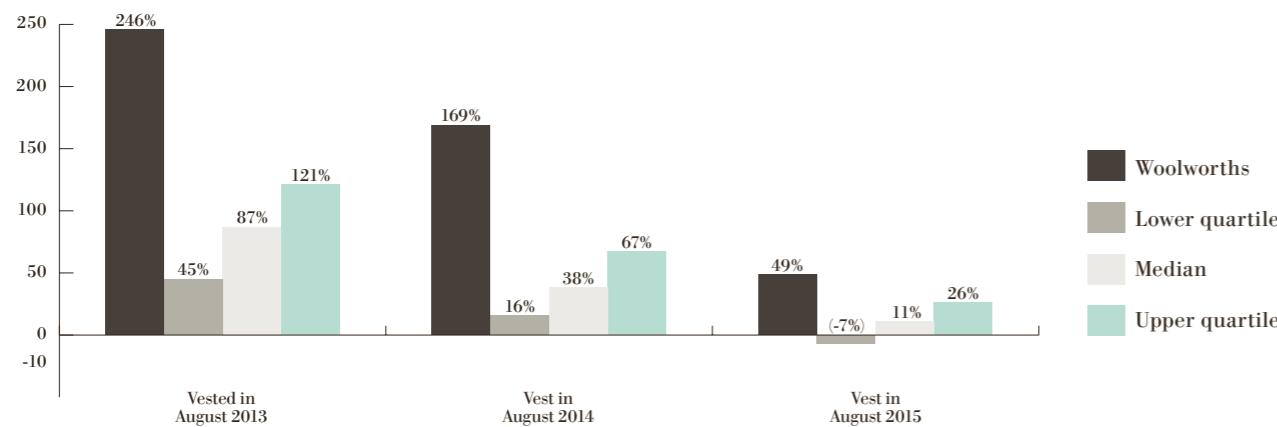
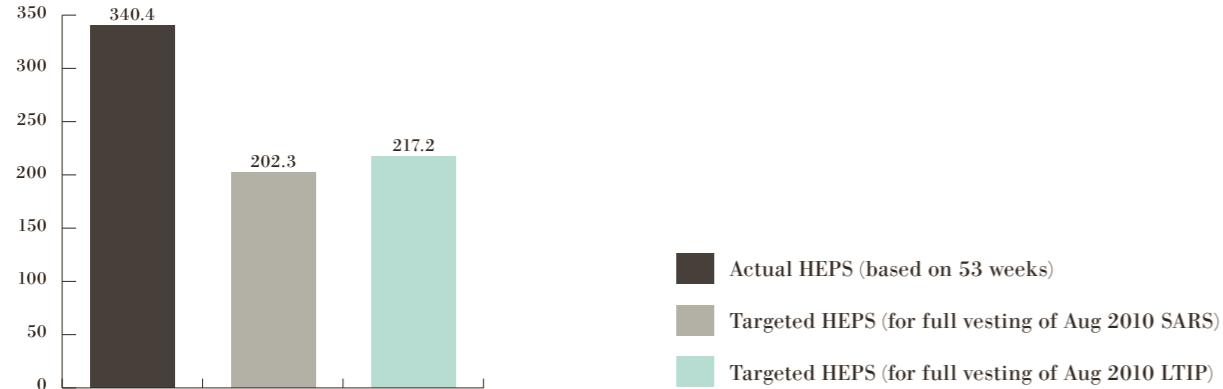


Fig 28: HEPS Performance



## IMPACT OF OUR SHARE SCHEMES ON EARNINGS PER SHARE (DILUTED EPS)

Eligible employees are incentivised through the grant of LTIPs (conditional share awards) and SARS (conditional rights). Both these instruments are designed to deliver shares to eligible employees in the future upon vesting thereof. The percentage of vesting is subject to the extent to which performance conditions have been met over the performance period. Therefore, should the company issue shares to settle the instruments the number of shares in issue may increase in the future with the effect that the company's earnings per share (EPS) could be negatively impacted (diluted). However, if shares are purchased on the market to settle this would have no dilution impact.

The Annual Financial Statements illustrate the effect of the future issuing of shares to settle LTIP and SARS and the effect this may have upon EPS. The calculation of diluted EPS is covered on page 47 of the Annual Financial Statements.

## DESIGN OF LONG-TERM INCENTIVE SCHEMES

After robust engagement with the business, executive management and obtaining external independent advice it was concluded that the current design of the SARS and LTIP (including the existing performance conditions for vesting) align with market best practice. Therefore, the design and performance conditions remained unchanged.

### RETENTION SCHEME

The restricted share plan (RSP) is designed to retain Executive directors, Exco and employees who are key to the delivery of the company's long-term strategy and our financial performance. It may also be used for one-off awards for the recruitment of key executives which invariably requires compensation to address value forfeited on resignation from a previous employer.

No RSP allocations were made to the Group chief executive officer or Executive directors in the 2013 financial year.

An allocation was made to the Finance director elect on his appointment on 1 June and further allocations were made to three Exco members and selected core and scarce employees.

### RESTRICTED SHARE PLAN (RSP)

RSP provides for the unrestricted delivery of shares after three to five years period from date of grant provided that the participant is still in the employ of the company.

Grant limits	- Limits between 100% and 300% of TCoE.
Vesting conditions	- Staggered vesting between three and five years. - 100% vesting on condition that the participant is still in the employ of the group on the expiry of the agreed vesting period.
Eligibility	- Limited to the Group chief executive officer, Executive directors, Exco and selective core and scarce employees.
Other	- Shares are purchased on the open market and held by a third party in escrow. - Rules governing cessation of employment, change in control and delisting are as per the rules of the scheme and align with King III practice recommendations.
Number of participants	66

## EMPLOYMENT AGREEMENTS

Ian Moir, the Group chief executive officer, was appointed on a permanent basis in May 2013. His employment agreement includes a restraint of trade agreement for a period of two years after his retirement date.

The notice periods for the Executive directors and Exco are between three and six months, which are in line with industry. Expatriate Exco members are on fixed term contracts which are on average signed for a three-year period renewable for a further two years. These contracts are all subject to obtaining and maintaining the applicable work permits entitling them to work in South Africa.

**DIRECTORS' AND PRESCRIBED OFFICERS' FEES AND EMOLUMENTS**

Emoluments paid to directors and prescribed officers of Woolworths Holdings Limited in connection with the affairs of the company and its subsidiaries during the year ended 30 June 2013 and comparatives for 24 June 2012 are set out below:

	Notes	Guaranteed pay				Short-term performance bonus	Long-term benefits		Retention	
		Remuneration (1) R000's	Retirement, healthcare and related benefits R000's	Other benefits (2) R000's	Total guaranteed pay R000's		Performance bonus R000's	Interest-free loan benefit (3) R000's	Fair value of shares, options, SARS, LTIP and DBP granted (4) R000's	
<b>2013</b>										
<b>Executive directors</b>										
Ian Moir	(6)	7 401	28	26	7 455	10 308	–	5 221	4 110	27 094
Norman Thomson		2 999	294	42	3 335	5 345	762	702	825	10 969
Zyda Rylands		3 338	652	15	4 005	4 130	854	2 807	1 252	13 048
		<b>13 738</b>	<b>974</b>	<b>83</b>	<b>14 795</b>	<b>19 783</b>	<b>1 616</b>	<b>8 730</b>	<b>6 187</b>	<b>51 111</b>
<b>Prescribed officers</b>										
Paula Disberry	(7)	2 787	456	526	3 769	2 510	–	1 632	1 621	9 532
Brett Kaplan		2 610	294	23	2 927	2 297	119	1 550	1 632	8 525
Sam Ngumeni		2 327	494	22	2 843	2 863	262	1 230	1 919	9 117
		<b>7 724</b>	<b>1 244</b>	<b>571</b>	<b>9 539</b>	<b>7 670</b>	<b>381</b>	<b>4 412</b>	<b>5 172</b>	<b>27 174</b>
		<b>21 462</b>	<b>2 218</b>	<b>654</b>	<b>24 334</b>	<b>27 453</b>	<b>1 997</b>	<b>13 142</b>	<b>11 359</b>	<b>78 285</b>
<b>Non-executive directors</b>										
Simon Susman	(8)	893		86	67	83	134	67	2 068	3 398
Peter Bacon		206	100	86				13		405
Lindiwe Bakoro		206	100	86	67			10		469
Zarina Bassa		206	100		67			9		382
Tom Boardman		261		172		50	67	67	10	627
Andrew Higginson	(9)	549	100	44	67					760
Mike Leeming		206	199		134	50		15		604
Chris Nissen		206				50	67	134	24	481
Stuart Rose	(10)	549		86	67	38	67			807
Thina Siwendu		206			67			67	14	354
Sindi Zilwa	(11)	96	49		33			33	19	230
		<b>3 584</b>	<b>648</b>	<b>560</b>	<b>569</b>	<b>271</b>	<b>335</b>	<b>368</b>	<b>2 182</b>	<b>8 517</b>

**NOTES**

1. Remuneration includes fees paid by Country Road as follows: Ian Moir A\$97 500, Norman Thomson A\$40 000 and Paula Disberry A\$40 000. Zyda Rylands was appointed as a non-executive director of Country Road from 1 October 2012 and earned pro-rata directors fees of A\$30 000.
2. Other benefits are discounts received on purchases made in our stores.
3. The interest-free loan relates to the purchases of shares under the Woolworths Holdings Share Trust. The benefit has been calculated at 6.125% (average) on the value of the outstanding loan.
4. IFRS 2 Share-based payments has been used to equate the annual expense value of shares, options, SARS, LTIP and DBP held at the end of the year. It also includes the allocation of BEESOS scheme shares granted to Zyda Rylands and Sam Ngumeni.
5. IFRS 2 Share-based payments has been used to equate the annual expense value of restricted shares used as a retention scheme.
6. The Board has approved a special bonus of R2.5 million in an attempt to improve Norman Thomson's total reward package relative to his peers, as long-term incentives (shares) were not allocated to him for the past 3 years.
7. Other benefits include a once off payment made of R500 000 for additional responsibilities assumed over and above her current role for a limited period during the year.
8. Simon Susman retired as Group chief executive officer (in November 2010) and was appointed as Chairman of the Woolworths Holdings Board on 17 November 2011. On his retirement as Group chief executive officer and in terms of the rules of the scheme, the directors approved that he had the balance of 10 years (of which the last allocation was October 2006) to settle the interest-free share loan benefit relating to the purchases of shares under the Woolworths Holdings Share Trust whilst he was an employee of Woolworths. The benefit has been calculated at 6.125% (average) on the value of the outstanding loan.  
Other benefits of R2 067 847 (2012: R3 897 505) include the following:
  - post-retirement healthcare benefit of R28 800;
  - discounts received on purchases made in our stores of R45 272;
  - interest-free share loan benefit relating to the purchases of shares under Woolworths Holdings Share Trust whilst he was an employee of Woolworths of R1 799 532. The benefit has been calculated at 6.125% (average) on the value of the outstanding loan;
  - IFRS 2 charge for his shares and other share scheme instruments awarded during his tenure as chief executive officer of R194 243.
9. Andrew Higginson was appointed to the remuneration committee from 1 January 2013. His fees as a director are paid in Sterling as a British resident.
10. Stuart Rose was appointed to the nominations committee from 1 November 2012. His fees as a director are paid in Sterling as a British resident. However, there is an agreement in place to purchase Woolworths shares with his net fee payment, on instruction from Stuart Rose.
11. Sindi Zilwa retired from the Board 17 November 2012.

## DIRECTORS' AND PRESCRIBED OFFICERS' FEES AND EMOLUMENTS (CONTINUED)

	Notes	Guaranteed pay				Short-term performance bonus	Long-term benefits	Retention	Total remuneration R000's	
		Remuneration (1) R000's	Retirement, healthcare and related benefits R000's	Other benefits (2) R000's	Total guaranteed pay R000's		Performance bonus R000's	Interest-free loan benefit (3) R000's	Fair value of shares, options, SARS, LTIP and DBP granted (4) R000's	
<b>Executive directors</b>										
Ian Moir	(6)	5 761	25	17	5 803	5 346	–	3 183	5 210	19 542
Norman Thomson		2 817	276	47	3 140	2 462	877	1 209	703	8 391
Zyda Rylands		2 894	613	26	3 533	3 262	913	2 604	1 208	11 520
		<b>11 472</b>	<b>914</b>	<b>90</b>	<b>12 476</b>	<b>11 070</b>	<b>1 790</b>	<b>6 996</b>	<b>7 121</b>	<b>39 453</b>
<b>Prescribed officers</b>										
Paula Disberry	(7)	2 389	439	29	2 857	1 696	–	1 288	1 787	7 628
Brett Kaplan		2 444	272	26	2 742	1 552	310	1 227	1 710	7 541
Sam Ngumeni		1 989	414	19	2 422	2 135	337	561	1 535	6 990
		<b>6 822</b>	<b>1 125</b>	<b>74</b>	<b>8 021</b>	<b>5 383</b>	<b>647</b>	<b>3 076</b>	<b>5 032</b>	<b>22 159</b>
		<b>18 294</b>	<b>2 039</b>	<b>164</b>	<b>20 497</b>	<b>16 453</b>	<b>2 437</b>	<b>10 072</b>	<b>12 153</b>	<b>61 612</b>
<b>Non-executive directors</b>										
Simon Susman	(8)	596		82	64	64	128	64	3 898	4 896
Buddy Hawton	(9)	296		82		40			1	419
Peter Bacon	(10)	185	95	82	32			14		408
Lindiwe Bakoro	(11)	185	95	41	64			12		397
Zarina Bassa	(12)	114	48		32			5		199
Tom Boardman	(13)	219		123		24	64	64	11	505
Andrew Higginson	(14)	42								42
Mike Leeming		185	190		128	48			14	565
Chris Nissen		185				48	64	128	22	447
Stuart Rose	(15)	473		82	64		64			683
Thina Siwendu		185			64			64	11	324
Sindi Zilwa		185	95		64			64	32	440
		<b>2 850</b>	<b>523</b>	<b>492</b>	<b>512</b>	<b>224</b>	<b>320</b>	<b>384</b>	<b>4 020</b>	<b>9 325</b>

## NOTES

1. Remuneration includes fees paid by Country Road as follows: Ian Moir A\$44 658, Norman Thomson A\$40 000 and Paula Disberry A\$13 651.
2. Other benefits are discounts received on purchases made in our stores.
3. The interest-free loan relates to the purchases of shares under the Woolworths Holdings Share Trust. The benefit has been calculated at 6.5% (average) on the value of the outstanding loan.
4. IFRS 2 Share-based payments has been used to equate the annual expense value of shares, options, SARS, LTIP and DBP held at the end of the year. It also includes the allocation of BEESOS scheme shares granted to Zyda Rylands and Sam Ngumeni.
5. IFRS 2 Share-based payments has been used to equate the annual expense value of restricted shares used as a retention scheme.
6. Ian Moir was appointed as the Chairman of Woolworths Financial Services and Country Road Limited on 18 November 2011 when Simon Susman was appointed as Chairman of the Woolworths Holdings Board. He had a fixed-term contract with the company.
7. Paula Disberry had a fixed-term contract with the company. She was appointed as a non-executive director of Country Road Limited in February 2012.
8. Simon Susman was appointed as Chairman of the Woolworths Holdings Board on 17 November 2011 and his fees were adjusted accordingly. On his appointment as Chairman of the Board, he retired as Chairman of Woolworths Financial Services, Country Road Limited and the Woolworths Trust. On his retirement as Group chief executive officer (in 2010) and in terms of the rules of the scheme, the directors approved that he had the balance of 10 years (of which the last allocation was October 2006) to settle the interest-free share loan relating to the purchases of shares under the Woolworths Holdings Share Trust whilst he was an employee of Woolworths. The benefit has been calculated at 6.5% (average) on the value of the outstanding loan.
9. Other benefits of R3 897 505 (2011: R3 806 223) include the following:
  - reimbursement for services rendered as Chairman of Woolworths Financial Services of R211 200 for the period to 17 November 2011;
  - reimbursement for services rendered as Chairman of Country Road Limited of A\$37 500 for the period to 17 November 2011;
  - reimbursement for services rendered as Chairman of the Woolworths Trust of R19 200 for the period to 17 November 2011;
  - post-retirement healthcare benefit of R26 220;
  - discounts received on purchases made in our stores of R47 515;
  - interest-free share loan benefit relating to the purchases of shares under Woolworths Holdings Share Trust whilst he was an employee of Woolworths of R1 914 619. The benefit has been calculated at 6.5% (average) on the value of the outstanding loan.
  - IFRS 2 charge for his shares and other share scheme instruments awarded during his tenure as chief executive officer of R1 386 291.
10. Buddy Hawton retired as Chairman of the Board on 17 November 2011.
11. Peter Bacon resigned from the risk committee on 17 November 2011.
12. Lindiwe Bakoro was appointed to the remuneration committee from 17 November 2011.
13. Tom Boardman was appointed as Lead independent director on 17 November 2011 and his fees were adjusted from that date. He was appointed to the nominations committee from 17 November 2011.
14. Andrew Higginson was appointed as a non-executive director from 1 June 2012 and was appointed to the risk and audit committees from that date. His fees as a director are paid in Sterling as a British resident.
15. Stuart Rose's fees as a director are paid in Sterling as a British resident.
16. The social and ethics committee assumed the responsibilities of the transformation committee from 1 May 2012.

## DIRECTORS' AND PRESCRIBED OFFICERS' FEES AND EMOLUMENTS (CONTINUED)

Details of directors' interests in shares of the company are disclosed in the Annual Financial Statements report. Shares purchased and options granted to Simon Susman relate to his tenure as the chief executive officer.

Shares purchased and options granted to executive directors and prescribed officers in terms of the Woolworths Holdings Share Trust which had not been exercised at 30 June 2013, are set out below:

## SHARE PURCHASE SCHEME

<b>Name and offer date</b>	Shares as at 24 June 2012		Shares sold or transferred		Shares as at 30 June 2013		
	Number	Price	Number	Price	Vested	Unvested	Total
<b>Simon Susman</b>					440 755	440 755	440 755
December 2004	440 755	R10.59			440 755		440 755
August 2005	412 697	R11.31			412 697		412 697
August 2006	378 947	R13.30			378 947		378 947
October 2006	1 094 092	R13.71			1 094 092		1 094 092
<b>Total</b>	<b>2 326 491</b>				<b>2 326 491</b>		<b>2 326 491</b>
<b>Norman Thomson</b>							
August 2003	290 698	R5.16	290 698	R66.00	–	–	–
December 2004	152 597	R10.59			152 597		152 597
August 2005	142 882	R11.31			142 882		142 882
August 2006	130 075	R13.30			130 075		130 075
October 2006	510 576	R13.71			510 576		510 576
<b>Total</b>	<b>1 226 828</b>		<b>290 698</b>		<b>936 130</b>		<b>936 130</b>
<b>Zyda Rylands</b>							
August 2002	14 738	R3.98	14 738	R4.65	–	–	–
August 2003	12 125	R5.16			12 125		12 125
September 2003	180 510	R5.76			180 510		180 510
December 2004	221 839	R10.59			221 839		221 839
December 2004	37 734	R10.59			37 734		37 734
March 2005	120 000	R10.18			120 000		120 000
August 2005	132 626	R11.31			132 626		132 626
August 2005	144 923	R11.31			144 923		144 923
August 2006	129 699	R13.30			129 699		129 699
October 2006	291 758	R13.71			291 758		291 758
<b>Total</b>	<b>1 285 952</b>		<b>14 738</b>		<b>1 271 214</b>		<b>1 271 214</b>
<b>Brett Kaplan</b>							
August 2002	50 000	R3.98	50 000	R56.65	–	–	–
August 2003	34 410	R5.16	34 410	R70.00	–	–	–
December 2004	94 023	R10.59	94 023	R70.00	–	–	–
August 2005	99 027	R11.31	99 027	R71.00	–	–	–
August 2006	116 541	R13.30	116 541	R71.00	–	–	–
November 2006	43 380	R15.74	43 380	R71.00	–	–	–
<b>Total</b>	<b>437 381</b>		<b>437 381</b>		<b>–</b>		<b>–</b>
<b>Sam Ngumeni</b>							
August 2002	21 754	R3.98	21 754	R4.35	–	–	–
August 2003	29 816	R5.16			29 816		29 816
December 2004	26 036	R10.59			26 036		26 036
August 2005	35 332	R11.31			35 332		35 332
August 2006	33 050	R13.30			33 050		33 050
November 2006	190 216	R15.74			190 216		190 216
<b>Total</b>	<b>336 204</b>		<b>21 754</b>		<b>314 450</b>		<b>314 450</b>

## SHARE APPRECIATION RIGHTS (SARS) SCHEME

<b>Name and offer date</b>	Rights as at 24 June 2012		SARS rights awarded		SARS rights sold		Rights as at 30 June 2013		
	Number	Price	Number	Price	Number	Price	Vested	Unvested	Total
<b>Ian Moir</b>									
August 2010	117 823	R23.34							117 823
August 2011	87 468	R31.44							87 468
August 2012			72 288	R55.68					72 288
<b>Total</b>	<b>205 291</b>		<b>72 288</b>						<b>277 579</b>
<b>Simon Susman</b>									
August 2009	140 526	R15.00							–
<b>Total</b>	<b>140 526</b>								<b>–</b>
<b>Norman Thomson</b>									
April 2008	87 904	R10.26							–
August 2008	171 525	R10.24							–
August 2009	84 667	R15.00							84 667
August 2010	62 635	R23.34							62 635
<b>Total</b>	<b>406 731</b>								<b>147 302</b>
<b>Zyda Rylands</b>									
April 2008	261 223	R10.26							167 851
August 2008	125 628	R10.24							125 628
August 2009	107 000	R15.00							107 000
August 2010	72 118	R23.34							72 118
August 2011	53 538	R31.44							53 538
August 2012	38 304	R55.68							38 304
<b>Total</b>	<b>619 507</b>		<b>38 304</b>		<b>93 372</b>		<b>400 479</b>	<b>163 960</b>	<b>564 439</b>
<b>Paula Disberry</b>									
April 2008	287 197	R10.26							–
August 2008	92 127	R10.24							–
August 2009	77 000	R15.00							–
August 2010	55 654	R23.34							55 654
August 2011	41 316	R31.44							41 316
August 2012	32 726	R55.68							32 726
<b>Total</b>	<b>553 294</b>		<b>32 726</b>		<b>456 324</b>		<b>–</b>	<b>129 696</b>	<b>129 696</b>
<b>Brett Kaplan</b>									
August 2009	66 532	R15.00							–
August 2010	54 242	R23.34							54 242
August 2011	40 267	R31.44							40 267
August 2012	29 946	R55.68							29 946
<b>Total</b>	<b>161 041</b>		<b>29 946</b>		<b>66 532</b>		<b>–</b>	<b>124 455</b>	<b>124 455</b>
<b>Sam Ngumeni</b>									
August 2011	34 987	R31.44							34 987
August 2012	29 095	R55.68							29 095
<b>Total</b>	<b>34 987</b>		<b>29 095</b>						<b>64 082</b>

## DIRECTORS' AND PRESCRIBED OFFICERS' FEES AND EMOLUMENTS (CONTINUED)

## LONG-TERM INCENTIVE PLAN (LTIP) SCHEME

<b>Name and offer date</b>	Grants as at 24 June 2012		LTIP grants awarded		LTIP grants sold or transferred		Grants as at 30 June 2013		
	Number	Price	Number	Price	Number	Price	Vested	Unvested	Total
<b>Ian Moir</b>							200 300	200 300	
August 2010	200 300	R23.34					148 696	148 696	
August 2011	148 696	R31.44					103 269	103 269	
August 2012			103 269	R55.68					
Total	348 996		103 269				452 265	452 265	
<b>Simon Susman</b>									
August 2009*	238 894	R15.00	15 857	R56.80	254 751	R60.00	-	-	
Total	238 894		15 857		254 751		-	-	
<b>Norman Thomson</b>									
August 2009*	84 667	R15.00	5 620	R56.80	90 287	R60.00	-	-	
August 2010	62 635	R23.34					62 635	62 635	
Total	147 302		5 620		90 287		-	62 635	62 635
<b>Zyda Rylands</b>									
August 2009*	107 000	R15.00	7 102	R56.80	114 102	R56.80	-	-	
August 2010	72 118	R23.34					72 118	72 118	
August 2011	53 538	R31.44					53 538	53 538	
August 2012			41 496	R55.68			41 496	41 496	
Total	232 656		48 598		114 102		-	167 152	167 152
<b>Paula Disberry</b>									
August 2009*	46 200	R15.00	3 067	R56.80	49 267	R59.31	-	-	
August 2010	55 654	R23.34					55 654	55 654	
August 2011	41 316	R31.44					41 316	41 316	
August 2012			35 453	R55.68			35 453	35 453	
Total	143 170		38 520		49 267		-	132 423	132 423
<b>Brett Kaplan</b>									
August 2009*	39 919	R15.00	2 650	R56.80	42 569	R56.80	-	-	
August 2010	54 242	R23.34					54 242	54 242	
August 2011	40 267	R31.44					40 267	40 267	
August 2012			32 442	R55.68			32 442	32 442	
Total	134 428		35 092		42 569		-	126 951	126 951
<b>Sam Ngumeni</b>									
August 2011	34 987	R31.44					34 987	34 987	
August 2012			31 519	R55.68			31 519	31 519	
Total	34 987		31 519				-	66 506	66 506

\* Participants received a payment settled in equity on vesting equal to the value of dividends paid on the vested shares during the vesting period.

## DEFERRED BONUS PLAN (DBP) SCHEME

<b>Name and offer date</b>	Shares as at 24 June 2012		Shared purchased		Shares sold or transferred		Shares as at 30 June 2013	
	Number	Price	Number	Price	Number	Price	Number	
<b>Ian Moir</b>								
August 2010	41 617	R24.33						41 617
August 2011	29 600	R34.19						29 600
Total	71 217							71 217
<b>Simon Susman</b>								
August 2009*	49 498	R15.67	52 784	R56.80	102 282	R60.00	-	
Total	49 498		52 784		102 282		-	
<b>Norman Thomson</b>								
August 2009*	21 198	R15.67	22 605	R56.80	43 803	R60.00	-	
August 2010	17 938	R24.33						17 938
Total	39 136		22 605		43 803			17 938
<b>Zyda Rylands</b>								
August 2009*	27 645	R15.67	29 480	R56.80	57 125	R56.80	-	
August 2010	20 654	R24.33						20 654
August 2011	14 700	R34.19						14 700
Total	62 999		29 480		57 125			35 354
<b>Paula Disberry</b>								
August 2010	15 896	R24.40						15 896
August 2011	11 300	R34.19						11 300
Total	27 196							27 196
<b>Brett Kaplan</b>								
August 2010	15 574	R24.40						15 574
August 2011	11 000	R34.19						11 000
Total	26 574							26 574
<b>Sam Ngumeni</b>								
August 2011	9 600	R34.19						9 600
Total	9 600							9 600

\* Participants received a payment settled in equity on vesting equal to the value of dividends paid on the vested shares during the vesting period.

## SHARE OPTION SCHEME

<b>Name and offer date</b>	Options as at 24 June 2012		Options sold or transferred		Options as at 30 June 2013		
	Number	Price	Number	Price	Vested	Unvested	Total
<b>Zyda Rylands</b>							
October 2008	130 558	R8.81	65 279	R69.58	-	65 279	65 279
Total	130 558		65 279			65 279	65 279
<b>Brett Kaplan</b>							
November 2006	28 920	R13.61	28 920	R60.68	-	-	-
Total	28 920		28 920		-	-	-

## DIRECTORS' AND PRESCRIBED OFFICERS' FEES AND EMOLUMENTS (CONTINUED)

## RESTRICTED SHARE PLAN (RSP) SCHEME

<b>Name and offer date</b>	Shares as at 24 June 2012		Shared purchased		Shares sold or transferred		Shares as at 30 June 2013
	Number	Price	Number	Price	Number	Price	Number
<b>Ian Moir</b>							
January 2010	1 184 000	R16.89			390 720	R65.42	793 280
Total	1 184 000				390 720		793 280
<b>Norman Thomson</b>							
May 2010	119 938	R23.34					119 938
Total	119 938						119 938
<b>Zyda Rylands</b>							
May 2010	206 250	R23.34					206 250
Total	206 250						206 250
<b>Paula Disberry</b>							
May 2010	275 425	R22.65					275 425
Total	275 425						275 425
<b>Brett Kaplan</b>							
May 2010	263 610	R22.76					263 610
Total	263 610						263 610
<b>Sam Ngumeni</b>							
February 2011	215 174	R25.56					215 174
August 2012			27 812	R59.25			27 812
Total	215 174		27 812				242 986

## BEE SHARES

<b>Name and offer date</b>	Shares as at 24 June 2012		Shared purchased		Shares as at 30 June 2013		
	Number	Price	Number	Price	Vested	Unvested	Total
<b>Zyda Rylands</b>							
June 2007	1 250 000	R20.75			1 250 000		1 250 000
Total	1 250 000				1 250 000		1 250 000
<b>Sam Ngumeni</b>							
June 2007	475 000	R20.75			475 000		475 000
Total	475 000				475 000		475 000

## ASSURANCE

Woolworths has adopted the combined assurance model in its approach to ensure there is appropriate and effective assurance provided over its operations. Included below is a selection of the external assurance obtained in addition to the assurance provided by the first two lines of defence which are internal.

## INTEGRATED REPORTING ASSURANCE SUMMARY

ELEMENT	ASSURANCE PROVIDER	EVALUATION	REQUIREMENTS
<b>Annual financial statements</b>	EY and Nexia SAB&T	Unqualified audit opinion	IFRS Companies Act No 71 of 2008
<b>BBBEE</b>	Beever CC Verification Agency	Level 3	Dti codes of good practice Broad-Based Black Economic Empowerment Act
<b>Selected Good Business Journey metrics</b>	EY	Limited assurance	Management defined sustainability criteria
<b>Supplier code of business principal</b>	IBL, ITS, SGS, STTRS, Bureau Veritas, Omega	95% overall compliance	SMETA, WRAP, SA-8000, BSCI Code, ILO better work programme, Bureau Veritas, Omega
<b>GRI</b>	EY	B+	GRI G3.1 reporting guidelines
<b>Carbon footprint</b>	Global Carbon Exchange	Limited level verification	ISO 14064-3 International Standard for GHG verifications



*studio.w, Summer 2013*