



WOOLWORTHS HOLDINGS LIMITED

*2018 Social and Ethics Committee Report
As extracted from the 2018 Integrated Annual Report*

SOCIAL AND ETHICS COMMITTEE REPORT

WHL has always subscribed to the highest standards of corporate citizenship, social responsibility, sustainability, and ethics. The Group's values inform and underpin the way we do business across our Group. From values-based leadership to passionate brand advocacy, we seek to embed our values across all dimensions of our business. The implementation of King IV during the year under review required the committee to consider the application of the principles relating to leadership, ethics, and corporate citizenship in ensuring the four governance outcomes.

To this end, a key focus of the Social and Ethics Committee is to assist the Board in setting the tone for an ethical organisational culture and overseeing the Group's commitment to social and economic development, fair labour practices, environmental responsibility, and good corporate citizenship.

The committee comprises both Executive and Non-executive Directors and details of the committee composition, attendance, and meetings can be found in the Governance Report and the Notice of Annual General Meeting. The committee's terms of reference are available on our website at www.woolworthsholdings.co.za and set out in detail both the committee's statutory duties as well as Board delegated duties which include the oversight of all the Group's operating entities, including those in Australia.

We acknowledge that the critical areas within our mandate are constantly evolving in a world of complexity and amidst significant governance failures across South Africa; it is,

therefore, essential that the Group responds to this evolution by adapting its processes, policies, and practices concerning the environmental, social, and governance agenda of WHL – our role is that of active corporate citizenship.

We do this by ensuring that:

- the principles of responsible corporate citizenship are a critical component of the Group's overall strategy
- we are constantly reviewing the social, transformation, environmental, and ethics risks that impact the Group
- we report to the Board and to our stakeholders on the activities of the committee and engage on our mandate with shareholders
- we oversee management's efforts in delivering the Group's vision

Our mandate as set out in the Companies Act is a broad one. There is much work to be done if the Social and Ethics Committee of any organisation is to be effective. An annual self-assessment of our statutory obligations has been undertaken for the year under review and I am pleased to report on behalf of the committee that we have performed all of the statutory requirements expected of a Social and Ethics Committee.

We have, however, elected to report on those matters that we believe our stakeholders would like to hear most about – and are happy to engage on any other statutory requirements at the 2018 annual general meeting.

OUR TRANSFORMATION JOURNEY

CONTRIBUTING TO OUR SOCIAL DEVELOPMENT IMPERATIVES

Setting the tone from the top – the WHL Board has committed to and has progressed on the following targets relating to its Board composition:

DIVERSITY	TARGET	ACTUAL
Gender minimum of 33% for female Board membership, with an aspiration to achieve 40% by 2020	33%	38%
Race minimum of 33% for race diversity at Board level, with a target of 40% by 2020	33%	46%

As a Group, diversity in gender and race remains a key strength and we continue on our transformation journey both as a Board and as a Group.

A significant portion of the period under review has been characterised by heightened transformation activity in South Africa. The Group remains an active social contributor and is involved in initiatives such as the 'YES' (Youth Employment Service) initiative launched by President Ramaphosa in March 2018 in partnership with the CEO Initiative. With close to six million youth unemployed, this initiative is one of the ways in which the private sector is able to come together with government to improve employability as well as to alleviate the high youth unemployment rate. Woolworths is one of the first companies to commit to working with government by participating in the YES initiative, and we are currently working with YES to co-create the implementation.

The Group has refreshed its anti-bribery policy and conducted a comprehensive review of its anti-bribery and corruption initiatives across all operating jurisdictions in Africa. The Organisation for Economic Co-operation and Development's (OECD) recommendations on anti-corruption, together with the principles of the UN Global Compact, remain the Group's guiding principles in this regard.

OUR PEOPLE

Our people and transformation strategy is anchored in our values. We remain committed to the UN's Universal Declaration of Human Rights and the International Labour Organization's principles. The committee supports management's belief that entrenching a deep values-based culture across WSA, DJ, and CRG is critical for business performance and organisational sustainability, and we have tailored our people and transformation strategies with regard to the context of the regions within which we operate. There are different challenges that face our people in South Africa and Australia, and the committee is committed to overseeing that our people are treated fairly and ethically – this, in turn, ensures that our people remain committed to living the Group's values and treating the Group's stakeholders fairly and ethically.

The Group's efforts in delivering on its overall business strategy, together with navigating the current challenging business environment, places increased attention on its people policies and initiatives as we strive to ensure that we retain our key talent. In light of this, the Group's people strategy has remained focused on ensuring that the Group has created an environment in which staff remained engaged and active contributors of value creation.

USEFUL LINKS

[2018 Good Business Journey Report](#)





SKILLS DEVELOPMENT AND EMPLOYMENT EQUITY

Skills Development remains strongly positioned as a mechanism to upskill and advance designated groups, and in the South African context goes hand in hand with employment equity (EE). To this end, management is continuously improving the necessary integration between EE and Skills Development. Management is working tirelessly to ensure that the threshold is met while delivering a value-adding learning and development strategy for a diverse Woolworths (WUSA) community. EE remains a key focus of the Group's transformation agenda, and management continues to work towards alignment between the national economically active population and the targets set within WUSA.

Investment in training and development

WOOLWORTHS SA
R110M

DAVID JONES
R2.0M

COUNTRY ROAD GROUP
R1.7M

SUPPLY CHAIN TRANSFORMATION

The creation of inclusive supply chains in order to drive increased procurement from black-owned and black women-owned, small- and medium-sized enterprises, remains a key imperative. This area of transformation further encourages the development and support of small, black-owned suppliers and other identified enterprises to become competent in supplying goods and services, and in so doing, enables them to grow into sustainable businesses.

There is currently a deep focus on Supply Chain Transformation strategy in the business focusing on:

- Modelling future scenarios and setting targets at the most granular level possible; most importantly, the targets for procurement from black-owned businesses
- Capacity building of buying and procurement teams
- Developing broader business unit ESD strategies, which include Preferential Procurement, Supplier Development and Enterprise Development, and aligning these with our business strategy

Supplier and Enterprise Development programme

49
suppliers who are part of the Woolworths development programme with a procurement spend of R246 million during the 2018 financial year

R800M
accumulated procurement spend over three years with enterprise development beneficiaries

R25.3M *disbursed in loans over the last three years*

1 084 *new jobs created through the programme over three years and 230 during the 2018 financial year*

R51.3M
non-cash investment supporting The Clothing Bank, empowering 448 women, up from R44.4 million last year

Further details of a number of notable achievements on our transformation journey are provided in our Good Business Journey Report. The committee encourages stakeholders to read the case studies contained in the Good Business Journey Report, which evidences the Group's successes in contributing to the mindful development of sustainable businesses, and, indeed, some of the challenges as well.

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[2018 Good Business Journey Report](#)

SOCIAL DEVELOPMENT

Contributing to the communities where we operate, as well as further afield, remains a Group imperative. Our social development strategy is not only aligned to our core business strategy, but also to the developmental priorities of the countries in which we operate and the challenges they face.

In a developing world context, these challenges are increasingly exacerbated by economic and climatic pressures that often serve to increase the cost of living, stretch or diminish access to basic resources, and increase inequality. These challenges only serve to decrease the resilience of impoverished individuals or communities and reduce the likelihood of breaking out of the poverty cycle. The increasing number of service delivery protests in South Africa are reflective of the deep levels of inequality and we remain committed as a business to playing our part to uplift the communities within which we operate.

In Australia, David Jones and Country Road Group focus their community investment activities around the causes that resonate with their customers and their staff, with some commonality in the areas of health and wellbeing, empowerment, and social services.

In South Africa, the Group's social development initiatives within our community base are aligned with the work done by The Woolworths Trust, as it seeks to promote Woolworths (WSA) contributions to social development. The Group Social Development strategy has been expanded to extend to other African countries in which WSA operates and where it has been well-received.

As a Group, WHL has committed funds amounting to R817 million towards the upliftment of the societies within which we operate during the 2018 financial year.

HEALTH AND SAFETY

The safety of all stakeholders, both in our stores and at our places of work, will always be one of our primary focus areas of priority. The Risk and Compliance Committee continues to review the Group's compliance with applicable health and safety laws. Health and public safety matters are considered in some detail, and the Group's compliance department actively monitors and reports on compliance with the relevant legislation in this regard. This year, we were faced with an unprecedented potential threat to the safety of our employees and customers in KwaZulu-Natal, South Africa. The Risk and Compliance Committee oversaw management's response and actions, all of which were designed to mitigate any eventuality of actual harm. In addition, the committee had oversight over management's response to the unfortunate Listeriosis outbreak in South Africa.

BROAD-BASED BLACK ECONOMIC EMPOWERMENT (BBBEE)

The Group's BBBEE rating for the 2018 financial year, as verified by Empowerdex, has been determined at Level 6. Management's focus during the year under review has been on supplier education and awareness in order to create the capacity required to enable the proper validation of preferential procurement. With this firm foundation, we are now engaged in strategic target-setting up to 2020 and beyond, with clear direction and support from management and leadership. This ensures that the delivery of BBBEE transformation is well-entrenched and integrated into individual business strategies.

HUMAN RIGHTS DECLARATION

The Group is committed to respecting human rights, which includes ensuring that all our stakeholders are treated with dignity, respect, and care. The Group values diversity and inclusion and is committed to non-sexism and non-racism across our daily practices and within the framework of all our policies and procedures. This journey is underpinned by the Group's values and solid transformation principles to ensure the sustainability and impact of our efforts. The committee is pleased to report that the Group remains compliant with the international set of protocols within which we operate, and continues to promote equality through processes and policies put in place to prevent and eliminate any form of discrimination.

CUSTOMER RELATIONSHIPS

One of the Group's values is to be 'Customer Obsessed'. As part of our statutory mandate, the committee is required to consider various aspects of customer relationships. The Group recognises that in order to create the right experiences for our customers, we need to create the right experiences for employees. Our people strategies in both South Africa and Australia are built on this recognition.

As we continue to function in a very difficult operating environment, our customers remain our foremost priority.

We continue to ensure that we:

- embed our shared values so that our customers, our people, our partners, and our communities know what we stand for
- build a culture of collaboration and work together for the benefit of our customers
- put our customers and our people at the heart of everything we do, and inspire them through the pride in our brands
- continue to build our resilience and our ability to renew our businesses
- build a more inclusive and diverse culture where all voices can be heard

From a compliance perspective, the committee is responsible for ensuring that the Group operates within relevant consumer laws. All customer complaint matters for the year under review were managed and investigated timeously.

STAKEHOLDER ENGAGEMENT

Our stakeholder engagement process focuses on establishing and maintaining mutually beneficial relationships with all our stakeholders, driven primarily by the material issues identified through continuous engagement. The Group's stakeholder universe includes our employees, customers, shareholders, lenders, suppliers, communities, business partners, unions, NGOs, academia, industry bodies, government, regulators, and the media, among others. To focus our reporting on these stakeholders, we have mapped them according

to materiality – in this case, their ability to impact the business and the Group's ability to impact our stakeholders.

The Group continues to evolve its approach and strategic intent with regard to stakeholder engagement. The process of mapping stakeholder relationships continues to be undertaken across the Group, and stakeholder engagement continues to be key in enhancing the Group's sustained value creation.

USEFUL LINKS

[*2018 Good Business Journey Report*](#)

[*2018 BBBEE Verification Certificate*](#)



SUSTAINABILITY

In pursuit of our vision to be one of the world's most responsible retailers, we continue to evolve the Group's Good Business Journey programme, which consists of eight focus areas, and the material aspects of addressing sustainability in the Group. These eight areas are transformation, social development, health and wellness, ethical sourcing, sustainable farming, waste, water, as well as energy and climate change. During the year under review, the Group announced its packaging vision of zero packaging waste to landfill and its commitments to phasing out single-use shopping bags by 2020, as well as all packaging of private label products to be reusable or recyclable by 2022. In addition, the committee, together with the Risk and Compliance Committee, was engaged on the

business continuity management plans that management had implemented in order to deal with the water crisis in the Western Cape. As I write, though, the Western Cape is enjoying some rainfall, which may be sufficient to defer Day Zero. Woolworths, however, continues to advocate the #THINKWATER campaign.

All environmental matters are monitored through the Sustainability Committee, which ensures that our sustainability initiatives and objectives are effectively integrated into the business and that the Group operates in an environmentally responsible manner. The Good Business Journey Report, published as part of the Group's integrated reporting, is a comprehensive report setting out detailed information relating to the Group's sustainability initiatives.

ETHICS AND BUSINESS INTEGRITY

All ethical policies and adherence thereto are overseen by the committee, whose main role in this regard is to ensure implementation and compliance with the Group's ethos of remaining true to its values.

The committee endeavours to promote a culture of openness and transparency throughout the Group and, as such, employees and other stakeholders are encouraged to report unethical conduct and other transgressions which they may become aware of. An independently monitored whistle-blowing hotline, Deloitte's Tip-Offs Anonymous, has been made available to employees across the Group's businesses. Stakeholders are able to report suspected

fraud or other activities which are considered to be ethical transgressions.

Tip-Offs training and awareness sessions are conducted periodically to promote utilisation of the facility where necessary. The Tip-Offs service has also been extended to key customers and suppliers in the South African business and to selected suppliers and customers at the Group's international businesses.

USEFUL LINKS

[2018 Good Business Journey Report](#)

CONCLUSION

We are pleased to confirm to you, our stakeholders, that the Group continues to meet its environmental, social, and governance responsibilities. The committee reports, through its Chairman, to shareholders at the Group's Annual General Meeting on matters within its mandate. The committee confirms that it has discharged its responsibilities appropriately during the year under review. We continue to seek ways in which to further create value and contribute positively to the environmental, social, and governance imperatives of the jurisdictions within which we operate. WHL has retained its inclusion in the FTSE/JSE Responsible Investment Index for 2018/2019, and has been included for the sixth year in succession in the Dow Jones Sustainability Index, a globally respected sustainability index.

There has been no material non-compliance with legislation or non-adherence to codes of best practice in terms of the areas within the committee's mandate for the period under review.

I encourage all our stakeholders to share their views with us in terms of the Group's social and ethics performance via Governance@woolworths.co.za. Consistent and honest feedback from stakeholders is imperative to our efforts of fostering greater accountability on matters related to transformation and sustainability, and in assisting us to deliver more effectively on the Group's goals and targets in terms of these critical issues.

Finally, I thank the executive management team and my fellow committee members for their unwavering support in fulfilling the committee mandate for the year under review.

N MOHOLI

Chairman of the Social and Ethics Committee

To find out more about what
we're doing, visit

We appreciate any feedback on our Integrated Annual Report.
Please contact InvestorRelations@woolworths.co.za
