

WHL

GOVERNANCE REPORT



REPTRAK™ PULSE SURVEY.

Woolworths achieved first position in the RepTrak™ Pulse survey. The survey considers seven reputation drivers: products and services, innovation, performance, citizenship, workplace, governance and leadership.



WOOLWORTHS WAS AGAIN INCLUDED IN THE JSE SOCIALLY RESPONSIBLE INVESTMENT (SRI) INDEX FOR 2014 AS WELL AS THE DOW JONES WORLD SUSTAINABILITY INDEX.

Woolworths is on the shortlist for this year's Ethical Corporation responsible business awards in the following categories:

BEST BUSINESS NGO PARTNERSHIP

BEST SUPPLIER ENGAGEMENT

The Board is the central pivot around which the execution of the Group's corporate governance revolves.

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

The Board is supported by the Nominations, Remuneration, Social and Ethics, Sustainability, Audit, and Risk and Compliance committees to carry out the oversight role of ensuring that the activities of the Group are managed in the manner that is consistent with ethical leadership and values of the Group. These committees report to the Board on their activities in line with their delegated powers and authority.

The Board embraces the notion 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 all stakeholders, including 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. A review of the application to King III is provided on page 4.

The Board is 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. An external assurance provider was engaged in 2013

to perform an independent assessment of our risk framework and processes. The output from this review provided management with opportunities to continuously improve its risk framework and processes. The review indicated that the processes are either ahead of or in line with local South African retail benchmarks. The Group has made progress in developing the risk appetite for managing significant risks that could have a material impact to the business. Key risk metrics and measures have been developed with risk indicators clearly defined.

CHANGES TO GROUP STRUCTURE

The structure of the WHL Group has changed significantly with the acquisition of David Jones Limited on 1 August 2014 and the acquisition of the minority shareholding of Country Road Group on 2 September 2014.

The headquarters of WHL will remain in South Africa and the company will retain its listing on the Johannesburg Stock Exchange. As the Group becomes a southern-hemisphere-based retailer, with a sizeable portion of its turnover and profits being earned in Australia, the governance framework and processes will be enhanced and updated to ensure that the governance is appropriate for the changing stakeholder base and the geographies in which it conducts its business operations.

The role of the Group Secretary will take on increasing proportions as the complexity of an international Board and the operational governance within the Group company structure develop further.

GOVERNANCE PROCESSES

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

BOARD GOVERNANCE

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, Risk, Compliance and Legal.

The Board and Board committees meet on a quarterly basis in line with the financial and strategy processes of the Group. The strategic direction of the Group is formally discussed twice a year at meetings dedicated to the strategies of the Group. The Board engages management on performance against the strategy on a quarterly basis to test the effectiveness and viability of operational execution to ensure that the strategic objectives are delivered.

The Board committees report back to the Board on how they carried out their responsibilities. The committees annually assess their mandates as documented in their terms of references and provide an internal view of the effectiveness of each committee.

The Board meeting week held during November 2013 took place in Melbourne, Australia. In addition to committee and Board meetings, a comprehensive programme was set up to expose the directors to the Australian retail market and the dynamics within which the WHL Group operates. As the Group structure evolves, the need for the Board to see and experience the different geographical opportunities first-hand may be a more regular occurrence on the annual Board programme.

Prior to the commencement of the proposed acquisition of David Jones, the Board agreed that given the size and complexity of the transaction, it would be appropriate to constitute a sub-committee with a mandate to ensure that due process and effective oversight was carried out for the acquisition. The members on the sub-committee were Tom Boardman, Peter Bacon, Zarina Bassa, Andrew Higginson, Mike Leeming and Simon Susman. The sub-committee had extensive engagement with management and independent local and international financial and legal advisors throughout the acquisition process. Where required, the Audit committee provided additional oversight to review pro forma financial information as required by the Listings Requirements of the JSE.

The sub-committee chartered for the David Jones acquisition, was also given the mandate to review the strategy and detailed mechanics for the acquisition of the Country Road Group minority shares.

OPERATIONAL GOVERNANCE

There are well-entrenched governance structures within the Group to ensure proper assurance is given to material, significant strategic and operational matters. As the Group structure changes, the Board will focus their oversight on material issues while the day-to-day operational governance by management will assume greater importance. The current structures in place include:

- Real estate committee to manage real estate development
- Investment committee to manage the approval of capital planning allocations
- Treasury committee

**WOOLWORTHS
WAS A FINALIST IN
THE SA NATIONAL
BUSINESS AWARDS
IN THE CORPORATE
CITIZENSHIP AWARD
CATEGORY.**



EXCELLENCE IN INTEGRATED REPORTING AWARDS 2014

The WHL Integrated report was rated in the "excellent" category and received a merit award for "crispness".

**WOOLWORTHS IS A
FINALIST FOR THE
EU AFRICA CHAMBER
OF COMMERCE
"CSR IN AFRICA
AWARDS" 2014.**

These structures will be further developed to take into account the addition of David Jones and the change in shareholding of Country Road.

The Board appoints directors to manage and direct the activities of major subsidiaries and the senior executives of the Group. Key executives manage functional areas for the Group, as explained on page 100 of the 2014 Integrated Report.

Each business unit is supported by a leadership team who review the strategic objectives and capital initiatives and assess the risks and identify opportunities, as well as operational execution of the strategy within their unit.

The Board recognises that risk management is an integral part of the Group strategy and delegates to management the responsibility of designing, implementing and monitoring the risk management plan. The Group combined assurance

model is tabled on an annual basis to ensure that the Board is comfortable with the level and type of assurance that the Group obtains. The effective use and the extent of the types of assurance in the three lines of defence model will be an integral way in which the operational governance of the Group will be managed. As the Group expands, the key executives will provide the Board with appropriate assurance in terms of the first line of defence, with the Board requiring additional external and/or independent assurance on material issues.

Compliance with statutory and legislative requirements is managed through an integrated compliance framework. The compliance monitoring plan is approved on an annual basis. The plan provides independent objective assurance that material legislation applicable to the business has been monitored and ensures that process and compliance controls are in place to manage compliance risk.

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 performance.

BOARD GOVERNANCE STRUCTURE



KING III APPLICATION

The 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 in the best interests of WHL, this report follows King III in explaining the reasons for an alternative approach to and application of governance. While there has been no change in the areas where the King III principles have not been applied, the Board believes that acceptable processes are applied in order to support the spirit of the principle.

The complete King III register is available on the website www.woolworthsholdings.co.za. The areas where we have elected to deviate from the recommended application are:

KING III PRINCIPLE

- The Board should elect a Chairman of the Board who is an independent non-executive director. The chief executive officer of the company should not also fulfil the role of chairman of the Board. (See page 5)
- The evaluation of the Board, its committees and the individual directors should be performed every year. (See page 5)

THE BOARD

ROLE AND FUNCTION

The WHL Board is guided by a charter that 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.woolworthsholdings.co.za.

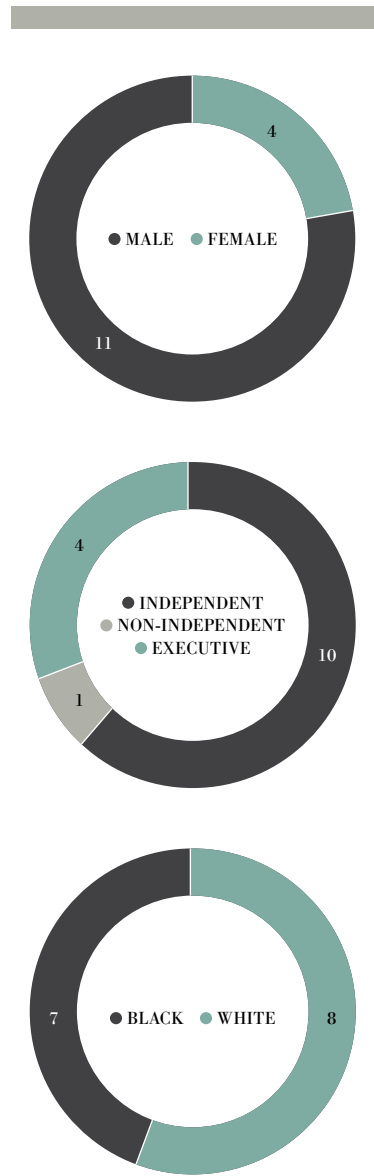
COMPOSITION

The Group has a unitary Board with a diverse composition. The directors (see page 98 of the 2014 Integrated Report, 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 over the Board.


The responsibilities of the Chairman and Chief Executive Officer 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 to ensure that the directors can perform effectively. The Chief Executive Officer is responsible for the execution of the approved strategy.

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. Three directors were appointed to the Board; they will all stand for election by shareholders at the November 2014 Annual General Meeting (see the Chairman’s report on pages 36 to 40 of the 2014 Integrated Report for more information).

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 that affect 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.



BOARD COMPOSITION

 King III assessment available on www.woolworthsholdings.co.za

TENURE OF DIRECTORS

The Memorandum of Incorporation states that a director may serve office for a continuous period of nine years, unless otherwise decided by the Board on an annual basis. The Board has the discretion to extend the tenure of a director who has served for nine years, after being satisfied that the director is still independent and performing his/her duties to acceptable standards. Mike Leeming and Chris Nissen have both served on the Board for ten years. In 2013, the Board agreed to extend their tenures for an additional year to November 2014.

Chris Nissen will retire from the Board at the conclusion of the November 2014 Annual General Meeting.

With the recent acquisition of David Jones and the acquisition of the minority shares in the Country Road Group, the Board considered that it was important to maintain the experience and continuity of the Chairman of the Audit committee in managing the impact of the acquisition on the Annual Financial Statements for the 2015 financial year. The Board has therefore exercised its discretion to extend the tenure of Mike Leeming for a further year.

The independence of Mike Leeming has been assessed and the Nominations committee is satisfied that he is still independent.

INDEPENDENCE OF DIRECTORS

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 Board applies the direction provided by King III and international governance practice in its determination of a director's independence.

Directors retiring by rotation at the Annual General Meeting in 2014 are Zarina Bassa, Stuart Rose and Simon Susman. Both Zarina Bassa and Stuart Rose are considered to be independent.

The Chairman, Simon Susman, has previously been classified as a Non-independent Director by virtue that he held the position of Group Chief Executive Officer until November 2010. King III principles state that it is preferable for a three-year cooling-off period after which a director may be considered independent. International governance practice considers a five-year cooling-off period more acceptable. Giving consideration to both King III and international governance practice and the number of WHL shares held by Simon Susman, which are material to his overall wealth, Simon is classified as a Non-independent Director. The Board has agreed to maintain the position of the Lead Independent Director held by Tom Boardman. The Lead Independent Director oversees matters discussed by the Board when the Chairman may, or is seen to, have a conflict of interest.

BOARD AND COMMITTEE SUCCESSION

The Nominations committee reviews Board and committee succession on an annual basis. Two non-executive directors were appointed, one non-executive director will retire at the November 2014 Annual General Meeting and an executive director was appointed. The committee proposed changes to the committee memberships, which will be effective after the Annual General Meeting. Thina Siwendu will take over as the Chairman of the Social and Ethics committee on the retirement of Chris Nissen; Mike Leeming will relinquish his role as Chairman of the Risk and Compliance committee to Zarina Bassa with effect from February 2015. Effective 1 July 2014, Zarina Bassa was appointed to the Nominations committee, Hubert Brody was appointed to the Audit, and

Risk and Compliance committees and Nombulelo Moholi was appointed to the Remuneration and Social and Ethics committees. These appointments ensure the committees are well resourced and provide appropriate succession opportunities.

BOARD, COMMITTEE AND DIRECTOR EVALUATIONS

Formal Board and committee evaluations are carried out every two years due to the significant amount of time that is committed to these processes and the feedback and implementation of recommendations. An independent service provider conducted an evaluation in May 2013 with agreed recommendations implemented during the year. The next formal evaluation will be conducted in 2015. In the intervening years when a formal review is not carried out, each committee reviews its effectiveness by way of a review of their activities against the approved terms of reference. The Chairman of each committee reports back to the Board on this assessment.

An informal performance evaluation of individual directors takes place on an ongoing basis. A formal review by the Chairman is conducted prior to any director standing for re-election, and is shared with the nominations committee and the Board. The review of the Chairman is carried out by the Lead Independent Director in consultation with the Nominations committee.

COMPANY 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 28 of the 2014 Notice of AGM and Abridged Financial Results Report. The Board is satisfied that the Group Secretary has maintained an arm's length relationship with the Board. The Group Secretary acts as secretary for the Board committees.

ETHICS AND INTEGRITY

The WHL values (see page 13 of the 2014 Integrated Report) determine behaviour 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 86% 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 promoting the anonymous tip-off line run by Deloitte. The Group has adopted a whistleblowing policy and an anti-corruption and sanctions policy to align with the OECD guidelines on corruption.

The relationship which we have with suppliers is regulated by the Woolworths Code of Business Principles which is aligned to the Group values. All suppliers are regularly assessed to ensure compliance to the Code. Corrective measures are implemented where areas of non-compliance are highlighted.

Woolworths customer complaints are managed through the customer call centre and directed to management for resolution. Complaints lodged with the Consumer Commission have been successfully resolved.

BOARD ATTENDANCE AND ACTIVITIES

MEMBERS	ATTENDANCE		2014 ACTIVITIES
	Board	Strategy	
Simon Susman (c)	4/4	2/2	<ul style="list-style-type: none"> - Approved the strategy, three-year financial plan and one-year budget for 2015 - Approved the half-year and year-end financial results and JSE announcements - Approved the Integrated Report - Discussed and considered material issues relating to execution of strategy - Approved the acquisition of all the shares of David Jones Limited - Approved the acquisition of the minority shareholding of Country Road Limited - Approved the appointment of new directors during the year and the extension of tenure for a current director - Approval of non-executive directors' fees for tabling at the annual general meeting - Considered the declaration of directors' personal financial interests at each meeting
Ian Moir	4/4	2/2	
Peter Bacon	4/4	2/2	
Lindiwe Bakoro*	1/2	0/1	
Zarina Bassa	4/4	2/2	
Tom Boardman	4/4	2/2	
Andrew Higginson	4/4	2/2	
Reeza Isaacs**	2/2	1/1	
Mike Leeming	4/4	2/2	
Chris Nissen	3/4	2/2	
Sam Ngumeni***	1/1	1/1	
Stuart Rose	4/4	2/2	
Zyda Rylands	4/4	2/2	
Thina Siwendu	4/4	2/2	
Norman Thomson*	2/2	1/1	

* Resigned/Retired from the Board on 26 November 2013

** Appointed to the Board on 26 November 2013

*** Appointed to the Board on 12 February 2014

a/b = number of meetings attended/maximum number of meetings held
c = denotes Chairman of the Board or committee
Apologies tendered and accepted when absent from meetings.

BOARD COMMITTEES

The role and responsibility of each Board committee are set out in terms of references, which are reviewed on an annual basis and approved by the Board. The full terms of reference of each committee can be found on our website at www.woolworthsholdings.co.za.

In line with the delegated powers and authorities, the committees report quarterly to the Board on how they 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 proper succession planning for the Board, Group Chief Executive Officer and the Executives. This will ensure that the five-year Group strategy is well executed.

MEMBERS	ATTENDANCE	2014 ACTIVITIES
Simon Susman (c)	4/4	<ul style="list-style-type: none"> - Recommended that one director due to retire after ten years service continue on the Board for continuity for the Audit committee - Reviewed succession planning for the Board and recommended the appointment of two additional non-executive directors and one executive director - Reviewed the succession planning for the Group Chief Executive Officer and senior executive positions - Approved the appointment of directors of David Jones and Country Road Group and key executive positions within the WHL Group - Reviewed the performance objectives and key activities of the Group Chief Executive Officer - Assessed the competence and expertise of the Group Secretary - Reviewed the integrated shareholder engagement strategy
Tom Boardman	4/4	
Mike Leeming	4/4	
Chris Nissen	4/4	
Stuart Rose	4/4	

RISK AND COMPLIANCE COMMITTEE

The Risk and Compliance committee is tasked to ensure that all significant risks are identified, evaluated and effectively managed. The metrics that track progress of business units meeting their strategic objectives are tested and verified. These form the basis of the risk appetite approved by the Board, in line with the strategic objectives of the Group.

MEMBERS	ATTENDANCE	2014 ACTIVITIES
Mike Leeming (c)	4/4	<ul style="list-style-type: none"> - Reviewed the key risk profile to ensure alignment with Group performance objectives - Approved new methodology for identification and management of Group risks - Reviewed operational and legal risks - Reviewed operational and legal risks associated with the acquisition of David Jones - Reviewed information technology risks as presented by the Chief Information Officer - Combined assurance model and compliance monitoring plan approved - Receive updates on changes in regulatory landscape and the impact on the business - Reviews the Group's business continuity strategy and processes - Evaluated the insurance programme to ensure that it covers all the insurable risks
Lindiwe Bakoro*	1/2	
Zarina Bassa	4/4	
Andrew Higginson	4/4	
Reeza Isaacs**	2/2	
Ian Moir	4/4	
Sam Ngumeni***	1/1	
Stuart Rose	4/4	
Zyda Rylands	4/4	
Thina Siwendu	4/4	
Simon Susman	4/4	
Norman Thomson*	2/2	



Terms of reference available at www.woolworthsholdings.co.za

AUDIT COMMITTEE

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	ATTENDANCE	2014 ACTIVITIES
Mike Leeming (c)	4/4	<ul style="list-style-type: none"> - Reviewed and recommended the half-year results, Annual Financial Statements and Integrated Report to the Board for approval - Reviewed and recommended the financial information in the documentation required for the acquisition of David Jones and the Country Road Group minority shares - Considered the internal audit coverage plan and ensured integration with the combined assurance model - Satisfied itself with the Group's internal financial controls - Approved internal audit charter - Reviewed competence and experience of the Finance Director and the finance function - Approved treasury policy - Approved insider trading, price sensitive information, complaints and external auditors independence policies
Peter Bacon	4/4	
Lindiwe Bakoro*	1/2	
Zarina Bassa	4/4	
Andrew Higginson	4/4	



The statutory report from the Audit committee is included in the Annual Financial Statements report and can also be downloaded from the website at www.woolworthsholdings.co.za

REMUNERATION COMMITTEE

The Remuneration committee ensures that the Group offers a compelling employee value proposition. The committee ensures that short-term and long-term incentives are commensurate to the Group's performance against strategy with challenging performance conditions and trigger points for achievement of targets.

MEMBERS	ATTENDANCE	2014 ACTIVITIES
Tom Boardman (c)	4/4	<ul style="list-style-type: none"> - Approved the remuneration policy - Ensured that remuneration of Group Chief Executive Officer, executive directors and executive committee members is in line with the remuneration policy - Approved remuneration package for senior executive appointments - Approved the short- and long-term incentive scheme designs and performance conditions and targets for the 2014 financial year - Approved vesting for applicable share awards - Reviewed the impact of the rights offer on the long-term share incentive scheme for further consideration by the trustees of Woolworths Holdings Share Trust - Appointed independent advisors to determine the fair and reasonable adjustments for the long-term share incentive schemes as a result of the right offer
Peter Bacon	4/4	
Lindiwe Bakoro*	1/2	
Andrew Higginson	4/4	
Stuart Rose	4/4	
Simon Susman	4/4	



Details of WHL remuneration are disclosed in the Remuneration report on page 120 of the 2014 Integrated Report, the Annual Financial Statements Report and can also be downloaded from our website at www.woolworthsholdings.co.za

SUSTAINABILITY COMMITTEE

The Sustainability committee focuses mainly on ethical trade and environmental issues including: water, sustainable farming, waste management, energy usage and 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 and General Merchandise business segments embed the Good Business Journey principles in their decision-making and how they source material.



MEMBERS	ATTENDANCE	2014 ACTIVITIES
Simon Susman (c)	3/3	<ul style="list-style-type: none"> - Reviewed the execution of the environmental aspects of Good Business Journey programme - Reviewed Good Business Journey strategy for Woolworths Food and Clothing and General Merchandise - Approved key strategic shifts for the Good Business Journey programme and key focus areas - Reviewed report on external benchmarking with retail, social and environmental trends - Appointed external assurance providers - Reviewed the external assurances provided on key metrics
Tom Boardman	3/3	
Chris Nissen	3/3	
Ian Moir	3/3	
Stuart Rose	3/3	
Zyda Rylands	3/3	

  Additional content in the Good Business Journey Report and on our website at www.woolworths.co.za

SOCIAL AND ETHICS COMMITTEE

The Social and Ethics committee drives our Good Business Journey pillars focusing on social development and transformation. The role of the committee has matured in its oversight to ensure that the Group plays a strong corporate citizenship role in South Africa. 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. The committee monitors the company's activities against international ethical and social standards, including the principles of the UN Global Compact.

MEMBERS	ATTENDANCE	2014 ACTIVITIES
Chris Nissen (c)	4/4	<ul style="list-style-type: none"> - Approved the targeted level BBBEE contributor status and strategy, plans and progress to achieve target - Approved external BBBEE verification agency - Reviewed employment equity plans submitted to Department of Labour and skills development plans in line with Skills Development Act, 97 of 1998 - Reviewed social and ethics committee framework of policies and processes to manage activities against ethical and social standards - Reviewed the activities of the Woolworths Trust and its donations and charitable giving - Reviewed the activities of the BEE Employee Share Ownership Scheme Trust
Tom Boardman	4/4	
Ian Moir	4/4	
Thina Siwendu	4/4	
Simon Susman	4/4	

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