



WOOLWORTHS HOLDINGS LIMITED

2019 Integrated Annual Report

NAVIGATING OUR REPORT

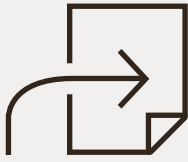
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GOOD BUSINESS JOURNEY, THIS REPORT
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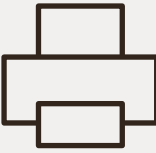
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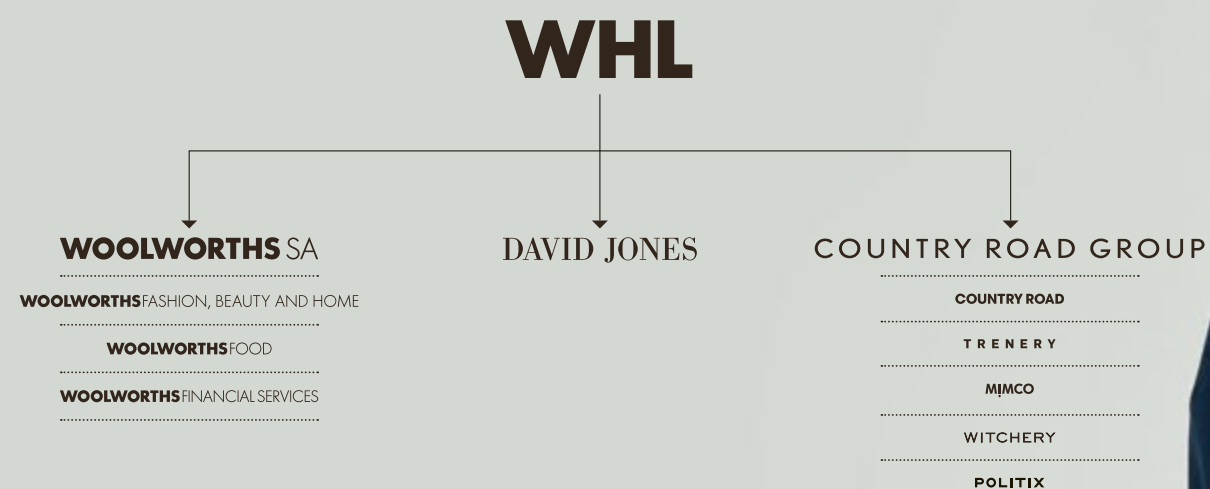


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**WOOLWORTHS HOLDINGS LIMITED
IS ONE OF THE TOP COMPANIES LISTED ON
THE JSE LIMITED SECURITIES EXCHANGE
(JSE), WITH OPERATIONS IN SUB-SAHARAN
AFRICA, AUSTRALIA, AND NEW ZEALAND**

GROUP OVERVIEW



R78.2BN
Turnover and concession sales

Adjusted operating profit by category

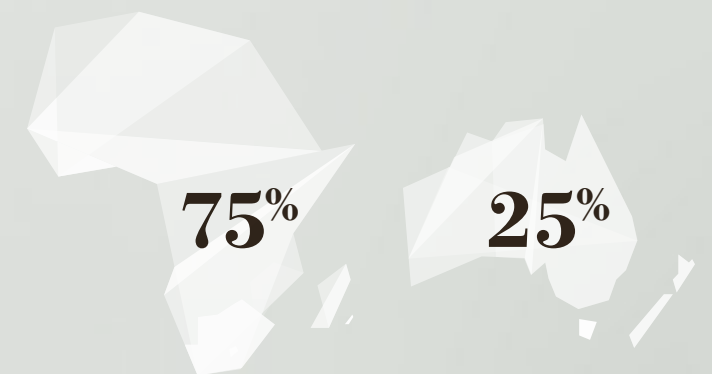
55%
*Fashion, Beauty
and Home*


5%
*Financial
Services*


40%
Food


**OUR VISION
IS TO BE ONE OF THE
WORLD'S MOST RESPONSIBLE
RETAILERS.**

Adjusted operating profit by geography



More than
15 MILLION
customers across the southern hemisphere

1 576
*store locations in
14 countries*


46 831
employees


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OUR INTEGRATED REPORT

Woolworths Holdings Limited (WHL or the Group) presents its 2019 Integrated Annual Report: an overview of WHL's performance, value created for stakeholders, and contribution to society for the 53 weeks ended 30 June 2019, and how the Group's strategy, governance, and performance add to the creation of value over the short-, medium-, and long-term. The report has been prepared for the benefit of all our stakeholders, with a particular focus on aspects relevant to those stakeholders who provide us with access to resources of a financial nature.

SCOPE AND BOUNDARY OF REPORT

Material issues, risks, and opportunities arising from the external environment and the retail landscape

FINANCIAL REPORTING BOUNDARY

WHL interests in wholly owned subsidiaries, associates, and Woolworths Financial Services (WFS), which is reported as an equity accounted joint venture



CUSTOMERS



EMPLOYEES



SHAREHOLDERS



DEBT FUNDERS



SUPPLIERS



COMMUNITIES
AND OTHER

Material issues, risks, and opportunities arising from stakeholder engagement

The scope of this 2019 Integrated Annual Report incorporates the financial reporting boundary of the WHL Group – i.e., the performance and data relating to the Group and its subsidiaries, joint ventures, associates, and operations of the Group throughout South Africa, the rest of sub-Saharan Africa, Australia, and New Zealand. Our statutory financial results are prepared on a 53-week basis. However, to facilitate comparison against the prior year, the majority of the commentary in this report refers to a pro forma 52-week period.

The report also extends beyond financial reporting to include non-financial performance, opportunities, risks, and outcomes attributable to, or associated with our key stakeholders, who significantly influence our ability to create value.

As a Group retailing across food, fashion, beauty, and home, our business model is based on long-term supplier relationships and a responsibility to influence change throughout the supply chain. We manage our broader business impact through comprehensive social, ethical, and environmental policies and practices. Where aspects of our Good Business Journey programme are more fully developed, the risks, opportunities, and outcomes of those stakeholders impacted are incorporated into both the Integrated Annual Report and the Good Business Journey Report.

The scope and boundary of this 2019 Integrated Annual Report are broadly similar to those of the 2018 Integrated Annual Report.

REPORTING FRAMEWORKS AND COMPARABILITY

In compiling this report, we have considered information included in previous reports, legislative reporting requirements, and the International Integrated Reporting Council's (IIRC) framework.

We are committed to adopting the IIRC framework in this report.

Other reporting frameworks applied, where appropriate, include:

- The Global Reporting Initiative Standards, relevant to information provided in the sustainability strategic focus area
- International Financial Reporting Standards, relevant to financial information provided in the Annual Financial Statements

2019 REPORTING SUITE

The 2019 Integrated Annual Report is the key report that provides a holistic view of the Group's business, strategy, performance, and the creation of value for all stakeholders. This report should be read in conjunction with the more detailed reports highlighted below.

Complementing the Integrated Annual Report are a number of other reports targeted at specific stakeholders. These reports are:

- Annual Financial Statements, providing a more detailed understanding of the financial aspects of our business
- Good Business Journey Report, providing details of our sustainability strategy and a review of performance, primarily against non-financial targets for social, transformation, and environmental matters

- Summarised Remuneration Report, providing key features of the Remuneration Report

- Annual General Meeting (AGM) Notice Report, providing the relevant information necessary for shareholders to vote on the resolutions to be tabled at the AGM

The Annual Financial Statements and Good Business Journey Report are available online on our corporate website, www.woolworthsholdings.co.za.

The AGM Notice will be available online on our corporate website, www.woolworthsholdings.co.za and sent to all shareholders by no later than 27 September 2019.

Supporting documents and compliance information not included in the reports can be accessed on our corporate website, www.woolworthsholdings.co.za.

FORWARD-LOOKING STATEMENTS

Certain statements in this report may constitute forward-looking statements which, by their nature, involve risk and uncertainty because they relate to future events and circumstances that may

be beyond the Group's control. The directors, therefore, advise readers to use caution regarding interpreting any forward looking statements in the report.

APPROVAL AND ASSURANCE OF OUR REPORTS

The content of this report is consistent with the indicators used for our internal management and Board reports.

The WHL Audit Committee reviewed the Integrated Annual Report and Annual Financial Statements, and recommended them to the Board for approval.

The Social and Ethics Committee and the Sustainability Committee reviewed and recommended the Good Business Journey Report.

The Board acknowledges its responsibility for ensuring the integrity of the Integrated Annual Report. The Board has applied its mind to the Integrated Annual Report and considered the

operating context, strategy, and value creation model in this process. The Board believes that the Integrated Annual Report addresses all material matters that have, or could have, a material effect on the Group's ability to create value, and fairly presents the integrated performance of the Group.

Elements of the information included in our Integrated Annual Report were verified by a combination of internal and external assurance specialists. This assurance covers a significant spread of business operations.

This 2019 WHL Integrated Annual Report was approved by the Board on 28 August 2019.

SN SUSMAN

Chairman

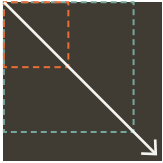
I MOIR

Group Chief Executive Officer

WOOLWORTHS HOLDINGS GROUP

PROFILE

Leading South African retailer offering a range of primarily private label products



TRADING SPACE

● Woolworths 733 000 m²

OFFERING

A selected range of quality fashion, beauty, homeware, and food products. Financial services are provided through Woolworths Financial Services (WFS)

BASED IN

Africa and trading in South Africa and a further 11 countries in sub-Saharan Africa



58.9% Group turnover*

75.3% Group adjusted profit before interest and tax

PROFILE

One of Australia's leading premium department stores



TRADING SPACE

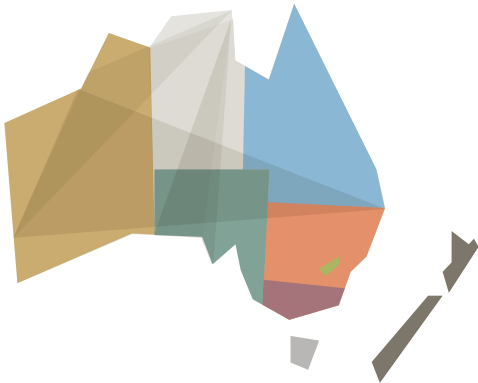
● David Jones 475 000 m²

OFFERING

Leading international and local brands with a private label clothing, homeware, and food offering

BASED IN

Australia and trading in Australia and New Zealand

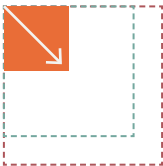


27.1% Group turnover*

6.7% Group adjusted profit before interest and tax

PROFILE

Leading Australian speciality retailer



TRADING SPACE

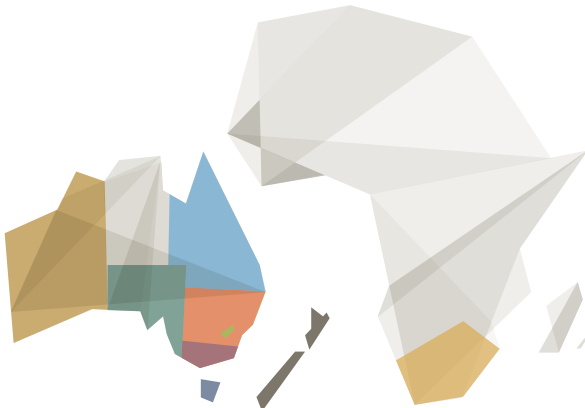
● Country Road Group 121 000 m²

OFFERING

Stylish, high-quality apparel, accessories, footwear, and homeware

BASED IN

Australia and trading in Australia, New Zealand, and South Africa



14.0% Group turnover*

18.0% Group adjusted profit before interest and tax

On a comparable 52-week basis
As at 30 June 2019

* Including concession sales



OUR PURPOSE, VISION AND VALUES

OUR PURPOSE

ADDING QUALITY TO LIFE

Exceptional quality in every product we sell and every experience we deliver, to our customers and our people

OUR VISION

TO BE ONE OF THE WORLD'S MOST RESPONSIBLE RETAILERS

Reflects our passionate commitment to doing good business, for our customers, our people, and our planet

OUR VALUES

Our 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.

CUSTOMER OBSESSED

means that in our world, the customer always comes first

INSPIRATIONAL

says we are always looking ahead and taking the lead

BEING RESPONSIBLE

is about doing the right thing – always value with values

COLLABORATIVE

means we are one team working together

QUALITY

is the heart of our business. We are committed to quality, in whatever we do, wherever we do it

A TRIBUTE TO SIMON SUSMAN

From Hubert Brody, Deputy Chairman

It is with great gratitude that we say farewell to Simon Susman at our 2019 Annual General Meeting.



Simon has been part of Woolworths for almost 40 years and his contribution to the Group has been invaluable. Notably, he was the architect and driving force behind our very successful Food business and further held a number of top executive positions in the Group before becoming the Chief Executive in 2000.

Simon was also particularly instrumental in inspiring and implementing our Good Business Journey.

Through this programme, the Group continually strives to do business in a way that is deeply sustainable, both socially and environmentally.

Simon will become Honorary President upon conclusion of the 2019 WHL Annual General Meeting, where he will step down as a director. He will provide support and advice to the Board and continue his deep association with the Group by devoting his time to the continued advancement of WHL's participation in civil and corporate society.

On behalf of the Board, management and all our employees, we wish to extend our deepest thanks and appreciation to Simon for the passion and wisdom that he has shared with us and for building Woolworths into a company that is deeply rooted in values, passionately delivers on sustainability, and brings real value to all stakeholders.

SIMON WAS ALSO PARTICULARLY INSTRUMENTAL IN INSPIRING AND IMPLEMENTING OUR GOOD BUSINESS JOURNEY. THROUGH THIS PROGRAMME, THE GROUP CONTINUALLY STRIVES TO DO BUSINESS IN A WAY THAT IS DEEPLY SUSTAINABLE, BOTH SOCIALLY AND ENVIRONMENTALLY.



CREATING VALUE



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VALUE CREATION FOR OUR STAKEHOLDERS

We recognise that there is a broad range of stakeholders with an interest in the Group, its products, activities, and initiatives and on whom our business has an impact. We continue to invest in our employees, supplier relationships, and operations in order to meet the wants and needs of our customers, who provide us with our primary source of revenue. We maximise the value we provide to our stakeholders by providing them with beautiful, high-quality products, entrenching strong corporate governance, and actively managing our costs and investments. Unique to our value creation process is the extent to which our Good Business Journey supports and nurtures future access to our resources, and how we aim to generate sustainable returns for investors and shareholders over the short-, medium-, and long-term.

USEFUL LINKS: FOR MORE DETAIL

2019 Good Business Journey Report



EMPLOYEES

It is the dedication, talent, and knowledge of our 46 831 employees across the Group, along with efficient value-creating strategies and operations, that allow us to meet our customers' wants and needs and contribute materially towards the communities in which we operate.

Our employees consider the following issues as important to them:

- Employment
- Remuneration
- Diversity and inclusion
- Training and development
- Employee community involvement

In response to these issues, we create value for them by:

- Providing employment in the regions in which we operate and additional opportunities as our Group grows
- Rewarding our employees for the value they add with fair and responsible remuneration
- Recognising all forms of diversity through equal work for equal pay and by ensuring transformation of our workforce
- Continuing to train and develop our staff, enabling a more specialised and knowledgeable workforce
- Providing employees with opportunities to participate in employee volunteering and workplace giving programmes



SUPPLIERS

Our relationships with over 500 Fashion, Beauty and Home (FBH) direct suppliers and over 900 Food direct suppliers are a key competitive advantage for our Group, as they provide us with exceptional and often exclusive products.

Our suppliers consider the following issues as important to them:

- Fair and ethical sourcing
- Timely payment and favourable terms
- Supplier and enterprise development

In response to these issues, we create value for them by:

- Assisting our suppliers to contribute positively towards the environment and communities in which they operate through various sustainability initiatives
- Continuing to strengthen our mutually beneficial supplier relationships and integrate closely with them
- Supporting small and emerging suppliers, providing them with access to the market by sourcing products and services from them



CUSTOMERS

The over 11 million customers in sub-Saharan Africa and more than 4 million customers in Australia and New Zealand are our largest stakeholder base and their purchases are the main source of revenue we earn.

Our customers consider the following issues as important to them:

- Quality, safe, and responsibly sourced products
- Convenience
- Value
- Good service
- Giving back to the community
- Access to credit

In response to these issues, we create value for them by:

- Delivering quality, appealing, safe, innovative and responsibly sourced products that are readily, seamlessly and conveniently available, at great value and with excellent service
- Providing opportunities to give back to their communities
- Offering them access to responsible and affordable credit



SHAREHOLDERS AND DEBT FUNDERS

Our equity and debt investors are the sources of capital for the Group and enable business continuity and growth.

Our shareholders and debt funders consider the following issues as important to them:

- Consistent returns on their investments
- Strong corporate governance

In response to these issues we create value for them by:

- Responsibly investing capital, including strategic investments, considering Good Business Journey impact where appropriate
- Ensuring adequate funding to meet financial obligations and business objectives
- Actively managing the level of debt and liquidity, refinancing, interest rates, and counterparty risks
- Paying regular dividend income and interest



GOVERNMENT AND REGULATORS

We are passionate about the role we play in building a thriving society. We do this by engaging with the governments and regulators in the markets in which we operate, enabling regulation to allow for a trustworthy business environment, and contributing towards business sustainability by fostering societal growth and aligning our efforts with the sustainable development goals.

Our stakeholders in government consider the following issues as important to them:

- Legislation and regulation adherence, both in spirit and intent
- Contribution towards inclusive economic growth (including, but not limited to, job creation and skills development, enterprise development, and local procurement)

In response to these issues, we create value for them by:

- Going beyond regulatory compliance to adhere to the intent of legislation on our Good Business Journey
- Using our core competencies to contribute to solving social problems such as food security
- Actively engaging government and industry on policy matters



COMMUNITIES AND OTHER

We acknowledge the importance of our relationships with the communities in which we operate, academic institutions, the media, industry bodies, NGOs and interest groups as they create an enabling business environment as well as the pipeline of future customers and employees.

Our communities and other stakeholders consider the following issues as important to them:

- Community involvement and contribution
- Economic growth contribution

In response to these issues, we create value for them by:

- Enriching the lives of the vulnerable members of the community, and, specifically in South Africa, supporting the need to address the transformation of the previously disadvantaged
- Assisting in driving economic growth by investing capital in the regions in which we operate

WHL GROUP

The Group aims to deliver sustainable short-, medium- and long-term returns in a responsible manner.

Value is created through:

- Growing revenue while managing risks within an acceptable risk appetite, and optimising costs
- Maintaining a strong balance sheet, actively managing debt, and responsibly investing capital
- Continuing to entrench strong corporate governance across the Group
- Embedding our Good Business Journey throughout the business to facilitate us in sustainably achieving our vision

OUR VALUE CREATION PROCESS

We aim to create maximum value by delivering our purpose and ensuring the relevance and sustainability of our business model. Our strategy is informed by assessing issues which are material to the Group, the availability and quality of our resources, and our stakeholder needs. This enables us to focus on conducting our operations underpinned by strong governance, and at the same time, delivering financial results and creating sustainable value for our stakeholders.

STRONG GOVERNANCE OVERSIGHT AND COMMITMENT TO THE HIGHEST STANDARDS OF GOVERNANCE, ETHICS, AND INTEGRITY

► Manage the impact of our resources... ► ...and our strategies... ► ...to ensure a balanced approach to value creation... ► ...and, ultimately, create value for our stakeholders

INPUTS



FINANCIAL

- 58 571 shareholders, 99.98% public, and 27% based offshore
- R9.4bn equity
- R13.5bn interest-bearing term debt



PEOPLE

- Experienced leadership team guiding our diverse and talented workforce of 46 831 employees
- Values-driven corporate culture underpinned by strong compliance and governance culture



KNOW-HOW

- Customer data and insights used to inform all our business decisions
- Design-focused approach in our FBH businesses to provide wearable fashion, timeless classics, and beautiful basics
- Dedicated food development and technology teams to provide quality products with market-leading innovation and sustainability attributes

STRATEGIC FOCUS AREAS



BUILD STRONGER, MORE PROFITABLE CUSTOMER RELATIONSHIPS



TOWARDS CONNECTED RETAIL



BE A LEADING FASHION RETAILER



BECOME A BIG FOOD BUSINESS WITH A DIFFERENCE



DRIVE SYNERGIES AND EFFICIENCIES



EMBED THE GOOD BUSINESS JOURNEY THROUGHOUT THE BUSINESS

OUTCOMES

- Continued access to financial capital through investor and financial market confidence
- Decrease in adjusted diluted HEPS of 2.1%
- Further impairment of the carrying value of David Jones assets
- Total dividend reduced by 20.3% due to withholding of Australian dividend to protect Australian capital base

- Employment creation, employment development through training and development, and the promotion of diversity within the workplace
- Fair and responsible remuneration with R11.5bn guaranteed pay and related benefits
- Training and development investment of R121.6m in sub-Saharan Africa and A\$4.2m in Australia
- Strong governance structures

- Continued development and improvement in our private label brands by focusing on quality, sustainability and innovation, and the investment in systems and processes to ensure our businesses are future-fit
- Development of new and streamlining of existing business processes
- Leading sustainability credentials with 91% Woolworths Food, 91% Woolworths Fashion, Beauty and Home, 50% David Jones Food and 68% Country Road Group products having a sustainability attribute

STAKEHOLDER VALUE



CUSTOMERS

- Quality, appealing, safe and innovative and responsibly sourced merchandise
- Strong customer relationships:
 - **76%** sales tracked on loyalty cards in WSA
 - **87%** sales tracked on loyalty cards in CRG
- Responsible and affordable credit:
 - **15%** sales made on in-store cards and credit cards in South Africa
 - **14%** sales made on credit in David Jones



EMPLOYEES

- Stable and highly engaged workforce
- Fair and responsible remuneration with R11.5bn guaranteed pay and related benefits
- Continued training and development with R121.6m and A\$4.2m invested in sub-Saharan Africa and Australia respectively



SHAREHOLDERS AND DEBT FUNDERS

- Return on investments:
 - **R1.1bn** interest paid
 - **R2.1bn** cash dividends paid
- Reduction in shareholder funds and interest-bearing debt of **R3.7bn** and **R193m** respectively

OPTIMISE OUR BUSINESS MODEL

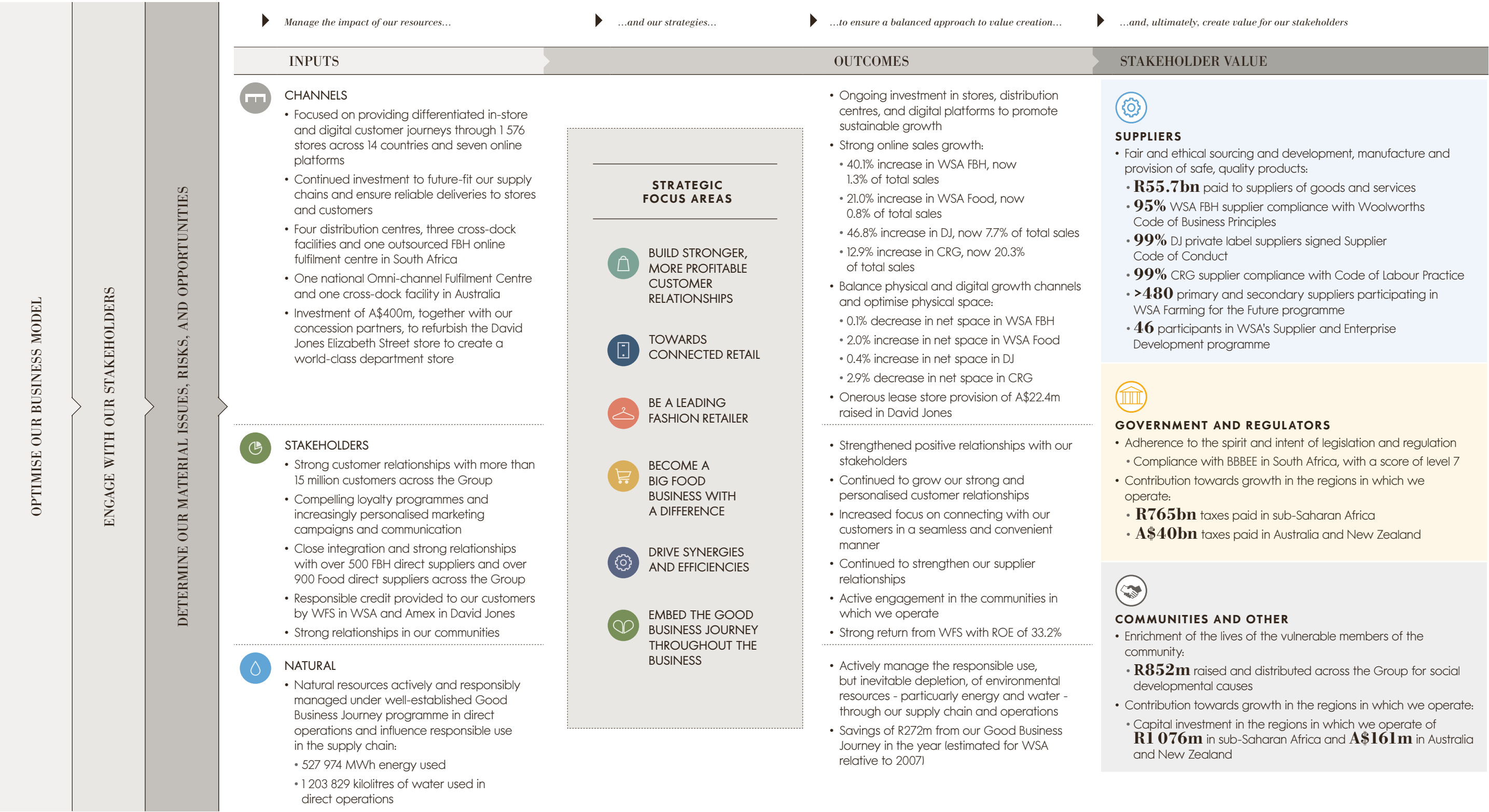
ENGAGE WITH OUR STAKEHOLDERS

DETERMINE OUR MATERIAL ISSUES, RISKS, AND OPPORTUNITIES

USEFUL LINKS: FOR MORE DETAIL

[Our Approach](#)

On a comparable 52-week basis
As at 30 June 2019



DELIVERING FINANCIAL OUTCOMES FOR THE GROUP (52:52 WEEKS)					
Turnover and concession sales up 3.9% TO R78.2BN	Adjusted profit before tax -3.7% TO R4.6BN	HEPS -4.6% TO 330.4CPS <i>Adjusted diluted HEPS -2.1% to 356.3cps</i>	Loss per share at -126.0CPS	Total dividend reduced by -20.3% TO 190.5CPS	ROE* of 17.5% FROM 18%
USEFUL LINKS: FOR MORE DETAIL			Our Approach	Financial Director's Report	

On a comparable 52-week basis
As at 30 June 2019
* David Jones asset impairment added back

OUR BUSINESS MODEL

While the business of fashion and food retailing follows generic business processes, the WHL Group has developed key competencies over the years that enable value creation for all stakeholders, direct how we create value, and provide us with a sustainable competitive advantage. The successful execution of the business model will create value for the Group’s stakeholders, notably customers and employees, suppliers, financiers, landlords, and the communities and countries in which we operate.

INPUTS INTO OUR BUSINESS MODEL

RESOURCES UTILISED



FINANCIAL

Funding received from providers of capital and debt and the financial resources available to the Group



PEOPLE

Employee skills, capabilities, development and experience



KNOW-HOW

Skills and knowledge within the organisation and the enabling systems and processes



CHANNELS

Physical infrastructure used in the selling of merchandise, including distribution centres, retail stores, and digital platforms



STAKEHOLDERS

The relationships we have with our stakeholders, including our customers, suppliers, business partners, communities, and other stakeholders



NATURAL

Environmental resources used in our direct operations and in our supply chain which impact on our prosperity and sustainability



CUSTOMER INSIGHTS

The WRewards loyalty programme in Africa, the Rewards programmes for CRG brands, and the newly launched loyalty programme in David Jones enable us to gain deep customer insights, drive customer acquisition, frequency and spend, and reward customers with compelling benefits. Our Customer Relationship Management programmes combine various sources of customer information. Using customer insights and data analysis, we develop customer segments to inform our product, service, and format strategies, ensuring that we meet our customers’ wants and needs. Customer insights also drive marketing campaign optimisation and provide customers with personalised marketing and offers. Aspects of the GBJ and our sustainability attributes are integrated into our customer communications as appropriate.



PRODUCT DEVELOPMENT AND DESIGN

We follow a design-led approach in our Fashion, Beauty and Home (FBH) businesses by combining trend analysis and interpretation and customer segmentation data, to deliver clearly segmented, private label brands.

DJ uses customer insights and segmentation to optimise their merchandise and brand assortment.

In our Food businesses, food trends are interpreted to develop and improve current ranges and introduce innovative new products and cooking techniques. Dedicated product development and food technology teams work with suppliers to deliver best-in-class products. The GBJ is embedded in product development and design, with the aim of ensuring that all products have at least one sustainability attribute, and to move towards recyclable and reusable packaging.



SOURCING

Our supplier relationships are a key competitive advantage and we integrate closely with them.

Our scale in our Fashion, Beauty and Home businesses drives speed-to-market by sourcing the majority of our products sold in Australia from Asia and just over half of our Fashion, Beauty and Home products sold in South Africa from suppliers based in the SADC region.

Our Food businesses benefit from exclusive regional supplier relationships, particularly in our strategic categories.

Various GBJ-related policies and programmes direct our sourcing, including that suppliers are required to comply with our Supplier Codes of Conduct, which manage both operating procedures and the Group’s requirements for ethical sourcing, people, and environmental management. This ensures that we produce quality, safe products using production processes that reduce negative environmental and social impacts.

We believe that the activities in our business model use our resources to optimise value creation. We also recognise the interdependencies between the resources, and trade-offs between the costs and benefits offered by the resources that we must manage responsibly.

OUR TRADING ENVIRONMENT

The Group operates across the southern hemisphere including 11 sub-Saharan African countries, Australia, and New Zealand. Several factors that impact our operating environment are partially or wholly beyond the Group’s control, and their impact is discussed throughout the report.



MERCHANDISING AND PLANNING

Well-entrenched business planning skills and expertise, supported by our merchandise processes and systems, deliver the right product at the right place at the right time, while minimising food and clothing waste.

Our integrated systems, which include customer insights, product information, and store data, ensure appropriate in-store catalogues. Most of our products are also merchandised on our websites.



CENTRALISED DISTRIBUTION AND REPLENISHMENT

Centralised distribution systems in the Southern African and Australian regions deliver trustworthy, timely, and accurate online fulfilment and deliveries to stores.

Fashion, Beauty and Home products are regularly replenished to ensure availability and newness throughout the season. Optimised daily food delivery schedules, with strict cold chain disciplines, ensure that we maintain our food quality and maximise availability, while minimising waste.

Online orders are fulfilled from selected stores and a dedicated ‘dark store’ in South Africa, and from the Omni-channel Fulfilment Centre in Australia.

Various GBJ-related operational efficiency initiatives are in place throughout our distribution centres, transport, and logistic operations to reduce their environmental impact.

OUR CUSTOMERS

While we appeal to a broad range of customers, our main target market is the mid-to-upper income consumer in sub-Saharan Africa, Australia, and New Zealand.

We have strong customer relationships which are enabled by the insights we derive from our rich customer data, attractive loyalty programmes, and differentiated customer experiences. We connect with our customers seamlessly and conveniently through multiple store formats and digital shopping sites, and through compelling and increasingly personal marketing campaigns and communications.



DIRECT OUTPUT

Providing our customers with beautiful and high-quality fashion, beauty, home, and food products sold through our various channels while actively managing the sustainability impacts and waste in our value chain as part of our production, sourcing, packaging, and transportation through our GBJ programme.

USEFUL LINKS: MORE ABOUT OUR TRADING ENVIRONMENT

[Chairman’s Report](#)

[CEO’s Report](#)

[Material Issues](#)

MORE ABOUT OUR RESOURCES AND TRADE-OFFS

[Our Value Creation Process](#)

OUR STAKEHOLDERS

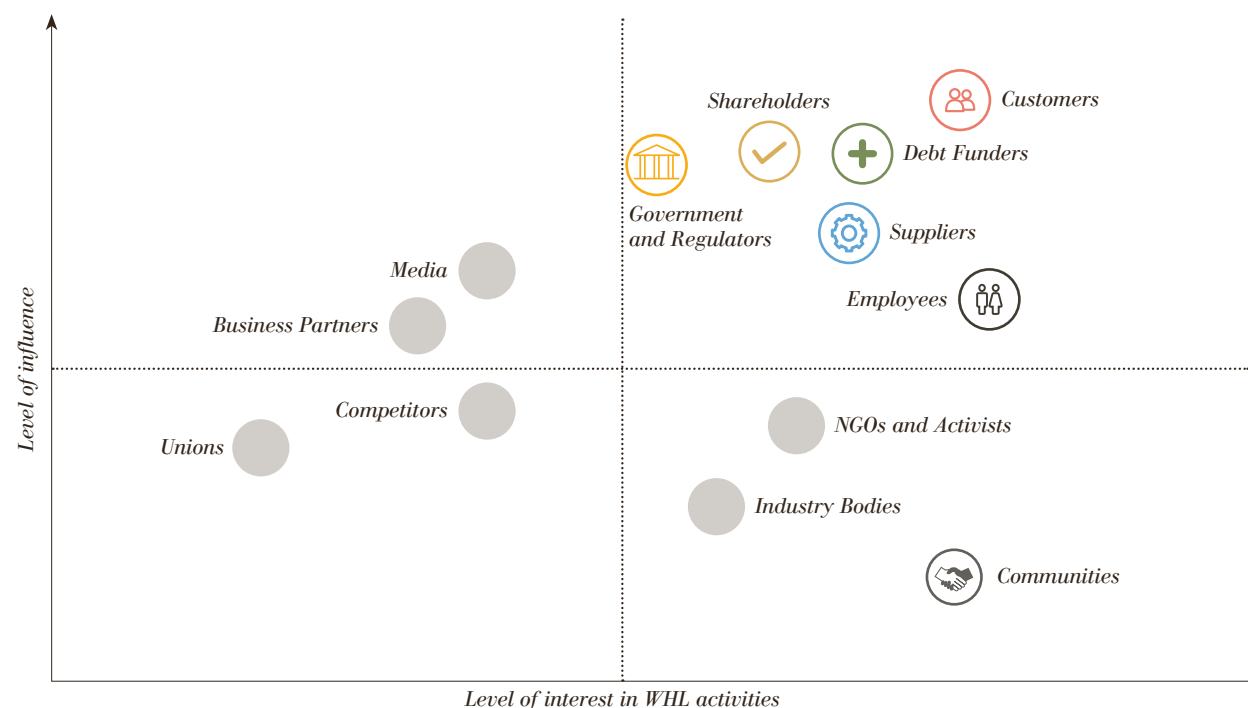
Sustainable relationships form the foundation of the Group's ability to create shared value in the short-, medium-, and long-term.

We believe that building strong stakeholder partnerships is key to building a more sustainable business and future.

The WHL Group is committed to developing and sustaining quality, long-term relationships with all our key stakeholders. These relationships help foster an environment that helps us build on the growth and prosperity of our Group. Our philosophy is to engage authentically, openly and inclusively with our stakeholders, allowing us to better understand and benefit from their insights, concerns, and priorities, to seek areas of potential partnership, mitigate risks to the business, and create mutual trust and respect. This is integral to the ongoing, daily management of the Group and key to identifying the material issues that have the potential to significantly impact our performance and sustainability. We

ensure that our engagements are based around issues that are both salient for the business and aligned to national priorities, and that these engagements facilitate value creation so that they are beneficial to the Group and our stakeholders.

Our stakeholders, their interests and level of influence in the Group's operations will vary according to geographical location, business area, and the nature of their interest; the manner, level and extent of our engagements are driven by their influence, interests, expectations, and concerns. These relationships are depicted in the graph below.



THE WHL GROUP IS COMMITTED TO DEVELOPING AND SUSTAINING QUALITY, LONG-TERM RELATIONSHIPS WITH ALL OUR KEY STAKEHOLDERS.



CUSTOMERS

Issues which are material to our customers are identified through daily interactions in our physical stores and our digital and social media platforms. Customer focus groups and surveys provide clear input to identify their requirements, interests, and concerns.



SUPPLIERS

The interests and concerns of suppliers are identified in the normal course of business and at annual supplier conferences. Suppliers are expected to adhere to codes of conduct, including our Good Business Journey principles. Regular reviews and assessments of suppliers are also conducted through supplier audits and supplier scorecards.



EMPLOYEES

Employee engagement occurs on a daily basis in the normal course of business, and formal one-on-one engagements are undertaken through biannual performance assessments, regular training, and career and personal development discussions. Business and strategy updates, roadshows, electronic staff communication, employment equity forums, and employee magazines keep employees informed about general business issues and priorities. Annual employee satisfaction surveys are a key tool for employees to voice their concerns and expectations.



GOVERNMENT AND REGULATORS

We have a dedicated function that ensures that we are active corporate citizens, including enabling proactive government relations and managing participation in industry affairs. We share insights and concerns with government, and also gain invaluable information which allows the Group to mitigate risks, explore opportunities, and partner with the relevant stakeholders on the different countries' socio-economic and environmental initiatives.



SHAREHOLDERS AND DEBT FUNDERS

We provide regular trading updates and notifications to our shareholders and debt funders, and address their key issues and concerns through announcements, presentations, and meetings. We interact with and receive feedback from investors, analysts, and debt funders by participating in broker-hosted conferences and roadshows, and through ongoing interactions including face-to-face meetings, telephone calls, and email correspondence. In the current year, we have engaged with our shareholders with an independent investor perception survey. The incoming Chairman and Lead Independent Director will also be hosting a roadshow for investors. Further interaction with shareholders is facilitated at the Annual General Meeting.



COMMUNITIES AND OTHER

We actively engage with members of the relevant communities and continue to deepen and expand our relationships with them. We continue to monitor the socio-economic impact we have in our communities, and we engage experts and interest groups, where possible, to ensure that we use our business strengths to provide a meaningful contribution in the regions in which we operate.

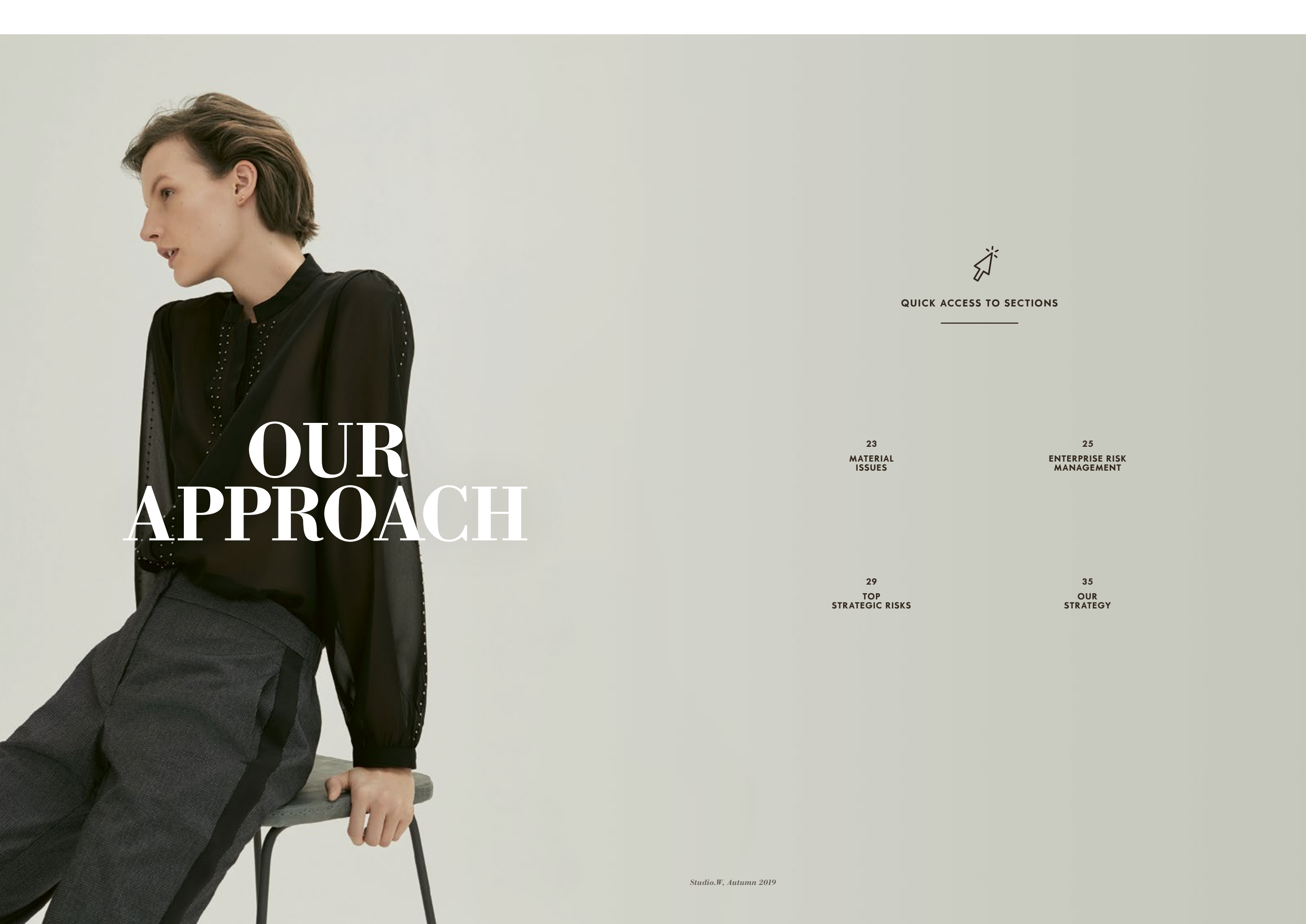
USEFUL LINKS: FOR MORE DETAIL

2019 Good Business Journey Report

This programme of stakeholder engagement helps the Group better navigate through a complex regulatory, legislative, and political landscape, provides ongoing macro-environmental insights, develops goodwill ambassadors, and, ultimately, ensures our continued social licence to operate.

The Board is committed to stakeholder engagement with the interactions, monitoring, and implementation of stakeholder engagement being the responsibility of the respective management teams in the Group. The Social and Ethics Committee annually reviews the Group's self-assessment of stakeholder engagement.

We will continue to enhance and build on our stakeholder engagement function by focusing on developing those relationships that have a material impact on the Group in the short-, medium-, and long-term.



OUR APPROACH



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MATERIAL ISSUES

Material issues are identified as those items that have the potential to significantly impact the performance and sustainability of the Group.

The materiality determination process is integrated into the day-to-day management of the Group as part of a continuous process of review and assessment of various internal and external factors. Key to determining material issues are the interactions that we have with stakeholders most likely to influence the Group's ability to create sustainable stakeholder value. We also undertake regular research, analysis, updates, and consultation with experts on macro- and microeconomic conditions, the competitor landscape, the speed and effect of technological changes, societal issues, shifting customer behaviours and expectations, environmental challenges, the legislative and regulatory environment, and further matters identified by the risk management process.

1

OUR TRADE PERFORMANCE

Group performance has been negatively impacted by challenging economic and trading conditions in both markets.

SOUTH AFRICA

In South Africa, economic growth remains subdued. The consumer remains under pressure as weak income growth, lacklustre job creation, higher costs of living, and weak credit extension continue to weigh on their sentiment and disposable income.

Performance in our Woolworths Fashion, Beauty and Home business has been below expectations due to poor product execution, but has recently started to recover.

AUSTRALIA

Performance in David Jones has been disappointing due to poor execution of key initiatives and the costs and significant disruption from the Elizabeth Street store refurbishment.

Consumer spending will likely be boosted by the housing market which should stabilise, an increase in disposable income from the tax stimulus and lower interest rates. However, customers are increasingly shopping online, leading to a reduced footfall in shopping centres.

In both South Africa and Australia, the retail sectors face further challenges from intensifying competition, heightened promotional activity, and the growing trend towards online shopping, which have made it increasingly difficult for retailers to distinguish themselves and have increased customer demand for both competitively priced and differentiated, desirable merchandise.

2

BUSINESS TRANSFORMATION IN AUSTRALIA

There are numerous transformational initiatives and strategies in David Jones, including those aimed towards integrating the businesses in Australia to drive Group profitability.

These include the implementation of new merchandise and finance systems, the re-platforming of the online system, the introduction of an improved food offering, and the relocation of the head office to Melbourne, all of which have been completed. It is critical to leverage the benefits of these initiatives and successfully execute those initiatives still in progress, such as driving brand exclusivity and private label performance and introducing a new loyalty programme in David Jones. A key focus is the successful refurbishment of the Elizabeth Street store to create a world-class, luxury department store while limiting the disruption to trade in the short-term.

Across Australia, a key focus of retailers is to improve profitability by maintaining an absolute focus on cost control and improving trading densities by optimising their real estate portfolios.

3

CONSUMER SPENDING AND BEHAVIOUR

The global face of retail continues to evolve rapidly, with footfall in malls declining and online shopping, particularly via mobile devices, experiencing higher growth than in-store shopping.

Online shopping has created more price-savvy consumers who expect the in-store experience to add value, be relevant, personalised, and entertaining, while experiencing an efficient and effective online shopping alternative.

Mobile and related technologies are enabling customers to interact with each other and with global retailers directly. This affects every part of the customer journey – from researching products and prices before purchase to post purchase feedback.

Along with the rise in online shopping, customers are also increasingly directing their spend towards entertainment, travel, convenience, and leisure activities.

4

DIGITAL WORLD AND CYBER

The rapid advancement and ubiquitous nature of technology not only impacts our customers and our interactions with them, but all aspects of our business.

Customers have embraced technology, particularly mobile and social media, impacting how retailers communicate and transact with them across all channels.

There is also an increased threat of cyber attacks and compromised infrastructure and data security.

Effective, future-fit systems and processes and common IT platforms are critical to reducing costs, increasing flexibility, and driving efficiency and productivity.

5

TALENT AND CHANGE MANAGEMENT

Attracting and retaining skilled employees is critical to delivering the strategies, and remains a challenge as competition for talent continues to intensify, with targeted recruitment and poaching of core talent by local and international retailers offering above-market-related salaries.

Significant focus is being placed on the extent of change in Australia as this impacts staff productivity, capacity, and the effective transfer of knowledge, skills, and expertise.

6

RESPONSIBLE RETAILING

Retailers continue to experience a significant change in mindset among consumers, that doing business is no longer only about profit, but also about creating shared value and meeting responsibilities to contribute to economic development and give back to communities and the environment. Being a responsible retailer has become an expectation.

Climate change remains a concern for both the Group and our stakeholders, particularly our suppliers and customers. Water and electricity shortages in South Africa place pressure on input costs in the short-term, with prolonged and severe shortages negatively impacting consumers and economic growth in the longer term. Consumers are also increasingly concerned about food safety, food security, packaging, and ethical sourcing.

RETAILERS CONTINUE TO EXPERIENCE A SIGNIFICANT CHANGE IN THE MINDSET AMONG CONSUMERS, THAT BUSINESS IS NO LONGER ONLY ABOUT PROFIT, BUT ALSO ABOUT CREATING SHARED VALUE.

USEFUL LINKS: FOR MORE DETAIL

[*Our Strategy*](#)

[*2019 Good Business Journey Report*](#)

ENTERPRISE RISK MANAGEMENT

APPROACH TO RISK MANAGEMENT

The Group recognises that risk management is inextricably woven into our strategy, as effective risk management is essential to achieving the Group's strategic and operational objectives. The Board sets the direction for the manner in which risk management is approached and addressed in the Group, and the Risk and Compliance Committee oversees and directs the Group's implementation of an effective policy and plan for risk management and compliance. The Board is supported in this role through the services of the Group's Enterprise Risk Management and Compliance team.

The Group applies an integrated risk management approach that is aligned to international best practice frameworks that include, among others, ISO 31000 and COSO Enterprise Risk Management. The Group's approach to risk management is pragmatic and relevant to retailing.

Annually, the Group risk function facilitates a top-down review of risks with the Board and Group executives. A similar exercise is performed with each of our businesses and business units: identifying and assessing its risks; measuring them against defined criteria; and considering the likelihood

of occurrence and the potential business impact. These risk perspectives are combined to create a consolidated Group risk profile which facilitates oversight over the Group's material risks.

The Group-level risk exposures are measured against formalised risk appetite statements that are further aligned to the Group strategic objectives. Risk appetite and tolerance are core considerations for our risk response plans as they consider the relationship between the potential impact of key risks and the effectiveness of mitigating controls or management actions.

RISK OVERSIGHT

BOARD OF DIRECTORS

Overall accountability for the direction of risk management.

GROUP RISK AND COMPLIANCE COMMITTEE

Oversight of the risk and compliance management framework and controls on behalf of the Board.

GROUP EXECUTIVE COMMITTEE

Overall accountability for the control and management of risk. Individual executives accountable for specific risks.

GROUP RISK FUNCTION

Overall responsibility for the coordination and implementation of the risk management process.

RISK GOVERNANCE

External Reporting

Reported annually

META RISKS

- A summarised version of the Group risk profile linked to the material issues
- Approved by the Board and Group Risk and Compliance Committee

GROUP RISK PROFILE

- Monitoring of emerging and trending risks
- Top-down view of Group risks undertaken with group executives and the Board
- Consolidate and aggregate escalated risks followed by a risk assessment at Group level
- Quarterly review of effectiveness of controls and key risk indicators by Group enterprise risk management
- Risk exposures are measured against formalised risk appetite statements
- Quarterly reporting to entity Risk and Compliance Committee

Reported quarterly

ENTITY RISK PROFILES

- Monitoring of emerging and trending risk
- Top-down view of entity risks undertaken with entity executives
- Consolidate and aggregate escalated risks followed by a risk assessment at an entity level
- Review of effectiveness of controls and key risk indicators by enterprise risk management
- Risk exposures are measured against formalised risk appetite statements
- Quarterly reporting to entity Risk and Compliance Committee
- Critical and high risks escalated

Reported quarterly

BUSINESS UNIT RISK REGISTERS

- Ongoing identification and monitoring of risks that may become significant at a business unit level
- Review of effectiveness of controls and key risk indicators by enterprise risk management
- Critical and high risks escalated to entity profiles

Internal Reporting

RISK APPETITE AND TOLERANCE

The Group’s risk appetite and tolerance framework and statements set out the levels of risk that the Company is willing to assume in pursuit of its business objectives. The approach is expressed primarily as the Company’s appetite for earnings volatility in the context of capital constraints and shareholders’ expectations.

This risk appetite framework forms part of the Company’s enterprise risk management system and is governed by the Woolworths Holdings Board of Directors. Risk exposures will be monitored in the context of these risk appetite statements by the Company’s executive management team. The Woolworths

Holdings risk management function integrates the risk appetite statements into the Company’s enterprise risk management process.

Risk appetite acts as a mechanism to support the execution of the WHL strategy. The risk appetite parameters are a set of guardrails for risk-based decision-making in the context of strategy. They set out the inherent constraints that must be considered when deciding how much risk to assume, and which risks we are committed to take in order to achieve our growth ambitions.

THE RISK APPETITE PARAMETERS ARE A SET OF GUARDRAILS FOR RISK-BASED DECISION-MAKING IN THE CONTEXT OF STRATEGY.

COMBINED ASSURANCE

The Group’s combined assurance framework adopts the ‘three lines of defence’ model in determining the focus of assurance providers on key risks. In the implementation, distinctions are made between assurance providers or functions that own and manage risk, functions that oversee risk, and functions that provide independent assurance. The Group’s combined assurance report is tabled to both the Group Risk and Compliance and Audit Committees on an annual basis. In addition, the combined assurance model for each business is tabled with each entity’s Risk and Compliance and Audit Committees.

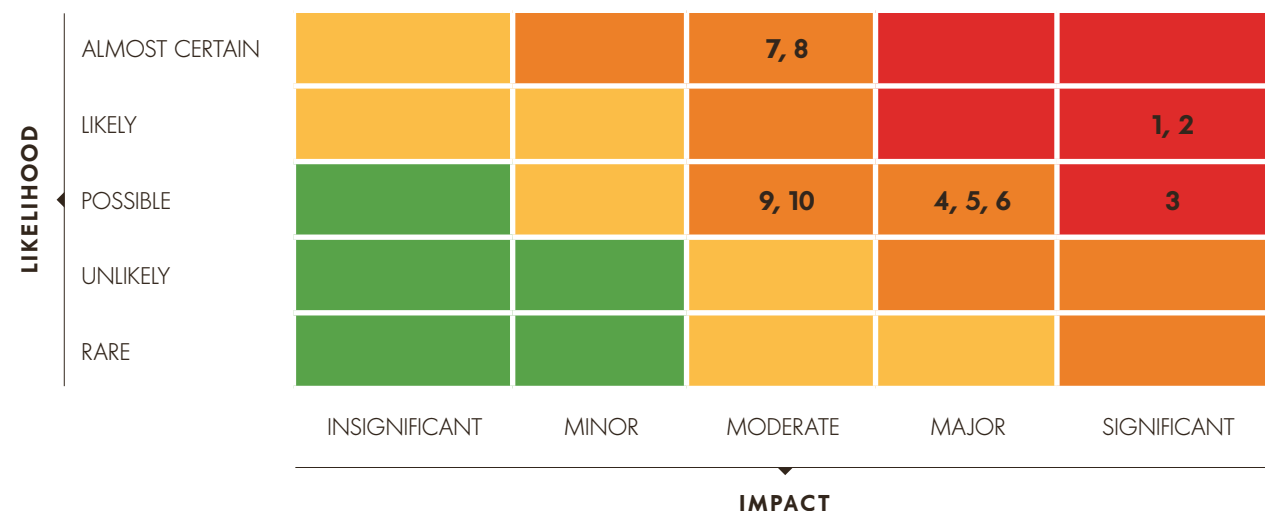
In its review, the Risk and Compliance Committee considers the completeness of risks assessed, the extent of the assurance coverage, and the outcomes of those reviews over the financial year.



Woolworths, Autumn 2019

TOP STRATEGIC RISKS

The heat map below depicts certain of the top residual risks for the Group. The residual risk rating is the remaining exposure after all mitigating measures have been applied. External factors beyond management’s control such as the macroeconomic environment are key contributors to the current high residual risk ratings.



RISK DESCRIPTION

- | | |
|-----------------------------------------|---------------------------------------------------|
| 1. DAVID JONES PERFORMANCE | 6. CYBER RISK |
| 2. FASHION, BEAUTY AND HOME PERFORMANCE | 7. SOUTH AFRICAN MACRO SOCIOPOLITICAL ENVIRONMENT |
| 3. TREASURY AND BALANCE SHEET | 8. DIGITAL DISRUPTION |
| 4. COST OF DOING BUSINESS | 9. ORGANISATIONAL CHANGE AND TALENT MANAGEMENT |
| 5. REAL ESTATE OPTIMISATION | 10. BRAND REPUTATION |

1

DAVID JONES
PERFORMANCE

INFLUENCED BY

- Weakening broader economic environment and consumer confidence
- Impact of international competition and new entrants on market share
- Increased promotional activity
- Disappointing execution of strategies
- Failure to optimise private label
- Attraction and retention of key talent
- Impact of Elizabeth Street disruption
- Impact of new systems implementation and related challenges
- Impact of online on bricks and mortar
- Digital disruption

IMPACT ON STRATEGIC OBJECTIVE



MITIGATIONS

- Management’s focus on optimising the benefit of recently implemented transformation programmes and the turnaround of trading and profit performance
- Optimising David Jones private label and brand assortment with a clear focus on differentiation and exclusivity
- A refined emphasis on loyalty, data analytics, and decision-making insights
- Management’s continual emphasis on improving processes and controls as well as continued system stabilisation and optimisation, with an enhanced focus on digital and online
- Optimise lease portfolio (refer to Risk 5)

USEFUL LINKS: FOR MORE DETAIL

[Our Strategy](#)

2

FASHION, BEAUTY AND HOME
PERFORMANCE

INFLUENCED BY

- Structural and cyclical shifts in customer shopping behaviour
- Fashion misses
- Increased promotional activity
- Attraction and retention of key talent
- Price and value perception

IMPACT ON STRATEGIC OBJECTIVE



MITIGATIONS

- Differentiating our product offering through market leading quality and innovation, including fabric, fit, and finish
- Return to core product offering supported by beautiful basics
- Continue to scan the industry landscape for retail design and buying talent
- Focus on maintaining and further strengthening strategic supplier partnerships to drive price, quality, and innovation
- Continue to build Beauty as a destination category and enhance the customer experience with leading international beauty brands, a strong private label business, and online offer
- Implementation of the Product Lifecycle Management (PLM) project to enable processes, systems, and people transition across all impacted functions
- Continue to drive online performance and digital experience, including our newly launched in-app shopping capability

3

TREASURY AND
BALANCE SHEET

INFLUENCED BY

- Inability to refinance debt that is due and payable, particularly large bullet payments (refinancing risk)
- Trading performance
- Cash generation
- Insufficient liquidity (cash and available facilities) to meet required cash flows (liquidity risk)
- Changes in interest rates negatively affecting the cost of capital and profitability (interest rate risk)
- Foreign exchange exposure
- Counterparty risk on cash deposits and interest rate hedges

IMPACT ON STRATEGIC OBJECTIVE



MITIGATIONS

- Ongoing focus on refinancing debt before it becomes due
- Ongoing sensitivity calculations to determine the extent of change before reaching the internal covenant thresholds (or bank thresholds)
- Cash-flow projections are measured against available facilities – keeping these updated regularly
- Keeping sufficient committed facilities in place at all times – unutilised facilities are measured and monitored
- Keeping interest rate and foreign exchange hedges in place at all times, in line with treasury policy
- Monitor counterparty risks against treasury policy

4

COST OF DOING BUSINESS
(CODB)

INFLUENCED BY

- Incremental costs to execute integration workstreams which are impacting the ability to remain 'cost neutral'
- Current economic and trading conditions
- Failure to realise Group efficiency strategies
- Failure to mitigate/offset standard inflation/contractual cost increases

IMPACT ON STRATEGIC OBJECTIVE



MITIGATIONS

- Given trading conditions, additional emphasis is being placed on managing margins, expenses, and driving efficiencies
- Management is focusing on restructuring the cost base in line with a conservative view on growth
- Review and prioritisation of all capital expenditure to ensure focused investment into priority strategic growth initiatives
- A critical review of real estate plans and targets for additional space while ensuring that we remain open to profitable opportunities

5

REAL ESTATE
OPTIMISATION

INFLUENCED BY

- Impact of online on real estate
- Leasing and rental cost
- Current economic and trading conditions
- Digital disruption
- Structural and cyclical shifts in customer shopping behaviour

IMPACT ON STRATEGIC OBJECTIVE



MITIGATIONS

- Our focus on greater integration of bricks and mortar with the fast-growing online channel in order to understand and forecast the impact of online on real estate
- Enhanced store feasibility modelling, including sensitivity analysis and customer segmentation work, to better assess risk/opportunity scenarios for all real estate proposals
- Focus on optimising space and reducing store occupancy cost
- Reviewing real estate plans and target for additional space, while ensuring that we remain open to profitable opportunities
- Lease renegotiations with landlords in Australia
- Implementation of a real estate model which enables flexible leasing terms

6

CYBER
RISK

INFLUENCED BY

- Evolving nature of cyber threats
- Increased use of technology and the integration of operating systems
- Reputational risk related to data leakage
- Increased online presence

IMPACT ON STRATEGIC OBJECTIVE



MITIGATIONS

- Our ongoing security campaign with regular communications to raise awareness of evolving cyber threats
- Information management framework and policies to guide user behaviour
- Advanced Artificial Intelligence (AI) and machine learning technology allow the detection of irregular human and machine behaviour which may indicate a possible security event
- Ongoing, proactive penetration testing and vulnerability scanning of both internal and externally facing network security devices and applications
- Establishment of an Information Management Committee
- Internal audit review of cyber risk control measures

OUR RISK RESPONSE PLANS FOCUS ON MITIGATING THE POTENTIAL IMPACT OF RISKS ON THE BUSINESS AND WE REGULARLY MONITOR THE EFFECTIVENESS OF MITIGATING CONTROLS AND MONITORING ACTIONS.

USEFUL LINKS: FOR MORE DETAIL

[Our Strategy](#)

7

SOUTH AFRICAN MACRO SOCIOPOLITICAL ENVIRONMENT

INFLUENCED BY

- Political uncertainty
- Potential adverse changes to the Government Economic Policy Framework
- Low GDP growth, business and consumer confidence, and economic growth
- The impact of the unpredictable global political landscape
- Corruption in state-owned enterprises and potential failure of these organisations
- Local currency sovereign rating downgrades impacting the cost of capital (growth) and exchange rates (inflation)
- Social instability

IMPACT ON STRATEGIC OBJECTIVE



MITIGATIONS

- Extensive work being done with relevant economic and political experts, which is a key input into strategy and business plans
- Prioritising key strategic projects and capital investment to drive growth and transformation
- Given trading conditions, additional emphasis is being placed on managing margins, expenses, and driving efficiencies
- Cost review focus to deliver on budget and medium-term plans
- Continued focus on driving transformation targets
- Continued focus on investing and supporting small enterprise development and local communities through initiatives driven by the Good Business Journey programme

USEFUL LINKS: FOR MORE DETAIL

[Our Strategy](#)

8

DIGITAL DISRUPTION

INFLUENCED BY

- Rapidly changing digital landscape
- Evolving customer expectations
- Impact of online on real estate
- Technology enhancements
- Big data and data analytics capability
- Structural and cyclical shifts in customer shopping behaviour

IMPACT ON STRATEGIC OBJECTIVE



MITIGATIONS

- Facilitating an agile operating model, structure, and skills to support and enable a connected retail experience
- Focus on the delivery of a seamless, consistent offering on one integrated ecosystem across online and in-store
- Greater integration of bricks and mortar with the fast growing online channel in order to understand and forecast the impact of online on real estate
- Significant investment in online and digital, including mobile in-app shopping
- Significant investment in customer data analytics to inform business decisions and enable personalisation
- Leveraging compelling loyalty tools to build more profitable relationships with customers as we build key insights

[2019 Good Business Journey Report](#)

9

ORGANISATIONAL CHANGE AND TALENT MANAGEMENT

INFLUENCED BY

- Volume and pace of change as a result of transformation programmes
- Impact on delivery of strategy
- Change fatigue
- Organisational culture
- Availability of design and buying talent
- Lack of short-term and long-term incentive realisation given current trade performance

IMPACT ON STRATEGIC OBJECTIVE



MITIGATIONS

- Employee Value Proposition (EVP) designed to attract, inspire, engage, retain and motivate the right, diverse leadership and talent required to deliver the strategy
- Dedicated talent management programme with defined structures and processes
- Structured and integrated talent management process which ensures management accountability
- Talent acquisition improvement programmes in place to improve our ability to target and secure critical talent across the business
- Change management framework in place across the Group
- A renewed focus on organisational culture and leadership development, especially in Australia
- Retention of key talent through participation in variable short-term and long-term incentive schemes

USEFUL LINKS: FOR MORE DETAIL

[Remuneration Report](#)

10

BRAND REPUTATION

INFLUENCED BY

- Trade performance
- Increased customer awareness of environmental issues and the enhanced profile of advocacy groups
- Social media risk
- Perceived Intellectual Property (IP) infringements
- Impairment of David Jones assets
- Customer expectation that organisations reduce and positively influence environmental and social impacts

IMPACT ON STRATEGIC OBJECTIVE

MITIGATIONS

- A formalised stakeholder engagement plan has been established which is based on a well-embedded strategic corporate communication planning grid
- Software-based media monitoring and social media monitoring tools provide continuous and comprehensive feedback on customer sentiment across media channels
- Increased focus on stakeholder engagements supported by dedicated resources to ensure that engagements are tailored, specific, comprehensive and timeous
- Increased frequency of IP training across all relevant groups
- Regular engagement with investment community
- Independent investor survey undertaken
- Continued implementation of the Good Business Journey programme

OUR STRATEGY

We have six strategic focuses that we drive at a Group level which respond to feedback from stakeholder engagement, the material issues identified, and the associated risks and opportunities. Our strategies will deliver future-fit businesses that return long-term profit growth and create sustainable value for all our stakeholders. The six strategic pillars and focus areas are summarised below and detailed further in the Company Reviews.

We remain committed to our six strategic focuses and have an absolute focus on their successful execution.



build stronger
**MORE PROFITABLE
CUSTOMER
RELATIONSHIPS**

Our customer insights and data will continue to drive and inform all our business decisions as we become a more customer-obsessed Group. To build on this, we will continue to enhance our loyalty proposition and offer our customers a connected retail experience.

WE WILL

- Deepen our understanding of our customers
- Lead the market in customer loyalty and increase membership, retention, and spend
- Build and leverage an advanced analytics engine, enabling customers to be recognised in real time, with delivery of personalised, seamless service across all our channels
- Embed customer insights and analytics across the Group as a core competency
- Continue to embed and innovate our loyalty programmes
- Implement a loyalty programme for Politix



towards
**CONNECTED
RETAIL**

We will focus on offering our customers inspiring, engaging, and relevant digital and in-store journeys, helping staff deliver a consistent, brand-aligned customer experience and connecting our customers seamlessly from our physical stores to our digital platforms and vice versa.

WE WILL

- Define the ideal customer experience by format, channel, and services
- Drive online sales by leveraging our systems and online platforms and continuing to build our digital channels, with an increasing focus on mobile commerce
- Optimise our real estate portfolios, balancing physical store growth with the future demand for online
- Digitally transform stores, improving connectivity to enable staff and customers to engage seamlessly across all channels
- Deliver highly engaging, immersive in-store experiences which cannot be delivered online, to drive physical store footfall and conversion
- Complete the refurbishment of our flagship Elizabeth Street store in Sydney, Australia, to create a world class department store



be a
**LEADING FASHION
RETAILER**

We will differentiate ourselves on quality fashion that is relevant to our customers through clearly segmented, design-led, quality ranges and innovation.

WE WILL

- Continue to differentiate products with an absolute focus on fabric, fit, finish, and comfort, to deliver market-leading quality
- Inspire customers who want wearable fashion and timeless classics with innovative products through seamless collaboration of design, buying, planning, and technology
- Become famous for key categories anchored in beautiful basics
- Provide customers with their most desired brands in David Jones, grow and protect exclusive brands, and actively manage concessions
- Build fashion credibility and performance by delivering differentiated, design-led, private label brands
- Strengthen our value proposition
- Optimise and leverage world-class merchandise planning and finance systems, allowing for better buying and planning decisions
- Continue to build our Beauty businesses as destinations



become a
**BIG FOOD BUSINESS
WITH A DIFFERENCE**

We are focused on providing our customers with consistently superior quality, flavour and safe, innovative food at great value.

WE WILL

- Maintain an absolute focus on delivering best-in-class, innovative product with an obsession to achieve an unbeatable quality difference in our products
- Offer a comprehensive but edited range of most-wanted and needed items and inspiring solutions to meet a range of customer needs
- Maintain our strong private label offering with carefully chosen third-party brands that complement our ranges
- Deliver great value, balancing price with quality, innovation, and sustainability attributes
- Entrench an integrated quality approach, including technical innovation, governance, and compliance, to ensure the quality and safety of our products
- Develop and grow supplier partnerships and utilise these partnerships to differentiate our product offering
- Provide convenience in product, format, and channel
- Continue to build the food business in the Australian market, including trialling David Jones products in BP forecourt stores, while focusing on reducing waste and driving cost efficiencies



drive
**SYNERGIES AND
EFFICIENCIES ACROSS
THE GROUP**

We leverage our Group scale across the southern hemisphere, particularly within Australia. Through ongoing integration across business operations, we will drive efficiencies and maintain an absolute focus on cost control, adding significantly to Group profitability.

WE WILL

- Continue to focus on cost management
- Refine our operating model and improve our processes, allowing for organisational effectiveness and significantly reduced costs of doing business
- Optimise our supply chains, and leverage and invest in the distribution capabilities to support growth, particularly in online
- Evolve our IT platforms to provide flexibility and support the delivery of innovative, cost-effective and sustainable solutions
- Drive synergies and efficiencies from the co-location of David Jones and Country Road Group at the regional head office in Melbourne, Australia
- Leverage Group scale in real estate negotiations and decisions
- Embed a mindset of continuous improvement in productivity and ongoing cost optimisation



embed
**THE GOOD BUSINESS
JOURNEY THROUGHOUT
THE BUSINESS**

Our Good Business Journey (GBJ) enables a consistent approach to managing sustainability issues across our global supply chain, allows us to address the issues that matter most to our stakeholders, and facilitates our vision to be one of the world's most responsible retailers.

WE WILL

- Focus on transformation and diversity among our own employees and within our supply chain
- Contribute to social development by contributing to building a better future for our communities
- Promote the health and wellness of our customers, communities, and our people
- Uphold high social, ethical, and environmental standards in the sourcing of our products
- Focus on sustainable farming and sourcing of raw materials
- Reduce waste across our business and help customers to do the same
- Use water efficiently to manage scarce water resources
- Improve energy efficiency and source renewable energy as an alternative

USEFUL LINKS: MORE ABOUT COMPANIES' STRATEGIES

[Woolworths](#)

[David Jones](#)

[Country Road Group](#)




USEFUL LINKS: FOR MORE DETAIL

[2019 Good Business Journey Report](#)

MEASURING PERFORMANCE AGAINST OUR STRATEGY

Our long-term success depends on our ability to use our resources to implement the Group's strategy, achieving our targets for each strategic focus area and thereby creating value for all our stakeholders.

PERFORMANCE INDICATORS OF OUR STRATEGY AGAINST TARGETS

			2019			
ACHIEVED 	PARTIALLY ACHIEVED 	MISSED 	WHL	WSA	DJ	CRG
	CUSTOMER RELATIONSHIPS	Number of active customers*		3.4m 	3.7m 	2.3m 
		% revenue tracked on loyalty cards		76% 		87% 
	CONNECTED RETAIL	Growth in online sales		28.8% 	46.8% 	12.9% 
		% online sales		1.0% 	7.7% 	20.3% 
		Net new space		0.7% 	0.4% 	-2.9% 
	LEADING FASHION RETAILER	Turnover and concession sales		1.5% 	-0.8% 	0.5% 
		Comparable sales growth		1.0% 	-0.1% 	-0.6% 
		Gross profit margin		47.6% 	36.0% 	63.4% 
		Return on sales %		12.1% 	1.7% 	9.3% 
		Market share (12mma)**			Decreased 	Decreased 
	BIG FOOD BUSINESS	Turnover and concession sales		7.7% 		
		Comparable sales growth		5.4% 		
		Price movement		1.8% 		
		Gross profit margin		24.9% 		
		Return on sales %		7.2% 		
		Market share (12mma)**		Increased 		
	DRIVE SYNERGIES	Cost to sell %		23.0% 	35.4% 	54.6% 
	EMBED GBJ	% targets achieved on sustainability scorecard		90% 	83% 	84% 
FINANCIAL PERFORMANCE	aEBIT	R5.6bn 	R4.3bn 	R0.3bn 	R1.0bn 	
	ROCE	16.7% 	47.3% 	1.8% 	16.2% 	

On a comparable 52-week basis
As at 30 June 2019

* For David Jones, this represents the number of customers for whom we have collected email addresses

** WSA FBH market share unavailable; as per Quantum Research for DJ and CRG; as per Nielsen for WSA Food

USEFUL LINKS: FOR MORE DETAIL

[Read how our strategic and financial performance impacts remuneration](#)



Studio.W, Summer 2019



OUR RESULTS



QUICK ACCESS TO SECTIONS

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REVIEWS

OUR CHAIRMAN'S REPORT

The past year has again been challenging for the Group.

Economic conditions in both Australia and in South Africa have remained tough, with little improvement over previous years. Our having to take a further impairment of the David Jones assets is in part a reflection of this.



South Africa, whilst deeply fortunate to have moved away from the Zuma era, has yet to outline, let alone implement, a coherent economic strategy that will drive growth and create jobs. Indeed, both the personalities and the forces that those wasted years produced, are still alive and well. Until they are soundly defeated, we will struggle to build the rational thinking and the confidence that can offer the jobless the opportunity to get work and grow this economy.

In Australia, the surprise victory of the Liberal Party in the recent elections should be good for consumer growth but this has yet to emerge. House prices, a key driver of Australian consumer confidence, have continued to be subdued in the current year, especially in the major markets of Sydney and Melbourne. Retail spending remains constrained and competition fierce.

The outcome of this is that in both regions we have seen some competitors disappear from the market. Others have struggled, needing various forms of rescue.

The rise in shopping online means that most retailers, ourselves included, have too much space for our future customers. Having said this, the store itself is far from dead! Beautiful, prime location experiences like our evolving Elizabeth Street flagship in Sydney or our Waterstone Foods flagship in Somerset West will continue to attract customers and to strengthen our brands.

There is, and will be, continued pressure on landlords to reduce rentals or to accept a changing tenant mix, reflecting the deep shifts the market is seeing.

As leaders of a traditional retail group, Ian Moir and his team have been adapting our strategies towards these different customer behaviour patterns, most especially in our apparel divisions.

It is clear that in developed markets people are buying more experiences, less clothing and more of that online.

In both Food and apparel though, this sense of experience, of being different, exciting and better is ever more relevant.

As in the past, this is where the Group will find its future. We have always been clear that great product, beautifully presented in a manner that is simple and tempting to shop, is good value for money, and is relevant and different, will bring us growth. This will apply just as strongly in the online world. Websites, like stores, need to offer a great experience that echoes the magic of our brands... the whole properly integrated. The two are one.



THIS SENSE OF EXPERIENCE, OF BEING DIFFERENT, EXCITING AND BETTER IS EVER MORE RELEVANT. AS IN THE PAST, THIS IS WHERE THE GROUP WILL FIND ITS FUTURE.



SOUTH AFRICA

Encouragingly, given the tough market, the core business of Woolworths has strengthened during the year. We have re-focused ourselves and are building on the traditional strengths of this brand that have resonated so strongly with our customers for over almost 90 years.

Our Food business remains particularly strong and has traded increasingly ahead of the market. This is all the more remarkable given these tough economic conditions. Again and again we are reminded that if we are able to strongly differentiate with beautiful product and great value for money, our customers will seek us out, whatever the economic conditions. This division, being our most differentiated, is now the largest driver of profit in the Group.

In Fashion, Beauty and Home, we have finally seen a positive shift. Simpler ranges, better fabrics and a clearer understanding of what our core customers want from

us have stemmed our market share losses. This shift is fundamental and will re-establish us as the preeminent upper mid-market destination for beautiful wearable clothes. Our refreshed beauty business continues to grow and take share of market from competitors.

Second half profit figures for FBH showed a growth of 16% on the prior year.

Online shopping in South Africa has yet to take off as it has done in Australia, but we expect the same trend to happen over time and are already seeing good growth across the board off a relatively small base.

Woolworths Financial Services continues to be a steady driver of both FBH sales and of profit in its own right. It has a book size of over R12bn - three times that of when we started this joint venture with Absa in 2008. The impairment ratio is now best in class, as is the ROE of 33%.

AUSTRALIA

The Country Road Group had a mixed year, with sales in the second half at -1.5%, somewhat below the first half. The biggest division, Country Road itself, has seen some recovery. It has benefitted from a more focused set of ranges and, as always, a clearer understanding of its customers.

Most of our competitor set in these fashion brands have struggled to find growth and our businesses have only marginally lost market share through the year.

Perhaps more than anywhere else within the Woolworths Group, these brands are leading in the shift from brick and mortar to shopping online. Here we see customers demanding that seamless experience from the store to online and back as part of their total engagement with the brand. Online sales are now over 20% and we expect this to grow further.

Given this shift, and the nature of smaller store leases, we have been able to shorten our lease profile in this division. This gives us considerable flexibility in managing the migration from brick and mortar to online into the future.

Further, we have taken the decision to remove this group from Myer. Myer is the key competitor to David Jones and

we feel our brands will perform better in David Jones given this similarity of customer profiles. Whilst there will be a short-term impact on profit, the extra margin and better customer experience we can give will be positive for both the business and our customers in the long run.

Our ambition remains for this part of the Group to be Australia's leading design-led portfolio of brands and we feel they are in good health.

The major challenge for the group remains David Jones. We have done the big lifting in terms of implementing new systems that enable us to see what we are actually selling. We have moved the office to Melbourne where we now share a common site with the Country Road Group. We have shrunk overheads materially and at the same time protected our service levels and refreshed our brand offer across the business. We are partway through the major redevelopment of the Elizabeth Street flagship. We are now well underway with our online shopping business in David Jones. Its sales are now over 8% of total - close to our biggest store - and are running far ahead of the prior year. Overall though, we are not yet achieving the sales growth we require.

Further, in contrast to the Country Road Group, David Jones has too many stores, in secondary locations, with long and strong leases. We are aggressively working to correct this.

Not just in Australia, but worldwide, the department store industry is under pressure. We are members of IGDS – which is the premier department store association. From our international peers we constantly hear that those businesses which invest in their top stores, which provide exclusive and exciting experiences in them, which reduce their exposure to their more marginal stores and which offer a seamless online shopping experience, are those that are succeeding, growing and making money in this industry.

This top store programme is capital intensive, and is not made easy by having debt on the balance sheet. We have accordingly started taking steps to reduce that debt. The first and most noticeable of these was to hold back the dividend from our Australian business. There will be more action to come on debt management.

The Elizabeth Street refurbishment, which strongly reflects this thinking, is well underway. The top two floors, footwear and children's world, now completed, are trading well ahead of budget and well ahead of last year. The rest of the store is somewhat of a building site and is affecting sales negatively. The bulk of the work will be out of the way by Christmas and we look forward to welcoming our customers into a magic store that represents the best that the department store world has to offer.

David Jones has been a difficult acquisition for us in a challenging industry. We are determined to deliver the strategy above and make this 180-year-old business an icon for our customers and a source of profit for our shareholders.



David Jones, Elizabeth Street

CHANGES TO THE BOARD

There have been a number of changes announced to the Board of WHL.

Both Tom Boardman, Lead Independent Director, and I will step down in November after the AGM. Tom has been an invaluable counsel to me and to the Board. His vast business experience will be sorely missed.

Siza Mzimela, Gail Kelly and Patrick Allaway resigned during the year.

We have announced that Hubert Brody will succeed me as Chairman. Hubert's thoughtful nature and deep experience as a CEO of a large business, together with his understanding of balance sheet management, will be critical for the challenges we face going forward.

Zarina Bassa, who has been on our Board for some years, will succeed Tom as Lead Independent Director. She is a highly experienced director and I know she will be a great support for Hubert and the Board.

Hubert has been building his new Board and we are delighted to welcome a number of fresh members to the team. They represent a diverse spread of experience in business, in industry, in gender, and in location. In particular, Hubert has been keen to bolster the retail experience on the Board, especially internationally and with online or department store exposure.

We therefore welcome Thembisa Skweyiya, David Kneale, Belinda Earl, Christopher Colfer and Clive Thompson to the Woolies Board. Each is remarkable in their own way and will add great value to the Board.

I believe these appointments, together with our existing members and our experienced executive team, will form a powerful Board in guiding this business forward.



REFLECTIONS

I have been privileged to work for this business for 37 years. Over half of these have been as Chief Executive or Chairman. My early years were largely spent in architecting and building our Food business, which I am pleased to say stands out as one of the great food businesses of the world.

I have seen the company grow and evolve through a changing South Africa, and a changing consumer. We entered Australia 20-odd years ago and it forever altered the Group... I strongly believe, despite its challenges, for the better. Being international has made us think on a far broader scale. In serving customers from two very different markets we have learnt from and brought fresh ideas to each. We have better understood how to adapt to change and perhaps more importantly, how to build on our real strengths.

The Woolworths Group is built on a value system that I am proud to say is stronger than ever today. It flows through our people and our stores on two continents. Each of our businesses reflects this value system in their communities. Woolies is an integral part of South African life. Country Road and its sister brands represent the best of the Australian lifestyle. That is why we bought them. David Jones is an iconic business which has been in existence for over 180 years and has been aspirational for Australians throughout those years.

The Good Business Journey, which flowed from our values, makes us truly different to so many of our competitors. We believe that doing good is good business for our communities, our customers and our people. The lasting impact created from our efforts under our Good Business Journey can be felt in the products we offer, the children we feed and educate, the environments we protect and the communities we empower and uplift.

My time in Woolies also witnessed South Africa emerge from the darkness of apartheid, which was an abomination to the human spirit and which Woolies fought both publicly and privately. The country, first through the courage of

FW De Klerk and then under Nelson Mandela, was given a real chance. It was then nearly destroyed under Jacob Zuma and now truly does face a new dawn. Our new leadership must repair the evils of that Zuma era. I sense it is doing that. But mostly, it must have the courage to face the reality of how to create economic growth.

Much of this government’s economic legislation over the past 25 years has been, in spirit well intentioned, but in execution, disastrous for jobs and for economic growth. Belief in state control of the SOEs has almost bankrupted the fiscus and taken us to the doorstep of IMF. Our tough labour legislation just keeps millions jobless. The complexity of getting small businesses started up and complying with all the red tape has weakened that sector dramatically. All these largely populist measures, and many more, have bled the economy of opportunity and of freedom to grow.

A simple contrast between SAA and Telkom is a real example of the problems of state ownership and control. Neither, in the modern world, has a divine right or national need to exist. Both have serious and profitable taxpaying competitors. Telkom is largely free of government interference, has found its niche, makes money and pays tax. SAA, completely owned and dominated by government, costs the taxpayer billions and reduces the profitability of its competitors, which could all expand, provide more jobs and pay more tax.

Currently only the informal sector of South Africa is adding jobs. Here the throttling hand of the state and its rules, by definition, cannot reach. There are real lessons for the nation in this.

Carrying on doing the same as we have done over the past 25 years but only harder will result in the same stagnation, fiscal stress and joblessness, but only worse.

The recent announcements from Treasury offer real hope that reality is beginning to prevail. Many of the strategies proposed make absolute sense. Cabinet needs to find real courage and to implement the bulk of this quickly.

Business and the private sector, too, have to play a key role in delivering inclusive growth for the country. I am very proud of the efforts of our business in contributing to job creation and to the growth of small businesses over the last 37 years. Indeed, by our very existence, we employ 35 000 people in South Africa directly and many thousands more in our South African supply chain.

The recent launch of our partnership with the Youth Employment Services (YES) programme, a government-led partnership with business, labour and civil society, demonstrates our intent to help empower one million young South Africans by offering paid, quality work experience.

A THANK YOU TO THE WOOLIES FAMILY

The Board of Woolworths has kindly asked me to stay on as honorary president and to represent Woolworths where appropriate in the broader community. I am honoured by this and will continue to work through Woolies for a better South Africa. Our values will be a great guide for me.

I wish to thank the many thousands of passionate staff that I have worked with over the years... the till operator in one of our rural South African stores who chastised me for buying a plastic bag, the urgent shoe buyer in Country Road who didn’t agree with my guidance, the distribution

Our Supplier and Enterprise Development programme is another proud example of the sustainable shared value we are able to create for the country, focusing specifically on creating opportunities for small black-owned businesses. Our SED programme has empowered 62 businesses over the last nine years and we have allocated approx. R2.2bn in procurement spend to them. Arguably our whole Foods business is built on Supplier and Enterprise Development success stories and we are now simply focusing our efforts to ensure the transformation agenda gets priority on this journey.

centre manager in KZN who, when I asked how his transformation journey was going, looked at me and said, “Simon, you are the only person not of colour on this campus”. That this Group over its almost 90 years has continually offered real growth opportunities for all its people, is a sense of great reward to me.

Our businesses too have been built by our suppliers. Some have supplied us for over 70 years, others are new. All feel they are part of creating something special. They and many others have indeed made me feel very privileged.

I wish Hubert, Ian and the new Board great strength in taking the business into its different future. They will be guided by our values and will have my full and passionate support.

OUR GROUP CHIEF EXECUTIVE OFFICER'S REPORT

Trading conditions continued to be tough in 2019 with little economic growth momentum in South Africa and Australian growth slowing to its weakest level since 2009. However, our businesses continued to trade in line with, or ahead of, the market, demonstrating our ability to deliver to the changing needs of our customers.



WOOLWORTHS

South Africa experienced another challenging year as the ongoing challenges faced by the country continued to dampen consumer and business sentiment and growth. Consumer spending, specifically, faces additional pressure due to high unemployment, lacklustre income growth, weak credit extension, and escalating costs of living.

Despite this, Woolworths delivered a good set of results, with total sales growth of 5.8% and profit growth of 2.5%.

I am particularly pleased by the improvement in our Fashion, Beauty and Home (FBH) business, with sales growth of 5.5% (and comparable sales growth of 4.7%) in the second half. The result is due to our renewed focus on core ranges and basics, backed by improved availability. This demonstrates that the numerous strategic shifts we have made during the year have started to bear fruit.

Despite the challenging trading environment, our Food business continued its market-leading performance, with sales growth of 7.7% for the year. Sales momentum continued into the second half with sales growth of 9.0% and comparable sales growth of 6.5%. This was driven by investment in price, innovation, and convenience, resulting in continued volume growth. We have now outperformed the market consistently for nine years due to our unrelenting focus on providing our customers with high quality, innovative products at good value.

Space growth (at -0.1% and 2.0% in our FBH and Food businesses respectively) has been contained as we focus on productivity and operating efficiencies.

Woolworths Financial Services continues to deliver strong results, with positive year-on-year book growth of 7.4% and well-managed credit quality.





David Jones, Elizabeth Street



DAVID JONES

The Australian retail sector continued to be heavily impacted by both cyclical and structural factors. Although interest rates remain at historically low levels and the country enjoys near full employment, consumer spending was suppressed by the softer housing market, high levels of indebtedness, and the lowest wage growth in 20 years.

The market remains highly promotionally driven as retailers fight for share of wallet. Additionally, online sales are growing rapidly, leading to a decline in shopping centre footfall.

These factors, together with poor business performance due to the disappointing execution of key initiatives, weighed heavily on David Jones, where turnover and concession sales contracted by 0.8% on a 52-week period comparable to last year. Performance was significantly disrupted by the refurbishment of the Company's flagship Elizabeth Street store in Sydney. The A\$200 million refurbishment of this iconic building is due to be completed by March next year. Our partners are also spending an additional A\$200 million in concession fit-outs, and, together, we will create a world-class retail experience. In October 2018, we opened a luxury 'Shoe Heaven' floor in partnership with prestigious brands such as Louis Vuitton, Chanel, and Gucci, and in November 2018, we

opened an immersive children's world floor in partnership with Disney. The beauty and accessories first floor and three womenswear floors were opened in July and August 2019, respectively. The luxury beauty and accessories ground floor will open in December 2019 in time for the festive season, with menswear and the below-ground home floor and food hall following in March 2020. The floors that we have opened to date are trading well as they provide truly unique in-store experiences that are delighting our customers. The completed store will set a new benchmark in Australian retail as we bring together an inspiring combination of luxury fashion and food under one roof in the heart of Sydney's retail precinct.

Online sales in David Jones now account for 7.7% of total sales, having grown by 46.8% from the prior year. We will continue to develop a future-fit digital capability with ongoing enhancements and supply chain improvements to drive online sales contribution to over 10% by 2020.

The growth in online sales has led to the development of a detailed store network strategy to right-size our physical space. We envisage store portfolio rationalisation of up to 20% by 2026 as we focus on optimising our store footprint and reducing related costs.

At the same time, we recognise the importance of creating truly differentiated in-store experiences to inspire our customers to visit our top stores. We are prioritising our investment on these stores to position them as inspiring retail destinations with superior service and unique events and engagements.

We are also focusing on further driving exclusivity by curating desirable and exclusive brands. We already have key department store exclusive partnerships with international luxury houses and leading Australian designer brands and will continue to grow this portfolio.

Our David Jones food journey started just over two years ago. Over this period, we have invested heavily in our team and systems and launched three food formats, each offering a different mix of food and food services according to customer profile and location. Our customers are responding favourably to our private label fresh and prepared foods,

and we are opening our first stand-alone Food store in Melbourne in October 2019. We will further build our Food business with our BP pilot project to provide our customers with the convenience of David Jones food products in petrol station forecourts.

Our new Customer Relationship Management (CRM) programme has enabled us to gain a better understanding of our customers, and we will continue to develop the toolset to inform all our customer-based decisions. We launched the David Jones Rewards loyalty programme in July 2019 with new member reward benefits, a virtual card, and regular, exclusive offers.

While we will continue to invest in providing our customers with differentiated and inspiring experiences through all our channels, we are also maintaining an absolute focus on our cost of doing business.

WE RECOGNISE THE IMPORTANCE OF CREATING TRULY DIFFERENTIATED IN-STORE EXPERIENCES TO INSPIRE OUR CUSTOMERS.



Country Road, Summer 2019

COUNTRY ROAD GROUP

Country Road Group (CRG) performed well considering the difficult trading conditions in Australia, with sales increasing by 0.5% for the year (comparable store sales declined by 0.6%). All brands managed their margins and inventory well during the year, and Country Road sales performance improved as it focused on reinvigorating the brand vision and product direction, although this was offset by fashion misses in Witchery.

Online sales continued their strong growth at 12.9% and already contribute 20% of sales. We expect to drive online sales further as we continue to deliver a market-leading digital experience to our customers. Net retail space contracted by 2.9% during the year, despite the roll-out of Politix in David Jones stores. We have taken online growth into account in our real estate plans and intend to further reduce our physical store footprint.

Customers still demand highly engaging and relevant in-store experiences, and we are investing in our flagship stores to meet their needs, including Country Road's new concept store in Noosa, Queensland, and the refurbishment of the Chadstone store in New South Wales, both of which opened in August 2019.

As part of our strategy of creating differentiated store experiences, we began withdrawing our CRG brands from Myer, and, from the end of September 2019, Country Road, Mimco, and Politix will join Witchery and Trenery as exclusive to David Jones. This will not only further reduce our external physical real estate but also allow us to better position our brands within an increasingly competitive market.

The new Melbourne-based regional head office allows us to deliver further cost savings and also drives a shared, values-based culture across the Group.

APPRECIATION

Our Group now employs more than 46 000 employees in 14 countries who deliver value to our millions of customers on a daily basis. I would like to thank them for their hard work and commitment even during these difficult times. I would also like to thank the Board for their guidance and support during the year, and the Group's management teams for their leadership and focus on driving delivery of our strategic objectives.

I also wish to thank my outgoing Chairman. Simon's leadership and guidance has proved invaluable to me during the last nine years. While Simon will step down from the Board, we are extremely fortunate that the Group will continue to benefit from his deep knowledge as a retailer of 50 years, and from his wisdom as a business leader, as he steps into the role of Honorary President.

OUTLOOK

Market conditions in the year ahead are likely to be constrained by the same economic factors that impacted our performance in the year under review, and we will continue to see more structural change in the retail environment.

In South Africa, we are confident that the changes we have made in our strategies, processes, and product offering in Fashion, Beauty and Home will translate into positive growth and that our Food business will continue to outperform the market.

In Australia, the successful completion of our Elizabeth Street refurbishment, coupled with leveraging the benefits of our online platform and rationalising our physical space, will be critical to driving the profitability of the Group.

THE FUTURE

The retail environment continues to change rapidly due to technological developments and an increasingly digitally connected customer. Retailers can leverage technology to deliver truly differentiated, customer-first, personalised experiences across all channels.

These trends will influence the products and services we provide, how we present and sell our products, and even the type of stores we build. We will need to have increasingly active, transparent and personalised engagements with customers through tailored communication, products, services, rewards, and in-store experiences.

The customers' digital experience will continue to become a more significant part of their total retail experience. The ease of online retail has eroded the competitive advantage of

convenience that the department store historically offered. However, the physical store will remain an important channel for engaging and connecting with customers but will need to be re-imagined to deliver unique in-store experiences with deliberate variations in formats and offerings to best meet the diverging needs of our customers.

We are clear that we need to face these challenges and capitalise upon the opportunities to build future-fit businesses that are very different from the ones of the past.

We have well-defined and considered strategies which address these trends. However, it is critical that we execute them well. Our focus for the coming year will be on actively trading the businesses while protecting profit through an absolute focus on cost control.

We are confident that our strategies will deliver the envisaged future-fit businesses which are capable of market share gains, long-term profitable growth, and return to sustainable value creation for all our stakeholders.

The Group manages its retail operations on a 52-week basis, with the current year having a 53rd week. The commentary in this report is made on a comparable 52-week basis in order to facilitate comparison to the prior year.

OUR GROUP FINANCE DIRECTOR'S REPORT



OVERVIEW

The Group faced challenging economic and trading conditions in both South Africa and Australia and delivered mixed performances across the businesses. Woolworths Food had another exceptional year, and FBH, after a disappointing first half, had a much improved second half. In Australia, CRG delivered an overall reasonable performance for the period, while David Jones had a disappointing year, significantly impacted by the disruption from the Elizabeth Street store refurbishment and disappointing execution of strategies. An impairment of A\$437.4 million (net of deferred tax) was recognised at the period end, reducing the valuation of David Jones to approximately A\$965.0 million.

We continue to focus on the execution of our key strategies, which are to:

- Build business resilience through managing costs and capital
- Ensure appropriate capital allocation, improving cash flow and working capital
- Reduce net gearing and strengthen the balance sheet
- Invest in areas of growth and opportunity

Over the past two years, we prioritised reducing capital expenditure, focused on space optimisation, improving productivity and delivering cost savings, and continued to invest significantly in digital and online platforms. As a result, comparable store and head office costs were well managed across the Group. Most of the large capital projects in DJ are complete, with the Elizabeth Street redevelopment on track to be completed by the third quarter of the 2020 financial year.

Our focus also continues to be on improving free cash flow and Return on Capital Employed (ROCE) by delivering shareholder returns above the cost of capital.

COMPARABLE REPORTING

There were a few changes which impacted this year's results, viz. an additional trading week and the adoption of new accounting standards. The impact of the new standards is discussed later on in this report.

The Group manages its retail operations on a 52-week basis, with the current year having a 53rd week. This happens approximately every six years in order to align the trading and reporting calendars. Our statutory financial results are prepared on a 53-week basis. However, to facilitate comparison against the prior year, this commentary refers to a pro forma 52-week period and excludes the impact of IFRS 15.

GROUP INCOME STATEMENT EXCLUDING THE 53RD WEEK AND IFRS 15

	52 weeks 2019 Rm	52 weeks 2018 Rm	% change
Turnover and concession sales	78 174	75 232	3.9
Turnover	71 596	68 592	4.4
Cost of sales	43 920	41 700	5.3
Gross profit	27 676	26 892	2.9
Other revenue	1 940	1 909	1.6
Expenses	24 265	23 255	4.3
Adjusted operating profit	5 351	5 546	(3.5)
Net finance costs	1 044	1 053	(0.9)
Earnings from joint ventures	295	287	2.8
Adjusted profit before tax	4 602	4 780	(3.7)
Adjustments	(6 569)	(7 214)	
Loss before tax	(1 967)	(2 434)	19.2
Tax (credit)/expense	(764)	1 115	>(100)
Loss for the year	(1 203)	(3 549)	66.1
Reconciliation of headline earnings			
Basic loss attributable to shareholders of the parent	(1 206)	(3 550)	66.0
Adjustments for capital items (post-tax)	4 369	6 877	
Headline earnings	3 163	3 327	(4.9)
Adjustments to headline earnings (post-tax)	276	192	
Adjusted headline earnings	3 439	3 519	(2.3)

USEFUL LINKS

[2019 Annual Financial Statements](#)

TURNOVER AND CONCESSION SALES

Group sales increased by 3.9% (43.2% in constant currency). In South Africa, FBH sales increased by 1.5% for the year (comparable sales up 1.0%), with second-half sales up 5.5% (5.0% after adjusting for the pre-Christmas trade day included in the second half). Comparable sales in H2 were up 4.7% due to a focus on core ranges and basics, backed by improved inventory availability. Price movement for the year for Fashion was 2.5%. Space growth was pulled back as we focused on productivity and operating efficiencies with net retail space declining by 0.1%.

Woolworths Food sales increased by 7.7% for the year (comparable sales 5.4% up), with second-half growth of 9.0% (8.4% after adjusting for the pre-Christmas trade day included in the second half). This was driven by investment in price, innovation and convenience, resulting in continued volume growth. Price movement was 1.8% and space grew by a net 2.0%.

David Jones sales declined by 0.8% for the year, with comparable sales 0.1% lower. Online sales at David Jones grew by 46.8% and now contribute 7.7% of total sales. The Elizabeth Street store refurbishment, which significantly impacted sales in the period, is on track to be completed by the third quarter of the 2020 financial year. Net retail space grew by 0.4%.

Country Road Group sales for the year grew by 0.5% (comparable sales 0.6% lower), with sales growth slowing in the second half in line with the market. Online sales in Australia and New Zealand grew by 12.9%, representing 20.3% of sales. Net retail space reduced by 2.9%, and remains a priority as the contribution from online sales increases.

GROSS PROFIT

Gross profit was up 2.9% on last year from some margin gains on benefits of Group sourcing initiatives and higher full-priced sales in FBH and CRG, which were offset by higher markdowns and clearance of aged stock, particularly in DJ, as well as the impact of continued price investment in Food. As a result, gross profit margin, at 38.7%, was 50 basis points (bps) down on last year.

EXPENSES

We continued to actively manage our occupancy and operating costs through efficiency and synergy benefits and through an extensive cost review in Australia which commenced at the end of last year in response to tougher trade. Group expenses were up 4.3% on the prior year, on an adjusted basis, significantly contributed to by the cost out exercise in David Jones. FBH and Food expense growth was 5.1% and 7.5% respectively, which was driven by space and higher volumes, as well as the inclusion of performance incentives in the current year. DJ costs were 0.3% higher, while CRG costs were 2.3% up on last year.

EARNINGS FROM JOINT VENTURE

Our share of profit after tax from Woolworths Financial Services (WFS), our joint venture with ABSA Group Limited, was 3.1% up on last year, at R295 million. The book reflected positive year-on-year growth of 7.4%. The impairment rate for the 12 months ended 30 June 2019 was 3.7% under IFRS 9 (4.6% adjusted under IAS 39).

NET FINANCE COSTS

Net finance costs of R1 044 million were 0.9% lower than last year, due to a reduction in gearing in SA, a decrease in base rates across the Group, and pullback in capital spend. We continue to manage our interest rate risk through effective hedging, with a greater percentage being hedged across the Group. Net interest cover declined to 7.3 times from last year’s 7.5 times.

ADJUSTMENTS

The R6 569 million pre-tax adjustments to profit consisted of:

- A\$622.1 million (R6 153 million) impairment of DJ assets
- A\$21.0 million (R212 million) costs related to the relocation and restructure costs in DJ and CRG
- A\$19.9 million (R196 million) net onerous leases provision raised in DJ
- R8 million unrealised foreign exchange losses recognised in VWSA

Aside from the impairment, which is taken into account for the calculation of headline earnings, the other costs are regarded as adjustments to headline earnings, as they are significant once-off abnormal costs not directly related to retail operations.

IMPAIRMENT

As a result of the economic headwinds and the accelerating structural changes affecting the Australian retail sector, as well as the performance of the business, the carrying value of David Jones was impaired by A\$622.1 million, including store assets of A\$15.8 million, reducing the valuation of David Jones to approximately A\$965.0 million. The impairment was based on a considered view of future cash flows, based on the medium-term plan, which included key assumptions on sales growth, margins and expenses. The impairment included an impairment of brands, which resulted in the release of a deferred tax liability, with the net impact on equity of A\$437.4 million. In determining the carrying value of David Jones, due consideration was also given to terminal value growth rates, capital expenditure assumptions and the discount rates used, with particular emphasis on risk premiums. Our models and assumptions were subject to an independent review.

SEGMENTAL CONTRIBUTION

	52 weeks 2019 Rm	52 weeks 2018 Rm	% change	Constant currency % change
Woolworths Fashion, Beauty and Home	1 688	1 707	(1.1)	
Woolworths Food	2 283	2 167	5.4	
Woolworths Financial Services	295	286	3.1	
Woolworths	4 266	4 160	2.5	
David Jones	378	660	(42.7)	(42.2)
Country Road Group	1 016	1 032	(1.6)	(2.9)
Segmental profit	5 660	5 852	(3.3)	(3.8)
Net finance and other costs	(1 058)	(1 072)	(1.3)	
Adjusted profit before tax	4 602	4 780	(3.7)	(4.2)

Woolworths’ result was driven by continued strong performance in Food, an improved second-half performance in FBH and a consistent positive contribution from WFS, to end the year 2.5% up on last year. DJ’s result was impacted by challenging trading conditions and the disruption from the Elizabeth Store refurbishment, ending the year 42.2% down on last year (in A\$). CRG had a reasonable performance in a tough retail environment, albeit a subdued second half and ended the year with adjusted EBIT of A\$100.0 million, down 2.9% on last year (in A\$).

The Group’s segmental profit declined by 3.8% on last year, in constant currency, with the adjusted operating profit margin decreasing by 60 basis points to 6.4%. Adjusted profit before tax declined by 3.7%, and by 4.2% in constant currency.

TAX

The Group’s adjusted effective tax rate was 25.8%, 160 bps lower than the prior year, as a result of an overprovision of tax included in the current year, and a higher contribution of profit from Woolworths to the Group profit. As a result of the deferred tax liability release on the brands impairment, a R764 million tax credit was recognised for the Group.

BASIC AND HEADLINE EARNINGS

Basic earnings were impacted by the impairment charge. Headline earnings and adjusted headline earnings, which exclude the impairment as well as other property, plant and equipment adjustments, declined by 4.6% and 1.9% respectively.

EARNINGS PER SHARE (EPS)

	53 weeks to 30 Jun 2019 cents	52 weeks to 23 Jun 2019 cents	52 weeks to 24 Jun 2018 cents	Change on prior period	
				53 weeks %	52 weeks %
EPS	(113.4)	(126.0)	(369.5)	69.3	65.9
HEPS	342.9	330.4	346.3	(1.0)	(4.6)
Adjusted HEPS	371.7	359.2	366.3	1.5	(1.9)
Adjusted diluted HEPS	368.7	356.3	364.1	1.3	(2.1)
DPS	190.5	190.5	239.0	(20.3)	(20.3)
WANOS (millions)	957.5	957.5	960.8	(0.3)	(0.3)

EPS reflects the further impairment of the DJ business. The loss per share was -113.4 cps. Headline EPS (HEPS), which excludes the impairment, declined by 4.6%, 0.3% better than the 4.9% decrease in headline earnings, due to the 0.3% decline in WANOS. Adjusted diluted HEPS decreased by 2.1%, with dilution arising from the unexercised options under the Group’s share incentive schemes.

DIVIDEND PER SHARE (DPS)

The Board took a decision at the half year to base the interim and final dividends on a cover ratio of 1.45 times headline earnings of the combined Woolworths South Africa (WSA) business segments (FBH, Food and Woolworths Financial Services), and to withhold the dividend from the Australian businesses for approximately two years in order to reduce the Australian gearing to a more prudent level of approximately A\$200 million.

The Board approved a final DPS of 98.5 cents, which is a 24.5% decrease on last year’s final DPS of 130.5 cents. The total DPS for the year is 190.5 cents, a 20.3% decline on last year’s 239.0 total DPS. The dividend cover at Group level increased to 1.80 times headline earnings.

NEW STANDARDS

IFRS 9: FINANCIAL INSTRUMENTS AND IFRS 15: REVENUE FROM CONTRACTS WITH CUSTOMERS
The Group adopted IFRS 9 and IFRS 15 with effect from the beginning of the current financial period, using the modified retrospective approach. As a result, the cumulative effect of initial application of the standards is recognised as an adjustment to opening equity. Comparative information has not been restated and continues to be reported in terms of previous applicable standards, IAS 39 and IAS 18 respectively.

In terms of IFRS 9, the carrying value of the Group’s investment in the WFS joint venture reduced by R217 million, with the corresponding debit taken to equity. The adjustment had no impact on the prior period results, nor on earnings per share measures.

In terms of IFRS 15, a R6 million cumulative debit adjustment to equity was recognised. The current year impact on profits from the application of IFRS 15 is a R1 million reduction in profit before tax.

IFRS 16: LEASES

IFRS 16 is effective and will be adopted by the Group from 1 July 2019 and will therefore be applied to the financial statements for the 2020 financial year. The new standard requires most leases to be recognised in the statement of financial position, with the current distinction between operating and finance leases removed.

The Group will adopt the modified retrospective approach to implementation, which requires an adjustment to opening equity balances rather than restating comparative information. The application of the standard is expected to have a material impact on the Group’s financial statements, which will result in changes to the statement of financial position, whereby a right-of-use asset and lease liability will be recognised. Changes to the statement of comprehensive income will result in the current operating lease costs being replaced by an amortisation of the right-of-use asset and associated finance costs. The standard will further impact a number of statutory and performance measures.

IFRS 16 will have no impact on our operations or cash flows. Our financial goals do not change, with leasing remaining a key part of our business model. Further details on the impacts of IFRS 16 will be presented to investors in the second quarter of the 2020 financial year.

SUMMARISED STATEMENT OF FINANCIAL POSITION (53 WEEKS)

	2019 Rm	2018 Rm	% change	Constant currency % change
Assets				
Property, plant and equipment	14 295	13 959	2.4	3.2
Intangible assets	7 283	13 410	(45.7)	(45.4)
Investment in joint ventures	810	978	(17.2)	(17.2)
Inventories	8 325	7 542	10.4	10.9
Trade and other receivables and loans	1 518	1 602	(5.2)	(4.7)
Derivative financial instruments	185	192	(3.6)	(3.6)
Deferred tax and tax assets	1 600	441	>100	>100
Cash and cash equivalents	1 913	2 023	(5.4)	(5.0)
Total assets	35 929	40 147	(10.5)	(9.9)
Equity and liabilities				
Shareholders’ funds	9 443	13 126	(28.1)	(27.2)
Borrowings and overdrafts	14 393	13 860	3.8	4.2
Operating lease accrual and fair value lease adjustment	1 761	2 021	(12.9)	(12.1)
Other non-current liabilities	805	701	14.8	15.4
Derivative financial instruments	178	77	>100	>100
Deferred tax and tax liabilities	138	882	(84.4)	(84.1)
Trade and other payables and provisions	9 211	9 480	(2.8)	(2.4)
Total equity and liabilities	35 929	40 147	(10.5)	(9.9)
Net gearing	12 480	11 837	5.4	5.8

The assets and liabilities of the Australian subsidiaries contained within the Group Statement of Financial Position are impacted by the lower exchange rate at year-end, which was R9.9/A\$ compared to R10.0/A\$ last year. Significant movements, in constant currency, since June 2018 are discussed below:

Intangible assets and deferred tax movements are a result of the David Jones impairment of goodwill, brands and other intangible assets of A\$622.1 million, and the deferred tax reversal related to the brands and other intangible assets.

Investment in joint ventures represents the 50% less 1 share of the net assets of WFS of R801 million. The investment decreased on last year due to the R217 million post-tax Day 1 adjustment in respect of IFRS 9 and higher dividends received, as a result of the decrease in the minimum capital requirements of WFS.

Inventory increased by 10.9% due to increased inventory in Woolworths, particularly in FBH, with the drive to improve availability and right-size the Beautiful Basics categories that were understocked last year. DJ and CRG had reduced stock levels, resulting from the clearance of aged inventory at year-end, partially offset by lower inventory provisions.

Shareholders’ funds decrease is primarily due to the impairment and decrease in the foreign currency translation reserve, arising from translation of our foreign subsidiaries at a stronger rand at year-end.

Trade and other payables decreased primarily due to the timing of creditor payments which were made in (the additional) week 53 of the year.

NET GEARING (53 WEEKS)

	2019	2018
WHL Net debt (R million)	(12 480)	(11 837)
Interest-bearing term debt	(13 522)	(13 715)
Net cash and cash equivalents	1 042	1 878
Unutilised committed facilities – Group	8 147	10 216
SA Net debt (R million)	(8 327)	(8 289)
Interest-bearing term debt	(8 685)	(9 414)
Net cash and cash equivalents	358	1 125
Unutilised committed facilities – SA	5 199	6 661
Australia Net debt (A\$ million)	(420)	(355)
Interest-bearing term debt	(489)	(431)
Net cash and cash equivalents	69	76
Unutilised committed facilities – AUS	298	356

Gearing continues to be proactively managed on clear Group capital allocation principles and internal covenant measures that are more stringent than the Group’s banking covenants. The Group net gearing increased primarily due to the investment in the redevelopment of the David Jones Elizabeth Street store in Sydney.

There have been a number of initiatives across the Group in order to reduce the level of gearing and strengthen the balance sheet. In particular, the decision to withhold dividends from Australia and pay the Group dividend only out of earnings from Woolworths South Africa was aimed at reducing the debt in Australia to more prudent levels. The dividend will resume once the Australian debt reaches c.A\$200 million. Furthermore, capex spend was also reduced or deferred in order to improve cash flow.

The Group’s debt is maintained at an appropriate maturity and liquidity profile. The liquidity profile continues to be actively managed, maintaining the level of committed facilities in excess of 365 days.

Group working capital requirements were higher than last year due to new store openings and higher inventory balances (10.9% up on last year in constant currency) from the impact of inflation and replenishment of core apparel ranges in Woolworths FBH. Inventory levels were well managed in DJ and CRG as both businesses had cleared aged inventory at year-end. The increase in working capital was also due to lower accounts payable balances resulting from the additional week in the financial year, as a result of the payment of creditors in the 53rd week.

CAPITAL MANAGEMENT AND SHAREHOLDER RETURNS (52 WEEKS)

	2019	2018
ROCE (%)*	13.2	13.7
ROE (%)*	17.5	18.0
Net debt: Equity (times)	1.3	0.9
Net debt: EBITDA (times)	1.6	1.5
Interest cover (times)	7.3	7.5

* David Jones asset impairment added back

ROCE decreased from 13.7% to 13.2% and ROE declined by 50 bps to 17.5%, with both ROCE and ROE affected by lower profitability and adjusted for the DJ impairment.

Net gearing has increased by R643 million to R12 480 million. The Net Debt to Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) increased to 1.6 times.

CAPITAL EXPENDITURE

The Group continued to invest in strategic and other key initiatives to deliver business transformation and long-term growth. There was a pullback from the budgeted spend for the year, with some projects also deferred to future years. There was also rollover capex for projects that had not been completed by the end of the year. Total net capital expenditure amounted to R2.7 billion, driven mainly by the strategic and transformational initiatives in DJ, investment in digital technology, ongoing store development, and supply chain investment in Woolworths.

Space growth has been limited across the Group, with the Group’s operations expanding by 0.4% in 2019 to 1 329 000 m² as we focus on productivity and operating efficiencies. Within this, FBH contracted by 0.1% and Food expanded its footprint by 2.0%. Net retail space in DJ increased by 0.4% with two new store locations, while CRG space contracted by 2.9%.



Studio.W, Winter 2019

SUMMARISED STATEMENT OF CASH FLOWS (53 WEEKS)

	2019 Rm	2018 Rm
Cash inflow from trading	7 325	7 371
Working capital movements	(991)	(305)
Cash generated by operating activities	6 334	7 066
Investment income received	76	71
Finance costs paid	(1 127)	(1 117)
Tax paid	(1 114)	(1 037)
Cash generated by operations	4 169	4 983
Dividends received	245	325
Dividends paid	(2 145)	(2 782)
Net cash inflow from operating activities	2 269	2 526
Net investment in assets	(2 714)	(2 589)
Other loans repaid/advanced	4	(12)
Net cash outflow from investing activities	(2 710)	(2 601)
Net share issues and costs	(218)	(123)
Net borrowings (repaid)/raised	(175)	294
Net cash (outflow)/inflow from financing activities	(393)	171
Net cash (outflow)/inflow for the year	(834)	96

CASH FLOWS

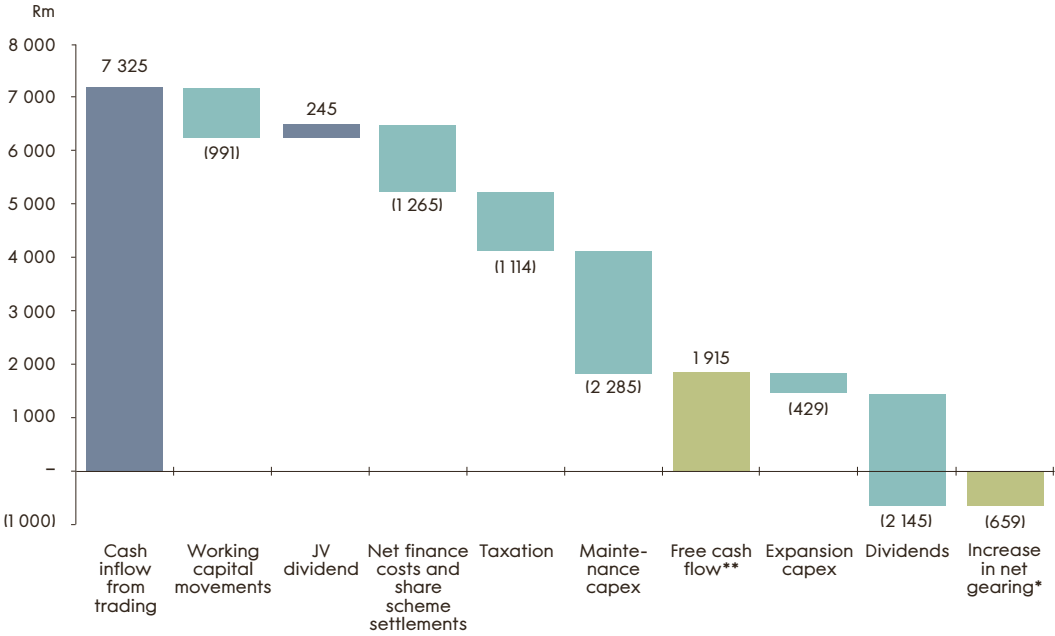
Cash inflow from trading of R7 325 million was reduced by an increase in working capital of R991 million, which was significantly impacted by week 53. Free cash flow after capital expenditure to maintain operations, working capital movements, and the payment of finance costs, taxation, and dividends, was R1 915 million. The Group paid R1 114 million in income tax to the revenue authorities in the various tax jurisdictions the Group operates in and utilised a net R2 714 million to invest in infrastructure and other transformational and capital expansion projects. Free cash flow per share was 200.0 cps and our cash conversion ratio was 43.5%.

SUMMARISED STATEMENT OF CHANGES IN EQUITY (53 WEEKS)

	2019 Rm	2018 Rm
Shareholders' interest at the beginning of the year	13 126	19 066
Effect of IFRS 9 and IFRS 15 adoption	(223)	–
Shareholders' interest at the beginning of the year (restated)	12 903	19 066
Movements for the year:		
Total comprehensive loss for the year	(1 230)	(3 103)
Loss for the year	(1 084)	(3 549)
Other comprehensive income	(146)	446
Share-based payments	141	68
Net (acquisition)/disposal of Treasury shares	(226)	(123)
Dividends to ordinary shareholders	(2 145)	(2 782)
Shareholders' interest at the end of the year	9 443	13 126

The decline in equity is as a result of the impairment and the initial application of IFRS 9 and IFRS 15.

CASH GENERATION FOR THE 53 WEEKS ENDED 30 JUNE 2019



* Net gearing excludes R16 million currency translation impact
** Free cash flow per share (Free cash flow before Expansion capex and Dividends): 200.0 cps
Cash conversion ratio (Adjusted PAT and Free cash flow (after Expansion capex and before Dividends)): 43.5%

OUTLOOK

In South Africa, consumer spending is expected to remain constrained. However, we expect Food to continue to trade ahead of the market and for FBH to continue its turnaround.

In Australia, we believe the retail market will continue to be tough with heavy discounting and promotional activity.

We remain committed to delivering our strategies and invest in initiatives that drive growth and efficiencies, while focusing on reducing costs, improving cash flows and strengthening the balance sheet.

MR Isaacs
MR Isaacs
Group Finance Director
28 August 2019



Witchery, Summer 2019

SEGMENTAL REVIEWS

WOOLWORTHS FASHION, BEAUTY AND HOME

INCOME STATEMENT	52 weeks 2019 Rm	52 weeks 2018 Rm	% change
Turnover	13 899	13 687	1.5
Cost of sales	7 286	7 297	(0.2)
Gross profit	6 613	6 390	3.5
Other revenue	17	18	(5.6)
Expenses	4 942	4 702	5.1
Store costs	3 385	3 269	3.5
Other operating costs	1 557	1 433	8.7
Adjusted operating profit	1 688	1 706	(1.1)
Earnings from joint venture	–	1	
Adjusted profit before tax	1 688	1 707	(1.1)

Sales increased by 1.5% for the year (comparable store sales up 1.0%), with second-half sales up 5.5% (5.0% after adjusting for the pre-Christmas trade day included in the second half), as a result of the focus on core ranges and basics backed by improved availability. Price movement for the year for Fashion was 2.5%. Space growth has been limited as we focus on productivity and operating efficiencies with net retail space declining by 0.1%. There was positive growth on last year across all categories, with the exception of footwear, which struggled with product ranges and availability.

Gross profit margin increased by 0.9% to 47.6% as a result of lower markdowns and a higher contribution of regular-priced sales and a smaller, but more profitable sale.

The 3.5% increase in store expenses includes the roll out of Beauty and was well controlled, while other operating costs increased due to the inclusion of performance incentives for the year. On a normalised basis, costs were 3.8% up on last year, due to a focus on reducing head office and discretionary costs.

The overall result was a decrease in operating profit of 1.1%, with operating profit margin declining from 12.5% to 12.1%.

USEFUL LINKS

[Woolworths SA](#)

WOOLWORTHS FOOD

INCOME STATEMENT	52 weeks 2019 Rm	52 weeks 2018 Rm	% change
Turnover and concession sales	32 323	30 019	7.7
Concession sales	(746)	(687)	8.6
Turnover – own buy	31 577	29 332	7.7
Cost of sales	23 725	21 989	7.9
Gross profit – own buy	7 852	7 343	6.9
Concession and other revenue	135	130	3.8
Expenses	5 704	5 306	7.5
Store costs	4 140	3 848	7.6
Other operating costs	1 564	1 458	7.3
Adjusted profit before tax	2 283	2 167	5.4

Sales increased by 7.7% for the year (comparable store sales 5.4% up), with second-half growth of 9.0% (8.4% after adjusting for the pre-Christmas trade day included in the second half) driven by further investment in price, innovation and convenience, resulting in strong volume growth. Second-half comparable sales growth was 6.5%. Price movement was 1.8% and space grew by a net 2.0%.

There was positive growth across all categories from higher volumes and improved availability, despite lower inflation, in a highly competitive grocery market. Our bakery, home personal care, grocery, and wine & beverages departments contributed significantly to the overall result. We continued our focus on innovation and range extension,

targeted profitable promotions, and improved consumer price perception.

The gross profit margin declined by 10 bps to 24.9% as a result of our investment in price and higher levels of targeted promotions, which were partially offset by improved shrinkage management and increased rebates on stronger volumes.

Store costs increased by 7.6%, driven by new space and increased employment costs to support higher volumes. Normalised other operating costs were well controlled, at 2.5% growth on last year.

Overall, the Food business achieved an operating profit growth of 5.4%, with the operating margin at 7.2%, 20 bps lower than last year.



WOOLWORTHS FINANCIAL SERVICES

	2019 Rm		2018 Rm		% change
Average total financial services assets	12 295		11 711		5.0
INCOME STATEMENT		% to book		% to book	
Interest income	2 142	17.4	2 166	18.5	(1.1)
Interest paid	663	5.4	640	5.5	3.6
Net interest income	1 479	12.0	1 526	13.0	(3.1)
Impairment charge	461	3.7	551	4.7	(16.3)
Risk-adjusted margin	1 018	8.3	975	8.3	4.4
Non-interest revenue	847	6.9	810	6.9	4.6
Operating costs	1 045	8.5	985	8.4	6.1
Profit before tax	820	6.7	800	6.8	2.5
Tax	230	1.9	228	1.9	0.9
Profit after tax	590	4.8	572	4.9	3.1
50% equity accounted	295		286		
Return on equity	33.2%		29.6%		

The joint venture with ABSA Group Limited contributed R295 million profit after tax to Group profit, 3.1% up on last year. Net interest income growth was impacted by lower product yields due to rate decreases.

Growth in the risk-adjusted margin was 4.4%, and benefited from a lower impairment rate, which improved by 100 bps on last year to 3.7% as a result of an improved book shape, strong collections and lower debt counselling inflows. Non-interest revenue grew by 4.6%, from higher credit card transactional income.

Operating costs increased by 6.1%, which was due to increased costs of collections and investment in customer acquisition campaigns and digital on-boarding capabilities.

The average total book grew by 5.0%, with the closing book up 7.4% on last year, driven by the Credit Card portfolio growth. Return on equity of 33.2% was maintained above our 27.5% medium-term target and was positively impacted by the reduction in minimum equity capital requirements in the prior period.

The WFS results are accounted for under IFRS 9.

USEFUL LINKS

[Woolworths SA](#)

USEFUL LINKS

[Woolworths Financial Services](#)

DAVID JONES

INCOME STATEMENT	52 weeks 2019 A\$m	52 weeks 2018 A\$m	% change
Turnover and concession sales	2 193	2 212	(0.8)
Concession sales	(747)	(763)	(2.1)
Turnover – own buy	1 446	1 449	(0.2)
Cost of sales	854	829	3.0
Gross profit – own buy	592	620	(4.5)
Concession and other revenue	197	200	(1.5)
Gross profit	789	820	(3.8)
Expenses	777	775	0.3
Store costs	635	623	1.9
Other operating costs	142	152	(6.6)
Department store adjusted operating profit	12	45	(73.3)
Financial services operating profit	25	19	31.6
Adjusted operating profit	37	64	(42.2)
Net finance costs	–	1	
Adjusted profit before tax	37	63	(41.3)

Retail trading conditions in Australia remain challenging. David Jones was also significantly impacted by sales disruption resulting from the Elizabeth Street store refurbishment, which is on track to be completed by the third quarter of the 2020 financial year. Online sales at David Jones grew by 46.8%, and now contribute 7.7% of total sales. Full year sales declined by 0.8% with comparable store sales 0.1% lower. Net retail space grew by 0.4% with the opening of two new stores. Further net space reductions to improve the productivity of the store portfolio are planned.

Gross profit margin decreased by 110 bps to 36.0% as a result of higher markdowns and an increased focus on the clearance of aged inventory at period end. The 1.9% increase in store costs is the result of the opening of two new stores. Other operating costs decreased by 6.6%, as the cost and structure review performed towards the end of last year resulted in a reduction in the cost base. Operating profit of A\$37 million was 42.2% down on last year, with an operating margin of 1.7%, inclusive of profit from financial services.



David Jones, Autumn 2019

COUNTRY ROAD GROUP

INCOME STATEMENT	52 weeks 2019 A\$m	52 weeks 2018 A\$m	% change
Turnover	1 079	1 074	0.5
Cost of sales	395	400	(1.3)
Gross profit	684	674	1.5
Other revenue	5	5	–
Expenses	589	576	2.3
Store costs	419	412	1.7
Other operating costs	170	164	3.7
Adjusted operating profit	100	103	(2.9)
Net finance costs	(2)	–	
Adjusted profit before tax	102	103	(1.0)

CRG sales increased by 0.5% for the year and comparable store sales declined by 0.6% with sales growth slowing in the second half in line with the market. At a brand level, Politix was the standout performer, with Country Road showing a recovery and Mimco having a disappointing year. Online sales in CRG now represent 20.3% of sales, with growth of 12.9% over the year. Net retail space reduced by 2.9% and remains a priority as the contribution from online sales increases. Gross profit margin improved by 60 bps to 63.4% from sourcing benefits and higher full-priced sales, notwithstanding that the market was characterised by aggressive promotional activity. Expenses were well controlled, increasing by 2.3%. Store costs benefited from store efficiency initiatives, while other operating costs were impacted by the DJ private label development, as well as the increased cost of the loyalty programme. Operating profit of A\$100 million was 2.9% down on last year, with operating profit margin declining by 30 bps to 9.3%.



Country Road, Winter 2019



COMPANY REVIEWS



QUICK ACCESS TO SECTIONS

WOOLWORTHS SA

***OUR VISION IS TO
BE OUR CUSTOMERS'
FAVOURITE RETAIL
BRAND***



Contribution to Group turnover*

58.9%



Contribution to Group adjusted profit before interest and tax

75.3%



Sales growth* FBH

1.5%

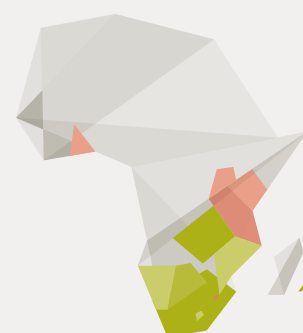


Sales growth* Food

7.7%

GEOGRAPHICAL FOOTPRINT

■ Fashion, Beauty and Home
■ Food, Fashion, Beauty and Home



Number of employees

33 621

USEFUL LINKS: FOR MORE DETAIL

2019 Segmental Review

WOOLWORTHS OVERVIEW

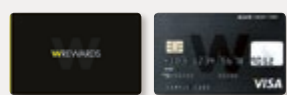
KEY ACHIEVEMENTS IN 2019

- Leveraged our relaunched loyalty programme
- Improved our customers' digital journey with seamless and inspiring online and mobile engagement and improved fulfilment
- Continued to optimise our formats and invest in our store footprint where appropriate, while proactively managing space in line with digital growth
- Focused on turning around our Fashion business by providing our customers with modern wearable fashion, timeless classics and beautiful basics, editing and reinventing our brands, and showcasing our Woolworths brand with pride
- Further innovated our Food products and ranges to lead and inspire our customers, offer solutions to their changing lifestyle needs and provide them with easy and accessible convenience
- Continued to focus on perfecting quality to deliver desired and trusted merchandise to our customers
- Improved our value perception with competitive pricing to deliver exceptional product at surprising value
- Enhanced our Employee Value Proposition and experience by further embedding a modern and connected people experience to attract and retain talented employees
- Continued on our journey to achieve our vision of zero packaging waste to landfill

FINANCIAL SERVICES

OFFERING

Woolworths in-store card, credit card, personal loans and short term insurance



Number of Financial Services hubs

38

5.2%

Contribution to Group profit before interest and tax



ROE OF

33.2%

MEDIUM-TERM TARGET ROE OF

27.5%

FASHION, BEAUTY AND HOME

OFFERING

Women's, Men's and Children's Fashion and Accessories, Beauty and Home

17.8%

Contribution to Group turnover*

29.8%

Contribution to Group adjusted profit before interest and tax



Store locations

279

ROS

12.1%

MEDIUM-TERM TARGET ROS OF

>14%

FOOD

OFFERING

Fresh Produce, Butchery, Bakery, Groceries and Long-life Products

41.1%

Contribution to Group turnover*

40.3%

Contribution to Group adjusted profit before interest and tax



Store locations

442

ROS

7.2%

MEDIUM-TERM TARGET ROS OF

7.0%

*Including concession sales
On a comparable 52-week basis
As at 30 June 2019

Mall Of Africa, South Africa

Mall Of Africa, South Africa

PERFORMANCE FOR 2019



BUILD STRONGER, MORE PROFITABLE CUSTOMER RELATIONSHIPS

Customer engagement and relationships are primarily enabled through our WRewards loyalty programme, which includes MySchool MyVillage MyPlanet, our partnership with Vitality, and our own in-store card and credit card.

In the current year, we relaunched our WRewards programme, which includes WRewards offers on Woolworths favourites, additional benefits for members, increased personalisation, and further additional benefits

for VIP customers. Furthermore, the data and insights from the single view of the customer have enabled us to deliver more personalised engagements with our customers with tailored marketing and promotional vouchers.

We continued to focus on increasing our penetration of the upper-income market in South Africa and sub-Saharan Africa. We now have a customer base of 3.4 million WRewards customers with whom we can actively engage.



TOWARDS CONNECTED RETAIL

Connected retail provides a seamless customer experience across physical and digital channels.

Net new space contracted by 0.1% and grew by 2.0% in our Fashion, Beauty and Home and Food businesses respectively. The increase in Food space was driven both by new stores and extensions but space growth has been limited in both businesses as we focus on productivity and operating efficiencies.

The majority of our offering is available online. Our Food online orders are fulfilled from physical stores, while our Fashion, Beauty and Home online orders are fulfilled from a dedicated online distribution facility. Food sales comprise the majority of online revenue; however, stronger growth in Fashion, Beauty and Home is now being experienced as customers become more comfortable with the digital shopping experience and due to the dedicated online distribution facility further improving availability.

We have continued to focus on connecting digitally with our customers and our people.

Free WiFi is now available in over 200 of our stores. There has been an encouraging growth in our mobile customer base through continued enhancements of our integrated mobile app. The app allows our customers to shop 'in-app', and provides seamless integration with media content and enhanced search, product, and customers' store and credit card information. We have also developed a mobile app for our staff, allowing us to connect with them in a more modern, efficient and digitally enabled way.

The Woolworths brand in the African countries in which we operate continues to grow. In Fashion, Beauty and Home, to remain appealing to our customers, we focused on providing appropriately tiered and ranged product offerings which are seasonally relevant. In Food, we continued to improve our in-country sourcing and distribution capabilities, resulting in better quality and availability, particularly in countries that prohibit the sale of imported products.



Percentage of sales
tracked on loyalty cards

76%



Online Fashion, Beauty
and Home sales grew by

40%



Online Food
sales grew by

21%





Studio.W, Summer 2019

**OUR CRITICAL PRIORITY
IN THE CURRENT YEAR
WAS TO TURN OUR FASHION
BUSINESS AROUND WHILE
SIMULTANEOUSLY DRIVING
FUTURE GROWTH.**



BE A LEADING FASHION RETAILER

Our Woolworths brand is the anchor of our Fashion, Beauty and Home (FBH) offer. Woolworths Edition and Classic Collection (previously branded as 'David Jones Classic') service our heartland modern and classic customers respectively. Our private brands are separated across customer lifestyles and price tiers to ensure that each customer segment has the right brand and right offer. Our RE:, Studio.W, and JT One brands appeal to our modern customer, whereas Woolies Babes has a broad appeal. This clear segmentation provides our customers with choices and makes it easier for them to shop as they can identify the ranges most suited to their needs.

After a disappointing performance in the prior year, our critical priority in the current year was to turn our Fashion business around while simultaneously driving future growth. We placed particular emphasis on rebuilding our customers' faith in womenswear, which is the cornerstone of our business. After a 2.0% decline in sales in the first half

of the year, FBH sales performance improved in the second half, growing by 5.5%, with comparable sales of 4.7%. This is as a result of a focus on core ranges and basics, backed by improved availability.

Our value perception was improved by providing competitive prices in the areas that are seasonally relevant and matter to our customers. Regular price surveys ensure that our prices are keen and comparable to major competitors. We further continued to strengthen our value perception through WRewards and tactical price promotions.

Our customers increasingly associate fashion with beauty. We continued to build our Beauty business as a destination category by improving service and providing our clients with market-leading brands, including Chanel, La Mer, Bobbi Brown, Estée Lauder and Clinique. Currently, 35 of our stores offer our customers an enhanced Beauty experience.



BECOME A BIG FOOD BUSINESS WITH A DIFFERENCE

Our Food business performed strongly with growth of 7.7% and comparable sales growth of 5.4% on a 52-week basis. This was driven by further investment in price, innovation and convenience, resulting in continued volume growth.

We remain focused on driving a 'quality first' mindset through an integrated quality approach, which includes how we work with our suppliers as well as our use of our product benchmarking methodology so that we develop best-in-class product attributes. We continued to enforce strict governance and compliance requirements to ensure that we deliver safe, quality products to our customers. We also further dialled up our focus on food safety, which remains a priority.

We continue to deliver convenience across all formats and channels. We are leveraging our relationship with Engen to provide our customers with a convenient shopping experience, as well as through stores located in large corporate office buildings, such as the Discovery head office in Sandton, Johannesburg. We also have WCafés, coffee pods and carts in many of our stores and two NowNow 'super-fast good food' outlets. We also continue to innovate our products and ranges to provide our customers with an offering that suits their changing lifestyle wants and needs.

Health is critical to our Food strategy. We have made significant progress in making our products and Food experience healthier by reducing salt and sugar in our products, removing sweets and chocolates from our checkout aisles, and introducing healthier ranges and products.

Our flagship Waterstone store cements our position as a food authority and includes our new long-life concepts and a repositioned fresh offering. Tiered formats of the Waterstone store concept have been introduced throughout our real estate portfolio to provide all our customers with a similar magical in-store experience.

The number of products we offer has increased significantly in the past few years. Our catalogue currently meets the majority of our customers' wants and needs, but we never stop evaluating the depth and breadth of our ranges to ensure that we meet their expectations.

Price perception remains a significant barrier to growing basket size and attracting new customers. We conduct a weekly basket check against the prices of our competitors to ensure that our prices are comparable to other food retailers, and actively identify and address products that erode our value perception. An aggressive promotional plan, with competitive prices and WRewards offers, has delivered good results.



EXTRAORDINARY FINANCIAL SERVICES

Woolworths Financial Services (WFS) performed well in the period with positive year-on-year book growth of 7.4%, largely due to the focus on portfolio growth strategies, tight management of collections and impairment, and improved efficiencies across the value chain. This was executed through best-in-class collections and recoveries capabilities and ongoing improvements to the customer experience. In the current year, WFS evolved its vision to align more closely with Woolworths’ purpose, vision, and values.



DRIVE SYNERGIES AND EFFICIENCIES ACROSS THE GROUP

Woolworths has four distribution centres across South Africa, including the new long-life food distribution centre in Cape Town which we opened last year to further expand our capacity. These distribution centres distribute both Food and FBH products to stores throughout South Africa and sub-Saharan Africa. We continued to optimise our distribution centres by investing in end-to-end supply chain efficiencies and in our systems and processes to provide for growth. We further improved our Employee Value Proposition by providing store staff with new uniforms, upgrading workspaces, enhancing training programmes, introducing

additional benefits, and making these benefits more accessible to our people. Our supplier base is a key competitive advantage, and we integrate closely with them in both FBH and Food. We focused on long-term relationships with them and remained committed to our strategic partnerships. This allows us to unlock additional margin, where available, and to drive quality and availability of products. It also allows our suppliers to invest in their businesses and ensure a positive impact on product, quality, employee wellbeing, and sustainability.

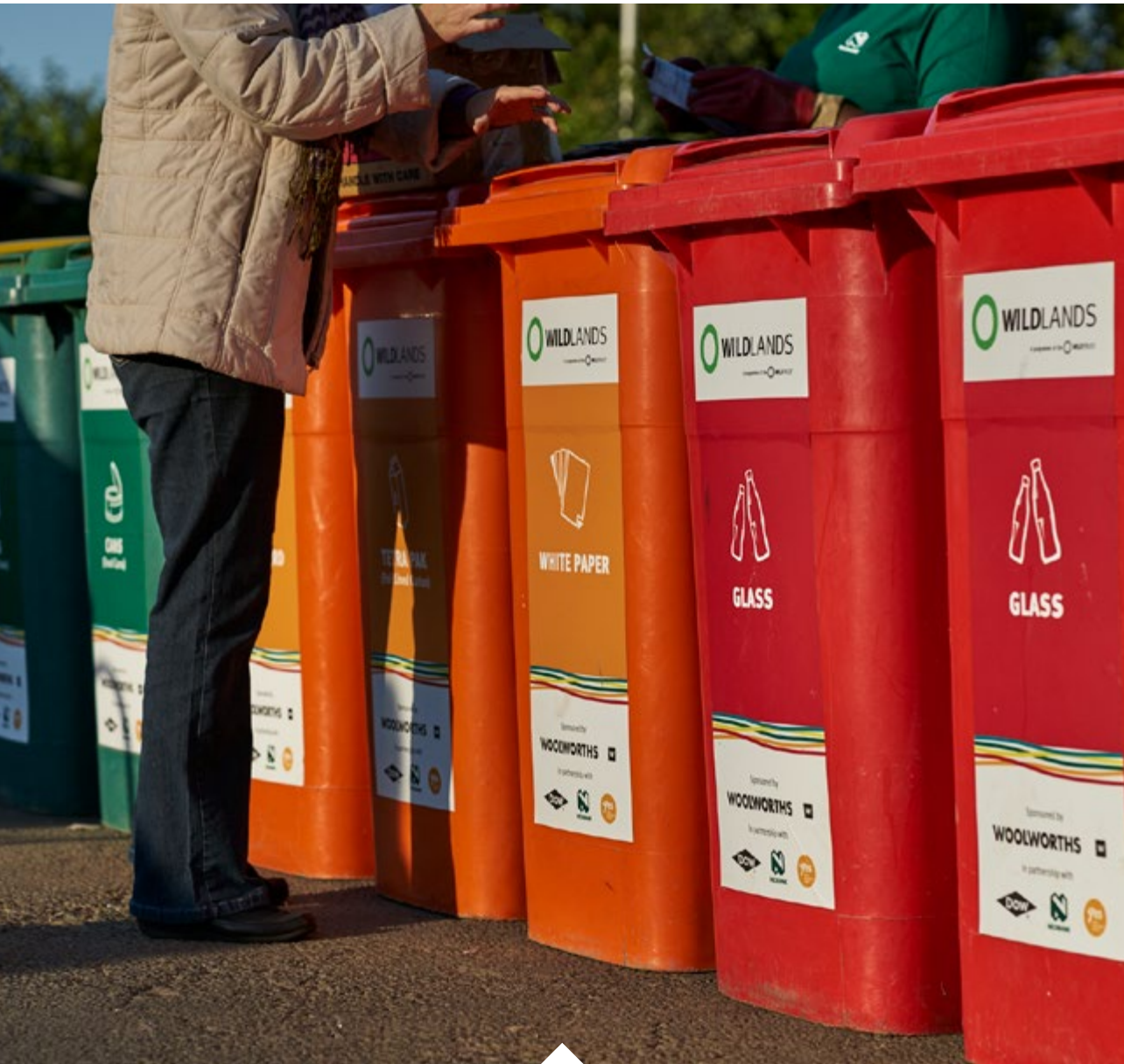
OUR GOOD BUSINESS JOURNEY IS EMBEDDED IN EVERYTHING WE DO.



EMBED THE GOOD BUSINESS JOURNEY THROUGHOUT OUR BUSINESS

Our Good Business Journey is embedded in everything we do. It influences our risk assessment and forms part of our strategic and daily decision-making. This is enabled by the Good Business Journey scorecard measures being cascaded down from Group level to individual business units and linked to individual performance scorecards. The business continues to make good progress in the responsible sourcing of key commodities such as cotton, viscose, cocoa, and palm oil, among others. This year, we continued to mitigate our environmental impact by improving operational efficiencies in our water and energy usage, both in our direct operations as well as in our indirect operations, by playing a vital role in water stewardship within our communities, reducing our food, clothing, and packaging waste where possible, and delivering to our Fishing for the Future and Farming for the Future commitments. Our partnerships with organisations such as UNICEF have allowed us to redirect our social development efforts to focus on the holistic delivery of value to our communities, especially with regard to education, food security, health and nutrition, and child safety.

Our customers are increasingly concerned about the amount of packaging used for our products and the related environmental impact thereof. In the current year, we continued our journey to achieve our commitment of having zero packaging waste to landfill by 2022. We rolled out four plastic shopping bag free stores and introduced a low-cost reusable bag, produced by an enterprise development supplier, in 19 stores. We removed plastic-stemmed earbuds and plastic straws from stores and are phasing out the use of plastic cutlery. We are collaborating on an industry forum to standardise pack recycling labelling and disposal information and are working on eliminating various troublesome plastic packaging, with trials currently in progress to identify appropriate replacement options. We are also focused on providing our customers with recycling opportunities so that they can easily dispose of their recyclable materials in a responsible manner, and have recently collaborated with three other organisations to open five recycling villages in KwaZulu-Natal.



CASE STUDY

RECYCLING PARTNERSHIP WITH WILDLANDS

To celebrate World Environment Day 2019, Woolworths announced a partnership with WILDLANDS aimed at increasing recycling rates in South Africa. The partnership is a trial that will upgrade two WILDLANDS recycling villages and open an additional three villages in KwaZulu-Natal shopping centres where there are Woolworths stores. WILDLANDS recycling villages, which are at the forefront of recycling and the recycling circular economy in South Africa, are part of a well-established WILDTRUST programme. The partnership covers not just upgrades to infrastructure, but also includes

vital public messaging to raise awareness of what packaging material is recyclable. Other partners include Dow, Nedbank and YES (Youth Employment Service). This partnership aims to make it easier for customers to recycle and also facilitates a culture of recycling in local communities. By supporting the YES initiative, the partnership aims to bring much-needed work experience to disadvantaged communities. As part of this pilot, Nedbank has sponsored three WILDLANDS recycling ambassadors from the YES programme who will be on-site to help customers sort their recycling into the correct bins.

USEFUL LINKS: FOR MORE DETAIL

[2019 Good Business Journey Report](#)

STRATEGY FOR 2020 ONWARDS



BUILD STRONGER, MORE PROFITABLE CUSTOMER RELATIONSHIPS

Our focus is on retaining our existing, loyal customers and enticing them to spend more with us, while at the same time converting occasional shoppers into WRewards members and more frequent customers. We will manage our relationships with all our customers by tailoring our products, offers, and services to best meet their wants and needs.

Our WRewards programme provides our customers with compelling loyalty benefits and offers and is key to building customer loyalty, driving customer acquisition,

frequency, and spend. We continue to focus on providing a differentiated loyalty experience that is based on relationships and is more personalised. This is enabled by our refreshed loyalty value proposition, which is simple, easy to use, meaningful, and convenient across all channels.

We will continue to use our rich customer database to further leverage data and inform our product, service, and format strategies.



TOWARDS CONNECTED RETAIL

While stores will remain the dominant channel for South African consumers in the coming years, our customers are becoming increasingly digitally connected, demanding a connected retail experience. As technology advances, the method of engagement and time spent pre-trip is evolving, with customers researching our products online before buying in-store or online.

We are committed to improving our service for online customers and growing and improving our digital presence. We will grow our online sales by enriching our customers' digital journey with inspiring content, enhanced site speed and navigation, and improved fulfilment and customer support service. We will continue to enhance our app features, connecting our physical and digital worlds to make it easier for our customers to shop with us and to improve their experience.

We will collaborate with strategic partners, while simultaneously investing in our IT team and infrastructure to support and drive our digital strategy in all our channels.

We will continue to invest in our store footprint. Over the next three years, we plan to add approximately 1% and 2.6% net new space per annum to our FBH and Food businesses respectively. We will strive to be more considered and flexible in our real estate decisions by exiting unprofitable space and negotiating more favourable lease terms. We will also continue to

improve our trading densities with better in-store catalogues and services, and modernise our physical stores to deliver unique, in-store experiences.

The implementation of a new point of sale system will ensure that our stores are able to deliver future trading requirements and provide an enhanced customer experience.

We will continue to build the brand in the rest of Africa by creating a future-fit operating model, including the implementation of a sustainable supply chain. We will specifically focus on growing our presence in East Africa and Mauritius and consolidate our position in Namibia, Botswana, and Mozambique. We will also continue to drive local sourcing, as appropriate, to mitigate import restrictions.

**WE ARE COMMITTED TO
IMPROVING OUR SERVICE
FOR ONLINE CUSTOMERS
AND GROWING AND
IMPROVING OUR DIGITAL
PRESENCE.**





BE A LEADING FASHION RETAILER

Our target market consists of mid-to-upper income customers, and we seek to provide them with modern wearable fashion, timeless classics, and beautiful basics.

We aim to be famous again and to dominate the market for key categories – the products that customers expect to find at Woolworths. We will anchor our key categories in beautiful basics, which will feature sustainably sourced, beautiful fabrics and deliver exceptional quality at great value, with an even better deal for our loyal customers. We will confidently display these items and ensure that they are always readily available and easy to shop.

We will celebrate and showcase our Woolworths brand with pride and edit and reinvent our private brands to target specific customer segments and drive fashionability and innovation. Our Woolworths brand remains the anchor of our FBH offer, and Edition and Classic Collection will be used to demarcate the modern and classic areas respectively, improving the shopping experience by making it easier for customers to find their desired merchandise. We will retain our RE:, Studio.VV, JT One and Woolies Babes brands and reintroduce the W Collection brand, which will provide our customers with products that embody timeless luxury.

We aim to provide our customers with innovative products with a unique Woolworths point of view. This will be enabled by focusing on the design element of our products in all aspects of our business through the seamless collaboration – in partnership with our suppliers – of design, buying, planning, sourcing, and technology.

Quality is what we stand for in the market, and we aim to perfect quality from the fibre and fabric we use to the fit, finish, and comfort of our products.

Together with perfecting quality, we will strengthen our value perception in the areas that matter to our customers to deliver exceptional product at surprising value. We will benchmark our prices seasonally against our key competitors. Our relaunched WRewards programme will provide even further value to our loyal customers.

Building our Beauty business as a destination category and experience will continue to be a key focus. We will accelerate profitable growth from our branded beauty partners and private label business, introduce new brands and enhance our customer experience.

We currently have a strong Home business. As part of our growth strategy, we aim to capitalise on the trend towards lifestyle and home by optimising our current Home offering.



&US, Summer 2019



BECOME A BIG FOOD BUSINESS WITH A DIFFERENCE

Globally, and in South Africa, there are significant shifts in the way customers are shopping for food, cooking, and eating, with needs and requirements ranging from those who want to shop in-store and cook from scratch to those who prefer to shop online for delivered, pre-packaged or ready-to-eat meals. We will keep innovating products and ranges that will continue to lead and inspire our customers, providing them with their desired food and cooking solutions.

We will also focus on how we deliver these inspiring solutions to them through easy and accessible convenience – be it in our stores, in their workplaces or homes, at recreational activities, events or online.

We aim to be our customers' preferred shopping destination due to our exceptional quality and trusted products. We will deepen our quality high ground by continuing to entrench our culture of excellence and re-establishing value through an integrated quality approach, including technical innovation, governance, and compliance.

We continue to focus on improving our customers' price and value perceptions. We will continue to use data analytics to inform and tailor our price and promotions decisions to profitably drive sales and will also continue to conduct basket checks against our competitors to ensure that our prices remain competitive. We will leverage the relaunched WRewards proposition to be more relevant to our loyal customers and use this, along with a promotional trade plan and marketing initiatives, to convey our price competitiveness and difference to our customers.

Our customers' definition of health has shifted from mainly being focused on weight management to a philosophy of wellbeing. We will take an active lead in growing, sourcing, and manufacturing food in a way that supports our environment to become the destination for sustainably sourced and ethical food.

WE AIM TO BE OUR CUSTOMERS' PREFERRED SHOPPING DESTINATION DUE TO OUR EXCEPTIONAL QUALITY AND TRUSTED PRODUCTS.



EXTRAORDINARY FINANCIAL SERVICES

The WFS customer sees Woolworths and WFS as one and expects us to deliver one brand experience across all our channels, including our stores, contact centre, online platform and mobile app. The new WFS vision states that 'we will deepen our customer relationships by delivering extraordinary experiences and partnering you for life, recognising customers' needs and wants change over time.' The alignment with Woolworths' purpose, vision, and values further emphasises that WFS is an integral part of the Woolworths connected retail strategy, with connected digital transformation and integration with our WRewards programme being key strategic focuses.

We continue focusing on sustainable portfolio growth strategies and robust collections and impairment performance, while simultaneously transforming the WFS customer experience to one that is consistent with and aligned to the Woolworths brand. Our WFS digital roadmap will continue to be a strategic focus as we future-fit our card offerings to make them more relevant to our customers and to Woolworths.



DRIVE SYNERGIES AND EFFICIENCIES ACROSS THE GROUP

We are investing in our supply chain to enhance store replenishment and online fulfilment capabilities at lower cost with increased control and elimination of capacity risk, facilitating decreased transport costs and better delivery lead times.

The implementation of world-class merchandise processes and systems will improve availability of products and profitability in both FBH and Food.

We are evolving our IT platform to provide flexibility and support the delivery of innovative, cost-effective, and sustainable solutions.

We focus on scientific retailing to turn data into actionable insights. This includes predictive analytics in how we engage with customers, how we invest in price, and how we plan the catalogues and space utilisation in our stores.

We recognise that our partnerships with our suppliers provide us with a competitive advantage, and we are committed to growing and protecting these relationships by integrating even more closely with them. We remain committed to providing supplier mentorship, support and a market for small- to medium-sized enterprises to foster growth.

Our people are critical to the successful execution of our strategy. We aim to attract, inspire, engage, develop, reward, and retain the right, diverse talent, and enable collaboration through a modern and connected people experience.



WE ARE ON A JOURNEY TO ACHIEVE OUR VISION OF ZERO PACKAGING WASTE TO LANDFILL



EMBED THE GOOD BUSINESS JOURNEY THROUGHOUT OUR BUSINESS

In line with our Group vision to become one of the world's most responsible retailers, we embed our Good Business Journey (GBJ) in everything we do. We will use our GBJ to identify areas that will make a difference to our people, our communities, and the planet and also to strengthen our customers' loyalty and value perception.

Our 2020 goals come to an end during the next financial year, and we will be embarking on a process to refresh and renew our Good Business Journey with new goals and targets to be set for 2025 and beyond.

We are on a journey to achieve our vision of zero packaging waste to landfill. In the medium term, we will be rolling out further single-use plastic shopping bag free stores, distributing our low-cost reusable bags more widely, and rolling out paper bags for Fashion, Beauty and Home purchases. We will continue to provide ongoing customer education on the role of packaging, exploring how to balance the global movement towards reducing packaging with the need for packaging to protect our products to ensure the high quality our customers expect and to minimise spoilage and waste. In recognition that the packaging issue cannot be solved in isolation, we will continue to partner with government and industry stakeholders to develop technically and commercially viable solutions for recycling different plastics and other materials with the aim of ensuring that all our packaging will be recyclable or reusable by 2022.

We are passionate about transformation and playing our role in building South Africa and supporting inclusive growth. We will contribute towards this by developing and communicating clear BBEE targets for the next three years, and by continuing to support emerging businesses through our Supplier and Enterprise Development programme. We also partner with key charity organisations to make a difference and to provide opportunities for our teams to be involved in supporting local communities.

USEFUL LINKS: FOR MORE DETAIL

[2019 Good Business Journey Report](#)



DAVID JONES

***OUR AMBITION
IS TO BE AUSTRALIA'S
PREMIUM LIFESTYLE
RETAIL DESTINATION***

Contribution to
Group turnover*



Contribution to Group
adjusted profit before
interest and tax

6.7%

Sales growth*

-0.8%



Online sales
contribution of

7.7%

ROS

1.7%

MEDIUM-TERM TARGET
ROS OF

4% - 5%

USEFUL LINKS: FOR MORE DETAIL

2019 Segmental Review

DAVID JONES OVERVIEW

KEY ACHIEVEMENTS IN 2019

- Strong online growth of 46.8%, now 7.7% of sales, enabled by new best-practice website platform
- Launched the David Jones Rewards loyalty programme in July 2019
- Significant progress in the redevelopment of our Elizabeth Street flagship store to create a world-class department store with numerous floors opened in the current year that are trading well
- Opened new stores in Carousel, Western Australia, and in Sunshine Plaza, Queensland, in August 2018 and March 2019 respectively
- Drove brand exclusivity with international brands and leading Australian designer brands
- Continued to build a stronger private label offering with Country Road Group brands commencing exclusivity to David Jones
- Successfully rolled out a further 15 Politix pads into David Jones, now in 47 David Jones stores and also available on the David Jones online platform
- Continued to trial, evaluate, and test our Food strategy and implement lessons learnt in our products and store formats
- Finalised the relocation from Sydney to the new regional head office in Melbourne

OFFERING

Women's, Men's and
Children's Apparel and
Accessories, Home,
Beauty and Food



**AUSTRALIA'S ICONIC
DEPARTMENT STORE
TRADING FOR
OVER 180 YEARS**

*Including concession sales
On a comparable 52-week basis
As at 30 June 2019

Store locations

47



Number of employees

7 609



David Jones, Summer 2019



PERFORMANCE FOR 2019



BUILD STRONGER, MORE PROFITABLE CUSTOMER RELATIONSHIPS

We continued to grow our customer database and leverage our new Customer Relationship Management (CRM) programme. We use this data to inform our business decisions and to provide us with a deeper understanding of our customers by segmenting our customer base to obtain a clear understanding of the wants and needs of the different segments. In the current



14%
of sales are made
through our Financial
Services card

year, we refreshed our customer segmentation and identified four key segments, two of which we aim to further grow and two of which we aim to protect and defend. We also launched the David Jones Rewards loyalty programme in July 2019.

14% of sales are made through our Financial Services card, and we have more than 3.7 million customer email addresses, allowing us to communicate with them directly.



TOWARDS CONNECTED RETAIL

Our online channel is growing rapidly, with increased market share and sales growth of 46.8% on last year, now representing 7.7% of total sales. The strong online sales growth was enabled by the new best-practice website platform, which is mobile responsive, quicker and easier to navigate, and provides richer content, enhanced online services, and a wider product range.

In the current year, net space grew by 0.4%. We opened new stores in Carousel, Western Australia, and Sunshine Plaza, Queensland, in August 2018 and February 2019 respectively. We, however, remain cognisant of the need to rationalise our space and right-size our store portfolio to improve trading densities and profitability.

Online sales
growth of

46.8%



Online sales
contribution of

7.7%

We continued to redevelop our iconic Elizabeth Street store. This will result in a significant transformation of the building that will maintain David Jones' proud heritage and history while creating a modern and contemporary world-class department store. The refurbishment had a significant impact on trade in the current year. The luxury shoe floor and the Disney kidswear floor opened in October and November 2018 respectively, and the beauty and accessories first floor and three womenswear floors opened in July and August 2019 respectively. All floors that have opened to date are trading well and ahead of our expectations.



BE A LEADING FASHION RETAILER

The Australian retail sector continued to be impacted by cyclical challenges and structural changes, resulting in intense competition and promotional activity. David Jones' performance was also significantly impacted by the costs and disruption of numerous transformational initiatives, particularly the redevelopment of the Elizabeth Street store. This resulted in turnover and concession sales and comparable sales decreasing by 0.8% and 0.1% on a 52-week comparable basis respectively.

We already have a strong portfolio of external brands that are exclusive to David Jones and continued to build this portfolio with even more of the world's leading brands, including newly introduced labels such as Tibi, Ganni, Versace, and Maticevski. Our Country Road Group brands spearhead our private label offer. Politix is now available in 37 David Jones stores and on the David Jones online platform and has continued to perform strongly. The David Jones private label brand is designed by Country Road Group, bringing their strong design capability and deep Australian customer knowledge to the brand. These private label brands performed well under the challenging retail conditions.



BECOME A FOOD BUSINESS WITH A DIFFERENCE

Since embarking on our Food journey, we have launched three Food formats, each of which has its own mix between Food Services and Food retail, according to the customer profile and location. These include the Food Hall in Bondi Junction, Sydney, which opened in August 2017, a Food Market in Wollongong in New South Wales, which opened in October 2017, and a new format convenience offering in Malvern, Melbourne, which opened in March 2018.

Over the past year, we were able to trial, evaluate, and refine our designs, formats and offers. Based on these trials, we closed the Wollongong Food Market, apart from the café, which remains open, and are reducing the size of the Bondi Food Hall. Our Malvern store, however, continues to deliver pleasing performance as our customers respond favourably to our private label fresh and prepared foods.

Our Food business will bring our customers best-in-class products from Australia and around the world to enhance our product offering and differentiate ourselves from the traditional supermarket. We have edited and curated our product ranges and increased the number of products that are exclusive to David Jones while developing and launching our own private label product ranges.

We continue to build and strengthen our supplier relationships. This includes our strategic partnership with our key supplier, who provides us with private label produce and prepared food ranges.



***WE ALREADY HAVE A STRONG PORTFOLIO
OF EXTERNAL BRANDS THAT ARE
EXCLUSIVE TO DAVID JONES AND
CONTINUED TO BUILD THIS PORTFOLIO.***

Mintco. Summer 2019



DRIVE SYNERGIES AND EFFICIENCIES ACROSS THE GROUP

A number of business transformational initiatives drive synergies and efficiencies in David Jones and across the Group.

A key initiative was the co-location of David Jones and Country Road Group to a new designed-for-purpose head office in Melbourne, which was completed in September 2018. The new offices provide a centre of retail

excellence and a single hub for the Australian operations. The relocation has resulted in a new energy and emerging cultural shift in our David Jones team.

We reduced store occupancy costs by pursuing a collaborative landlord negotiation process across David Jones and Country Road Group.

INCREASED TRANSPARENCY IN OUR PRIVATE LABEL SUPPLY CHAIN THROUGH THE PUBLICATION OF A FACTORY LIST AND INTERACTIVE SUPPLIER MAP, AN INTEGRATED CAMPAIGN TO SUPPORT THE GLOBAL FASHION REVOLUTION MOVEMENT



EMBED THE GOOD BUSINESS JOURNEY THROUGHOUT OUR BUSINESS

After establishing our combined head office with Country Road Group (CRG) during the year, we focused on developing a regionalised approach to our Good Business Journey through stakeholder engagement and reporting and aligning the David Jones, CRG, and Group Good Business Journey strategies.

Key achievements in the current year include increased transparency in our private label supply chain through the publication of a factory list and interactive supplier map, an integrated campaign to support the global Fashion Revolution movement, signing the Accord for Fire and Safety in Bangladesh, and improving our rating in the Baptist World Aid Ethical Fund Report from a B- in 2018 to a B rating this year. We launched our first Reconciliation

Action Plan (RAP) in November 2019. Our innovative RAP provides a framework for David Jones to support the national reconciliation movement. We also introduced a new online employee workplace giving platform, Good2Give, to make it easier for our employees to support the charities they care about. We continued our proud partnerships with The Australian Literacy and Numeracy Foundation (ALNF) and Rose Clinics.

We sought to reduce our environmental footprint by tracking and managing energy consumption, packaging material use, and the sale of reusable shopping bags. The development of a circular fashion strategy, as further discussed in Country Road Group, is also well underway.

CASE STUDY

LITERACY IS FREEDOM

In April and May 2019, David Jones collaborated with various Australian brands, including Viktoria and Woods, Camilla and the Academy Brand to create limited-edition T-shirts (available online and in-store) where 100% of the profits were donated to support life-changing literacy programmes for Aboriginal and Torres Strait Islander communities through the Australian Literacy and Numeracy Foundation (ALNF). This was endorsed by an ambassador and influencer network and was so successful that the tees online sold out in the first two weeks. Profits from sales of five selected classic children's paperback books were also donated to the cause. The full donation totalled A\$135 000.

During National Reconciliation Week, David Jones released a podcast recorded in their Bourke Street store window, with Danzal Baker (Baker Boy) and Don Bemrose. Baker Boy is an indigenous musician who raps in the Yolngu Matha language and is the 2019 Young Australian of the Year. Don Bemrose is an accomplished opera singer and an ALNF educator with a focus on preserving Australia's First Languages.

They shared their amazing stories and insights to mark National Reconciliation Week and the ALNF's Literacy is Freedom Campaign.

 [Listen to the podcast recorded during National Reconciliation Week](#)



USEFUL LINKS: FOR MORE DETAIL

[2019 Good Business Journey Report](#)

STRATEGY FOR 2020 ONWARDS



BUILD STRONGER, MORE PROFITABLE CUSTOMER RELATIONSHIPS

With a focus on the mid- to upper-income customer in Australia and New Zealand, we will launch our loyalty programme to gain an even deeper understanding of our current and future customers. We will embed our customer strategy into our business processes by incorporating customer-focused, specific priorities and goals into each business area, enabling us to make customer-centric decisions in all aspects of our business.

Our customer data and analytics will underpin a clear and integrated marketing strategy that will deliver incremental sales and profit through more targeted promotions and marketing activity and will be consistently executed across all customer touch points. This will further improve our customer engagement and personalisation as we communicate with them in a more meaningful manner.

In the short term, we will embed our new, modern, digital loyalty programme by leveraging existing and partner technology. This will allow us to grow sales and profit by driving up-selling and cross-selling opportunities, optimising marketing expenditure, and improving promotional effectiveness, as we are able to shift from broad offers available to everyone to a suite of digitally communicated, personalised offers available to loyalty members.

In the longer term, we will continue to innovate our loyalty programmes, focusing on a mobile-first, personalised customer experience. We will leverage the power of our collective brands to offer customers a unique, curated digital experience across David Jones and Country Road Group brands. This will allow us to build and enhance our Group customer data across the entire region.



TOWARDS CONNECTED RETAIL

Online sales growth remains a key opportunity, and we continue to develop and execute our integrated digital strategy to drive online sales contribution to at least 10% and 20% of total sales by 2020 and 2025 respectively. The new digital platform significantly enhances our mobile technology platform and ensures alignment with our customer and brand strategies. We will leverage its increased stability and functionality to enhance the customer experience through easier checkout and improved order fulfilment. Sales conversion will be improved by increasing our digital brand assortment through increasing concession participation and improved drop-ship functionality, which will allow for concession partners to directly fulfil online orders from their own inventory supplies. Additionally, we will optimise our supply chain processes to enhance visibility, availability, and profitability of online sales.

At the same time, we are focusing on inspiring our customers to visit our stores by investing in our flagships to create destination stores and focusing on the in-store experience, particularly in our top stores. This includes providing our customers with immersive experiences and unique events and engagements such as our fashion launches, flower shows, Christmas window displays, and other engaging in-store events.

We continue to optimise our current store portfolio by taking into account our rich store network and customer data, the space requirements for Food, the impact of our digital strategy, space productivity, and format strategy principles. We will offset the additional footprint from new store openings with the continued closure of unprofitable space.

Together with our concession partners, we are investing A\$400 million into the redevelopment of our Elizabeth Street store to create a world-class, luxury department store, bringing together a unique combination of contemporary food and dining and multi-level fashion under one roof. The floors will continue to open in stages with the luxury beauty and accessories ground floor opening in December 2019 and menswear, food and home opening by March 2020. Trade in the Elizabeth Street store will normalise from the fourth quarter of the 2019 financial year and we will cease paying A\$16 million annual rent on the Market Street building from the 2021 financial year. We will further transform our in-store service proposition through continued implementation and execution of our in-store customer service model, which enables our staff to better serve our customers and exceed their expectations.



Mimco, Summer 2019



BE A LEADING FASHION RETAILER

Our merchandise strategy is to curate the best of Australian and international brands to deliver products that resonate with our brand purpose, ‘to shape the style of our nation’. We will do this by using our customer insights to provide them with their desired brand assortment, building brand credibility within our ranges, increasing newness, and growing and protecting the exclusivity of their desired brands.

By integrating our customer segments with the 12-box merchandise grid, we aim to optimise profitability as we continue to rationalise underperforming brands, increase our own buy in key categories, improve brand mix by store, and expand more successful brands and product categories.

A key driver of department store success is brand exclusivity. This provides a differentiated customer experience and builds brand equity through creating a compelling assortment by curating a desirable and exclusive offer. We already have key exclusive partnerships with international luxury houses and leading Australian designer brands and will continue to build this portfolio, including APG brands (Sportscraft, SABA and JAG), and a further 65 new

international and local brands which will be available exclusively in David Jones.

Our Country Road Group brands will anchor our exclusive and premium private label brand offering. From the end of September 2019, Country Road, Mimco, and Politix will exit Myer and join Witchery, Trenery, and David Jones private label as exclusive to David Jones.

We will further continue to build an appropriate private label offering by growing ranges and improving the performance of our existing private label Group brands by strengthening the ranges to appeal to our target customers and by optimising the space allocation across our store portfolio. Country Road Group will continue to design relevant, refined, and aspirational products for the David Jones private label brand.

We will continue to leverage and optimise our value chain merchandising and planning systems to enable better stock management, improve stock-turn, and decrease markdowns. We will also use the enhanced view of brand profitability to decide which brands we offer and how we merchandise them in our stores.



David Jones, Summer 2019



BECOME A FOOD BUSINESS WITH A DIFFERENCE

Our vision for the David Jones Food business is to be a trusted and inspirational food brand that connects people who love food through an authentic experience offering consistent superior quality, flavour, and innovation.

We will continue to improve the merchandise on offer by editing existing ranges, driving exclusivity of product, and owning and developing our own David Jones Food brand. This will be enabled by ensuring that we build the best product and technical skills in the market and by developing key categories with strategic and exclusive suppliers.

We will continue to trial, evaluate and refine our Food store designs, formats, and offering to best suit our customers’ needs. Our first Food convenience stand-alone store in South Yarra, Melbourne, will be opened in October 2019.

We will actively source suppliers to provide additional products and ranges. We will also continue to build key partnerships, including our BP pilot project which will allow us to provide our customers with David Jones Food products in forecourts.

It is critical that we drive sales and profitability by improving availability and reducing waste and the cost of doing business. Streamlining and simplifying our systems and processes to allow for the most efficient and cost-effective decision-making will enable this.

In the longer term, we will assess the potential for centralised distribution.

OUR COMBINED GROUP, PARTICULARLY IN AUSTRALIA, PROVIDES US WITH OPPORTUNITIES TO DRIVE SYNERGIES, LEVERAGE SCALE, AND MINIMISE COSTS TO IMPROVE PROFITABILITY.



DRIVE SYNERGIES AND EFFICIENCIES ACROSS THE GROUP

Our combined Group, particularly in Australia, provides us with opportunities to drive synergies, leverage scale, and minimise costs to improve profitability.

We maintain an absolute focus on cost control. We aim to reduce the combined operating costs of David Jones and Country Road Group by unlocking efficiencies and optimising structures in shared service areas, non-trade procurement, facilities management, and other discretionary costs.

The combined head office, which houses both David Jones and Country Road Group staff, will drive further cooperation and creative collaboration and harness advantages of scale and proximity to improve operational effectiveness. We are focused on stabilising our workforce,

embedding our Group values, and entrenching a commercially focused and performance-driven culture across the Group.

Our regional scale presents us with a significant opportunity to negotiate preferential and flexible lease terms with landlords. We will continue to leverage our regional bargaining power to exit from unprofitable space and expand our footprint, where appropriate, with favourable lease terms to reduce occupancy costs and drive profitability.

We aim to future-fit our regional supply chain to transform our in-store availability, enhance stock management, reduce online fulfilment costs, drive material cost efficiencies and improve margins.



EMBED THE GOOD BUSINESS JOURNEY THROUGHOUT OUR BUSINESS

Our Good Business Journey forms a key component of our strategy and consists of six work streams that support and align with the key focus areas of the Group’s Good Business Journey. We will continue to evolve and implement our Good Business Journey, including streamlining the strategy across David Jones and Country Road Group and further integrating it into the culture and operations of the new regional head office.

USEFUL LINKS: FOR MORE DETAIL

2019 Good Business Journey Report

COUNTRY ROAD GROUP

*OUR VISION IS TO BE
AUSTRALIA'S LEADING
DESIGN-LED PORTFOLIO
OF BRANDS, PROVIDING
A CONNECTED RETAIL
STRATEGY*



Contribution to
Group turnover*

14.0%



Contribution to Group
adjusted profit before
interest and tax

18.0%

Sales growth*

0.5%

Online sales
contribution of

20.3%

Revenue on
loyalty cards

87%



MEDIUM TERM TARGET

ROS OF
12%

ROS
9.3%

USEFUL LINKS: FOR MORE DETAIL

2019 Segmental Review

COUNTRY ROAD GROUP OVERVIEW

KEY ACHIEVEMENTS IN 2019

- Improved performance in Country Road, particularly womenswear
- Continued delivery of market-leading digital experience, with online sales contribution of 20.3%
- Focused on right-sizing our store portfolio, on track for space reduction of 10% by 2022
- Commenced exiting Myer stores in order for Country Road Group brands to be exclusive to the Group, on track for completion by the end of September 2019
- Further progress in integrating Politix into the Group, including introducing Politix into a further 15 David Jones stores
- Increased full-price sales, reduced generic discounting and markdowns, and improved stock management across all brands
- Completed move to regional Australian head office

OFFERING

Women's, Men's and Children's
Apparel and Accessories and Home



Number of employees

5 601



Store locations

196

WITCHERY
AUSTRALIA'S 'STYLE
AUTHORITY' FOR
HIGH QUALITY,
FASHIONABLE
APPAREL AND
ACCESSORIES.



Store locations

213

COUNTRY ROAD
ONE OF AUSTRALIA'S MOST
ICONIC LIFESTYLE BRANDS
FOR STYLISH, HIGH-QUALITY
PRODUCTS FOR WOMEN,
MEN, CHILDREN AND HOME.



TRENER Y
DESIGNED FOR
WOMEN AND MEN
WHO APPRECIATE THE
BEAUTY OF SIMPLE,
SOPHISTICATED
COLLECTIONS THAT
ARE MODERN IN
APPROACH AND
CLASSIC IN STYLE.



Store locations

107

POLITIX
LEADING
AUSTRALIAN MEN'S
FASHION BRAND
THAT COMBINES
INNOVATIVE DESIGN,
AN EXCEPTIONAL
TAILORED FIT, AND
ULTRA ATTENTION
TO DETAIL.



Store locations

114



Store locations

132

MIMCO
ONE OF AUSTRALIA'S LEADING
DESIGNER BRANDS, POSITIONED AS
AN ACCESSIBLE LUXURY ACCESSORIES
BRAND, DESIGNED WITH QUIRK.

*Including concession sales
On a comparable 52-week basis
As at 30 June 2019

PERFORMANCE FOR 2019



BUILD STRONGER, MORE PROFITABLE CUSTOMER RELATIONSHIPS

Country Road Group (CRG) brands continued to leverage their successful loyalty programmes. The collective active customer database has 2.3 million customers, allowing us to track over 87% of sales on loyalty cards. During the year, we increased our loyalty penetration as we continued to enhance our programmes and drive customer engagement by leveraging our digital and mobile platforms to modernise their experience. Politix completed their migration onto the common CRG marketing cloud, laying the foundation for their future loyalty programme.

Our customer relationships continued to be enhanced by further embedding and enhancing the customer experience across all areas of the business, including more direct and personalised customer brand communication and events along with individualised loyalty member journeys and tailored offers that differentiate our brands in a market of generic discounting.

Customer satisfaction measures, including a customer experience measure and a brand equity measure, continued to provide us with consistent metrics across our brands. From these, we were able to derive actionable insights and analytics at all levels of the business to further drive our brands' strategies.



TOWARDS CONNECTED RETAIL

Country Road Group continued to lead the online market across all brands, with online sales contributing over 20% to total sales and growing by 12.9% over the past year. The customers' digital experience was further improved by increasing the speed and functionality of mobile and desktop sites, as well as strong tactical initiatives such as enhanced delivery choices, integrated payment options, exciting product launch pages, and improved digital marketing and social media strategies. These initiatives increased online sales both by attracting new customers to the brand and increasing the basket size and frequency of online customer visits.



Online sales
contribution
of over

20%

Net new space contracted by 2.9% as we remained focused on rationalising our physical store space to drive trading densities and profitability. In the current year, we opened four Politix stand-alone stores and one Mimco store to replace the space we will lose from exiting from Myer. At the same time, we exited from 3 700 m² of underperforming space in Australia.

We continued to focus on improving the profitability of Country Road Group brands in David Jones stores with a marketing plan specifically tailored to these stores, such as exclusive weekend offers. Politix was introduced into a further 15 David Jones stores and is now available in 37 David Jones stores and on the David Jones online platform, and it continues to perform strongly.

***WE REMAINED FOCUSED
ON RATIONALISING OUR
PHYSICAL STORE SPACE
TO DRIVE TRADING
DENSITIES AND
PROFITABILITY.***



BE A LEADING FASHION RETAILER

We continued to focus on the fashionability, quality, and fit of our products, including increased newness and more exciting and design-led ranges to differentiate our brands from our competitors.

Despite the challenging retail environment, total sales grew by 0.5% on a comparable 52-week basis, although comparable sales decreased by 0.6%. A new Country Road managing director, Elle Roseby, who has significant Australian fashion experience, was appointed in July 2018 and has focused on reinvigorating the brand vision and product direction. As a result, Country Road performance improved in the second half, although this was offset by fashion misses in Witchery. We also continued to design the David Jones private label merchandise by providing them with essential wardrobe

staples of quality fabric, fit, and finish, with considered colour and sophisticated prints and patterns. In their first year (to March 2019), these CRG designed ranges have shown pleasing results.

All brands managed margins well as we remained focused on increasing full-priced merchandise sales while decreasing generic discounting with more personalised, targeted promotions.

Sound multi-channel merchandising principles and strong stock management continue to be entrenched to ensure that the right product is at the right place at the right time, which decreased stock holdings and markdowns and further improved our margins.



DRIVE SYNERGIES AND EFFICIENCIES ACROSS THE GROUP

In September 2018, Country Road Group joined David Jones at the new designed-for-purpose Australian head office in Melbourne, which will further drive substantial financial and operational benefits across the region.

We continued to integrate Politix into the Group, including launching the brand into more David Jones stores and streamlining process and systems to drive Group efficiencies.

The purpose-built Omni-channel Fulfilment Centre in Melbourne services all Country Road Group stores and

online fulfilment requirements. This centralised approach has reduced end-to-end handling costs due to improved labour productivity and the consolidation of transport costs. The centre is a key enabler for future growth across the Group, as it serves to support growth in online sales as well as growth in David Jones.

We continued to develop world-class supplier partnerships to drive margin, improve product development, flexibility, price, accessibility, and speed to market.



EMBED THE GOOD BUSINESS JOURNEY THROUGHOUT OUR BUSINESS

As noted under David Jones, we established a regional Good Business Journey (GBJ) strategy that aligns David Jones, Country Road Group and the Group's key focus areas and GBJ 2020 targets. These have been integrated into CRG's balanced scorecard and performance management processes, to entrench the sustainability practices and principles across our brands.

Along with the common, regional achievements discussed under David Jones, including publication of the CRG supplier list and signing the Accord for Fire and Safety in Bangladesh, Country Road Group brands continued to raise awareness and significant funds for various organisations. Country Road Group celebrated 10 years of partnership with the children's charity, Redkite, and reached over 700 000 customers through the Fashion Trade campaign where customers are rewarded with a Fashion Trade voucher when they donate Country Road items to Red Cross shops. Witchery commemorated 11 years of its White Shirt Campaign in which all of the proceeds from the sale of white shirts over the campaign period are donated to the Ovarian Cancer Research Foundation, and Politix partnered with Movember to raise funds for men's

health organisations. Mimco continued to develop products in collaboration with the Ethical Fashion Initiative, which supports marginalised communities in Kenya, and raised money for Our Watch, which aims to prevent domestic violence.

We made good strides in reducing the brands' environmental impact, including transitioning Politix from single-use plastic bags to paper bags, conducting a waste audit of store sites, and launching Country Road's 'low water wash denim' range.

The development of a circular fashion strategy is underway that will impact the design, sourcing, production, and end-of-life outcome of our products. We opt for recycled and recyclable materials in the design of our products. For example, Mimco already uses recycled polyester in the lining of its handbags and Country Road continues to use fibres made from a blend of recycled cotton scraps and wood pulp sourced from responsibly managed forests in its products where it is possible.

We have made significant progress in sourcing sustainable raw materials, including cotton, cellulose, leather, wool, and timber, and embedding sustainability attributes in our products.



CASE STUDY

COUNTRY ROAD LOW WATER WASH DENIM

The production of denim is often synonymous with water waste, as the process of washing denim, in particular, uses thousands of litres of water. Country Road, together with supplier partners Kenpark and Jeanologia®, is working to identify innovative measures that can reduce water use in making their denim and has introduced a range of men's 'Low Water Wash Denim' as part of their commitment to making the manufacture of their denim more sustainable. They have worked with Jeanologia® to develop a low-impact washing process for their men's denim range. As

a result, all Country Road men's main denim range scored 'Green' on water usage according to the Jeanologia® Environmental Impact Measuring (EIMI) system, which analyses the environmental impact of denim washing and processing. Making the jeans using a low-water washing process, Country Road can use 50% less water compared with the global standard. Furthermore, they have been able to start developing denim with additional sustainable attributes, without compromising on quality, by consolidating production in factories that have embraced these progressive technologies.

USEFUL LINKS: FOR MORE DETAIL

[2019 Good Business Journey Report](#)

STRATEGY FOR 2020 ONWARDS



BUILD STRONGER, MORE PROFITABLE CUSTOMER RELATIONSHIPS

We focus on the mid- to upper-tier customer in Australia, New Zealand, and South Africa. We aim to grow and retain our loyal customer base by attracting, connecting, and engaging with our customers in the most relevant and inspiring way, and rewarding their loyalty.

We will continue to improve the functionality of our Customer Relationship Management programme and optimise and enhance our current loyalty programmes by leveraging our customer insights and using customer segmentation to inform all our business decisions and improve our customer engagement. We will maximise our sales and profitability by driving more personalised, targeted marketing to our loyal customers and reducing generic discounting. While we will establish a customer connection unique to each Country Road Group brand, the combined customer databases across all our brands allow us to drive revenue synergies through cross-shopping opportunities. We will also introduce a loyalty programme for Politix.



TOWARDS CONNECTED RETAIL

We aim to grow online sales aggressively to more than 25% of total Australian sales by developing digitally connected, inspiring customer journeys which will improve our customers' experience and simultaneously build our fashion credibility.

We will drive online sales while improving store profitability and deliver a seamless shopping experience across all channels.

This includes personalising our customers' experience with tailored cross-channel content and communication, including personalised assisted styling and self-service. We will further improve and streamline our customers' journeys and elevate the brand experience by digitally enabling our stores, optimising click and collect, implementing effortless and quicker payment and checkout options, redesigning the front-end website, and investing in imagery. We continually explore new digital channels and digital store formats, invest in innovative digital technologies, and optimise our websites' performance and functionality to lead the market and provide a truly connected retail experience.

Channel profitability remains a key focus. Our real estate plans take into account the strong and ongoing growth of online sales and, by 2022, we will reduce our retail footprint by 10%. We will achieve this by optimising space and improving store trading densities and profitability by churning our store portfolio and reducing our retail store footprint by closing unprofitable stores. We will further improve store trading densities and profitability by driving footfall and conversion using improved digital and customer

data, improving store assortments, delivering a more efficient staffing model, and negotiating rental terms with landlords. At the same time, we will also invest in highly engaging in-store and flagship experiences and leverage our Group real estate. This includes the launch of Country Road's new concept store in Noosa, Queensland, and the refurbishment of the Chadstone store in Victoria in August 2019. We will continue working with David Jones on optimising space and driving concession sales growth and profitability in their stores. This will include the introduction of new concepts in their newly refurbished Elizabeth Street store.

Our Country Road Group brands continue to exit from Myer and, from the end of September 2019, will only be sold in stand-alone, David Jones, and Woolworths SA stores as well as through the online channels of each business. This will allow us to better control the customer experience around our brands, drive extensive growth in online channels, including the new and upgraded David Jones website, and further optimise the Group's footprint and profitability.

We will continue to improve planning and stock management principles and leverage our purpose-built Omni-channel Fulfilment Centre, optimising our fulfilment processes and minimising costs. We will also drive online sales on the David Jones platform by optimising our fulfilment solution and increasing the range available to our customers via this channel.

We will explore appropriate international opportunities to drive sales and brand awareness.

***WE WILL DRIVE ONLINE SALES WHILE
IMPROVING STORE PROFITABILITY AND
DELIVER A SEAMLESS SHOPPING EXPERIENCE
ACROSS ALL CHANNELS.***





Trenery, Summer 2019



BE A LEADING FASHION RETAILER

The Country Road, Trenery, Witchery, Mimco, and Politix brands are positioned to appeal to the mid- to upper-tier consumer in Australia, New Zealand, and South Africa. All of the brands are available in Australia and New Zealand, whereas only Country Road, Witchery and Trenery are available in certain South African stores.

We have clearly defined brand identities and customer-led strategies for each brand. We will differentiate ourselves from our competitors and offer a superior proposition to each brands' specific target customers. We continue to focus on the design, quality, and fit of our merchandise to deliver style with authority across all our brands, with a particular focus on continuing to improve our Country Road womenswear offer. This will be enabled by taking a design-led approach in our decision-making and a bold stance on design and product direction. We will continue to design the

David Jones private label offering, implementing key lessons learnt in our new ranges by focusing the brand on good quality, basic clothing with natural fibres at great value. Constant and predictable discounting influences customers' shopping behaviour and erodes brand loyalty. We will ensure that we deliver consistent value for money to our customers and become less reliant on promotional activity with a clear pricing strategy and a defined promotional plan across our brands. Sound merchandising principles and standardised ways of working will continue to drive stock availability, decrease stock holdings and markdowns, and improve profitability.

We will remain flexible in our buying decisions so that we can react quickly to market trends and our customers' wants and needs. This will ensure constant newness in our offering and also increase the availability of key looks.



DRIVE SYNERGIES AND EFFICIENCIES ACROSS THE GROUP

We will continue to leverage our regional head office to unlock synergies and efficiencies, reduce combined operating costs, and promote the sharing of knowledge and experience across the Group.

We are also committed to maintaining an absolute focus on cost control within Country Road Group and across the region and wider Group.

We will further integrate Politix into CRG in a cost-effective manner to improve warehouse management capability and maximise availability for stores and online. Integration will also include migrating Politix onto common platforms and systems to improve decision-making.

We will continue to optimise our supply chain and logistics to further improve stock availability and drive speed to market, as well as improve ease of purchase and return for our customers. This includes operations in our Omni-channel Fulfilment Centre, where we are focused on further driving labour productivity and cost savings.

The continual development of a world-class supply base facilitates the delivery of aspirational product that is 'on brand, on margin, and on time'. We enable this through leveraging the Group's sourcing capability and by building closer relationships with our suppliers, reducing the number of agents we use and establishing new direct sources.

The consolidation and alignment of our IT systems and infrastructure will further support our connected retail strategy and our Group integration.

We will continue to inspire and engage with our people and create a flexible, agile, performance-focused and trusted workforce by attracting and retaining talented employees and building their capability, underpinned by our compelling Employee Value Proposition.

BECOMING KNOWN FOR CONSIDERED AND SUSTAINABLE DESIGN, FABRIC INNOVATION, PROVENANCE AND LONGEVITY IN OUR PRODUCTS



EMBED THE GOOD BUSINESS JOURNEY THROUGHOUT OUR BUSINESS

We will continue to integrate our Good Business Journey (GBJ) into our brands' overall business strategies to reach our targets and will also contribute towards delivering the Group's sustainability commitments by:

- Entrenching and becoming known for considered and sustainable design, fabric innovation, provenance and longevity in our products
- Continuing to embed responsible sourcing strategies for cotton, leather, and cellulose
- Developing a circular approach to waste, from rewarding customers for returning their pre-loved clothing, to using waste materials to create new products
- Opening Green Star-rated stores and driving environmental and economic efficiencies across our stores, head office, distribution centre and suppliers
- Continuing to partner with key charity organisations to make a difference, with particular focus on taking a stand against family and domestic violence, ovarian and prostate cancers, supporting mental health, and assisting families through cancer diagnoses

In August 2019, we opened our five-Green-star-rated Country Road store in Chadstone, Victoria, which will make us the first fashion retailer in Australia to achieve this sustainability rating. In the longer term, we will focus on strategies for circular fashion, water stewardship, and the reduction of packaging to further evolve our GBJ.

USEFUL LINKS: FOR MORE DETAIL

[2019 Good Business Journey Report](#)

OUR GOVERNANCE



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REPORT

DIRECTORATE

BOARD OF DIRECTORS AND COMPANY SECRETARY



SIMON SUSMAN (69)
(South African)

Non-independent, Non-executive Director and Chairman

Expertise: Retail

Joined the Board in 1995, became a Non-executive Director in 2010, and was appointed as Chairman in 2011



IAN MOIR (60)
(Australian)

Executive Director and Group Chief Executive Officer

Expertise: Retail

Joined the Board in 2010



REEZA ISAACS (51)
(South African)

Executive Director and Group Finance Director

Expertise: Retail and finance

Joined the Board in 2013



DAVID KNEALE (65)
(British)

Independent Non-executive Director

Expertise: Retail and business leadership

Joined the Board in 2019



ZARINA BASSA (55)
(South African)

Independent Non-executive Director and incoming Lead Independent Director

Expertise: Banking and finance

Joined the Board in 2011



TOM BOARDMAN (69)
(South African)

Independent Non-executive Director, Lead Independent Director

Expertise: Business leadership, banking and retail

Joined the Board in 2010



NOMBULELO MOHOLI (59)
(South African)

Independent Non-executive Director

Expertise: Business leadership and telecommunications

Joined the Board in 2014



SAM NGUMENI (51)
(South African)

Executive Director and Group Chief Operating Officer

Expertise: Operations and finance

Joined the Board in 2014



HUBERT BRODY (55)
(South African)

Independent Non-executive Director and Deputy Chairman

Expertise: Business leadership, finance and banking

Joined the Board in 2014



CHRISTOPHER COLFER (50)
(Canadian)

Independent Non-executive Director

Expertise: Luxury Retail, E-commerce and business leadership

Joined the Board in 2019



ZYDA RYLANDS (55)
(South African)

Executive Director and Chief Executive Officer – Woolworths South Africa

Expertise: Retail

Joined the Board in 2006



THEMBISA SKWEYIYA (46)
(South African)

Independent Non-executive Director

Expertise: Corporate finance and legal

Joined the Board in 2019



BELINDA EARL (57)
(British)

Independent Non-executive Director

Expertise: Retail, fashion and business leadership

Joined the Board in 2019



ANDREW HIGGINSON (62)
(British)

Independent Non-executive Director

Expertise: Retail

Joined the Board in 2012



CLIVE THOMSON (53)
(South African)

Independent Non-executive Director

Expertise: Business leadership and finance

Joined the Board in 2019



CHANTEL REDDIAR (43)

Group Company Secretary and Director: Governance, Legal, Risk and Compliance

USEFUL LINKS

[Directors' Biographies](#)

WHL EXECUTIVE COMMITTEE



IAN MOIR

*Group Chief Executive Officer and
acting Chief Executive Officer:
David Jones*



REEZA ISAACS

Group Finance Director



ZYDA RYLANDS

*Chief Executive Officer:
Woolworths South Africa*



SAM NGUMENI

Group Chief Operating Officer



SCOTT FYFE

*Chief Executive Officer:
Country Road Group*



CHANTEL REDDIAR

*Group Company Secretary
and Director: Governance,
Legal, Risk and Compliance*



RALPH BUDDLE

*Director: Strategy and
Business Development*

USEFUL LINKS

[Executive Committee biographies](#)



Witchery, Summer 2018

OUR GOVERNANCE REPORT

2019 - a year of significant change for the Board –
We remain resolute in our purpose to deliver long-term value creation for all stakeholders.

OUR APPROACH TO GOVERNANCE

The Board remains resolute in its high standards of governance, ethics, and integrity. By setting an ethical tone at the top and leading effectively with integrity, the Board ensures that good corporate governance is channelled into all levels of the organisation in order to enhance our reputation, build trust and, ultimately, result in value creation for the business and stakeholders.

While the Board's primary focus is to play a key role in determining the Company's strategic direction, it is also responsible for providing continuous oversight of material matters and holding the executive management team accountable for their areas of responsibility in terms of managing the businesses. To enable the relationship between the Board and executive management to achieve results, the Board has adopted a governance framework and aligned practices that:

- Provide role clarity through the assignment of specific areas of accountability to Board committees, the Group Chief Executive and executive management
- Enable more effective decision-making by specifying decisions reserved for the Board and delegating decision-making powers to Board committees (in documented terms of reference) and executive management (in documented delegations of authority)
- Establish an effective enterprise risk management framework to provide the Board with a clear line of sight into the relevant key risks to enable the Board to evaluate risk exposure and mitigation strategies to safeguard stakeholder interests
- Enable the Board to appoint experienced and skilled non-executive directors and attract management talent
- Specify the information, and frequency of its provision, that the Board and its committees require from executive management to enable the Board and committees to prioritise their activities and provide effective leadership
- Embed a customer-focused and values-driven culture across the Group's operations, building trust in our brands and meaningful stakeholder relationships

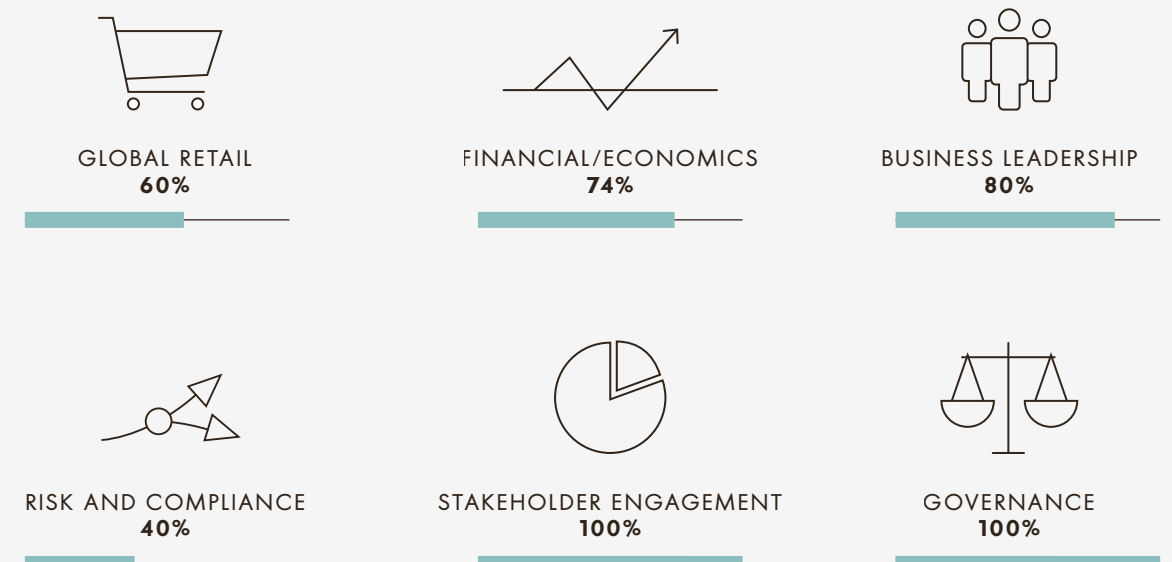
These practices all collectively contribute to value creation.

EFFECTIVE LEADERSHIP

The Board is deeply invested in providing effective and ethical leadership to the Group and has spent a great deal of time during the year reflecting on how best to structure its membership given the challenges facing retail, digital disruption, persistent tough trading conditions, structural changes in retail, a decline in business confidence and the slowdown in consumer spending. In addition, corporate failures in both South Africa and Australia have emphasised the need for effectively governed companies and values-based leadership.

In response, the Board, in collaboration with the Nominations Committee, has continued to focus on building a high functioning, resilient and diverse Board comprising members with the capability and capacity to provide fresh perspectives; relevant strategic input; to act independently of mind and to contribute to value-creation through their diverse experiences. The Board's Diversity Policy is based on factors such as geographical backgrounds, age, gender, race, experience and expertise. The Board believes that diversity and independence of mind lead to richer debate, disrupts group consensus and prevents groupthink.

BOARD SKILLS AND EXPERIENCE



BOARD SUCCESSION AND RELATED PRACTICES

We reported last year that Board succession was top-of-mind, specifically in relation to planning for succession of the key leadership positions of Chairman, Lead Independent Director, and Group Chief Executive. Against this background and with regard to the Board’s succession strategy, the following changes occurred on our Board:

- We announced that our Chairman, Simon Susman, would step down from the Board on conclusion of the Company’s 2019 Annual General Meeting after having diligently led the Board for a nine-year term. In the interests of retaining Simon’s deep retail and institutional knowledge, the Board requested Simon, and he has agreed, to remain available to provide support and advice and to continue his deep association with the Group by helping to advance broader participation in civil and corporate society
- We announced that Tom Boardman, our Lead Independent Director, would similarly step down on conclusion of the Company’s 2019 Annual General Meeting after having served a nine-year term as a non-executive director and lead independent director
- As a result of our succession planning and to enable a seamless transition in the key leadership roles following the simultaneous exit of Simon and Tom, we announced that Hubert Brody had been appointed as Deputy Chairman in anticipation of him being nominated for appointment as Chairman of the Board at the 2019 Annual General Meeting. We also announced that Zarina Bassa had been nominated as the incoming Lead Independent Director to succeed Tom as the Board has determined the role of the Lead Independent Director to be an instrumental position and the role will therefore be retained even though the incoming Chairman is independent

The Board has continued to expand and strengthen its collective skills and experience set specifically in the areas of global retail – recruiting new independent non-executive directors with exceptional retail experience, as well as e-commerce and digital innovation. The Board is satisfied that the directors collectively and individually possess the qualities and characteristics, as well as the appropriate qualifications, to lead and oversee the activities of a Group of our size, scale, and geographic reach.

During the year, three independent non-executive directors resigned and five were appointed, as follows:

- Sizakele Mzimela resigned on 5 November 2018
- Gail Kelly and Patrick Allaway resigned on 8 February 2019
- David Kneale and Thembisa Skweyiya were appointed on 11 March 2019
- Belinda Earl and Christopher Colfer were appointed with effect from 1 July 2019
- Clive Thomson was appointed on 19 August 2019

Comprehensive induction programmes over a number of days are conducted for all newly appointed directors.

In addition to planning for the appropriate skills and diversity attributes on the Board, the Board’s policies relating to gender and race diversity, individual performance, rotation and tenure limits are all applied when considering candidates for appointment to the Board or evaluating directors who will be retiring by rotation at the Company’s Annual General Meeting. The Board has an approved Appointment of Directors Policy under which all such appointments are considered.

EXECUTIVE SUCCESSION

The Nominations Committee (supplemented for this purpose with all non-executive directors), is responsible for the succession of the Group Chief Executive Officer, Ian Moir.

We reported last year that the Nominations Committee was working with an independent advisor to ensure appropriate succession was in place.

The Board has furthermore announced that it has commenced the process of recruiting a successor for the Group Chief Executive Officer. Whilst the process has been extensive, the Board is satisfied with its continued progress.

Ian has worked extensively with the Nominations Committee in ensuring that the best possible decision is made in selecting the most appropriate leader to take the Group into the future.

The Nominations Committee also oversees succession for the Group Exco. Replacement of the David Jones Chief Executive Officer remains a critical objective and Ian continues to act as the interim Chief Executive Officer which enables the process to find a suitable candidate for this complex business to be as thorough and considered as possible.

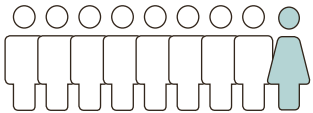
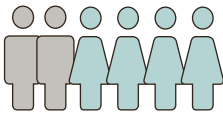
DIVERSITY POLICY

The Board has committed, in terms of its Diversity Policy, to maintain a minimum of 33% female representation and 33% black member representation on the Board and has set an aspirational goal of increasing those levels of representation to 40% in 2020. Based on the current membership, which includes Simon Susman and Tom Boardman who will be stepping down after the 2019 Annual General Meeting, the Board composition fully aligns with the diversity policy.

DIVERSITY OF RACE

6 BLACK

9 WHITE



DIVERSITY OF GENDER

2 MALE 4 FEMALE

8 MALE 1 FEMALE

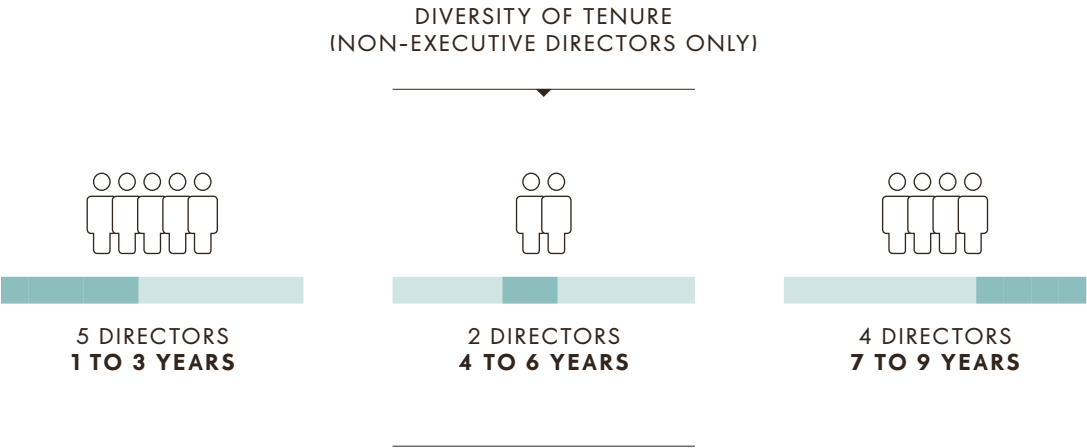
BLACK MEMBERS
FEMALE MEMBERS



TERM OF OFFICE, ROTATION, AND RETIREMENT

Non-executive directors are subject to a nine-year term limit (i.e., three terms of three years) and executive directors are also subject to rotation in terms of the Company’s Memorandum of Incorporation. Subject to continued eligibility determined by the Board in accordance with its policies and the Company’s Memorandum of Incorporation, directors may make themselves available for re-election by shareholders at the Annual General Meeting.

The Board may, on an exception basis, agree to extend a non-executive director’s tenure beyond nine years on the basis of there being good cause to do so Executive directors retire at the age of 63 in terms of the Group’s retirement policy.



BOARD EVALUATIONS

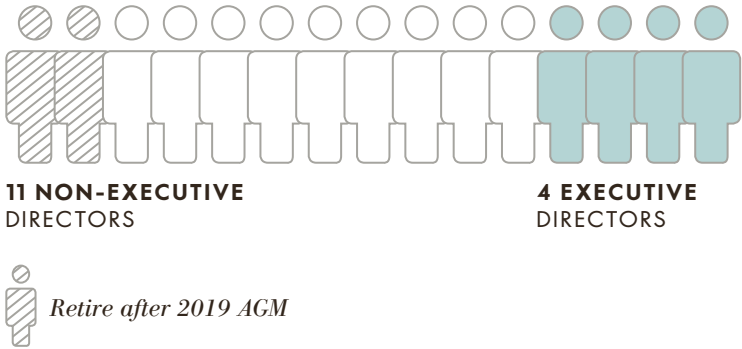
The Board’s policy is for Board and committee assessments to be conducted annually, alternating between assessments by an external service provider followed by peer reviews in the following year. During the year under review, the Board engaged the services of an independent consultancy to further refine effective ways of working as a Board. The collective output from these assessments and workshops continue to guide the Board in its ongoing deliberations.

BOARD COMPOSITION

The Board has a unitary structure and, during the year under review, was comprised of a majority of independent non-executive directors at all times.

All non-executive directors remain classified as independent following the independence assessment conducted this year, with the exception of our Chairman, Simon Susman, who, due to his shareholding in the Company, was classified as not being independent. In instances of conflict or potential conflict, our Lead Independent Director, Tom Boardman, assumed the chair for the relevant discussions at any Board and/or committee meetings as was appropriate.

At the time of this report, the Board comprised 11 non-executive directors, 10 being independent, and four executive directors.



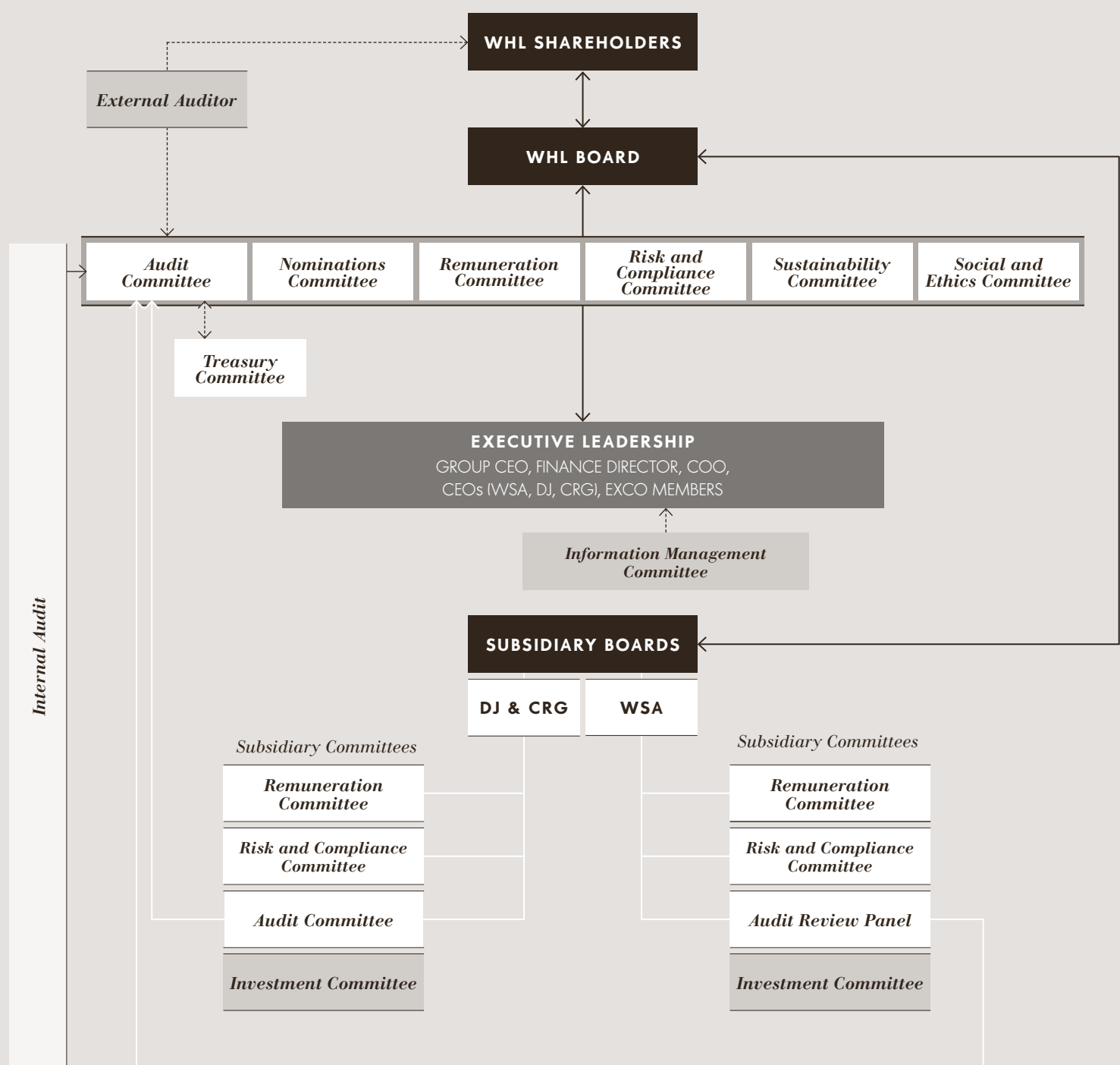
DIRECTOR INDEPENDENCE AND MANAGING CONFLICTS OF INTEREST

The Board places a premium on maintaining high levels of independent thinking and objective judgement by its members and, to this end, the independence of each non-executive director is assessed annually in this regard. In addition to assessing non-executive directors against the criteria recommended by King IV™, the independence assessment takes into account whether the non-executive director has demonstrated an independent state of mind and objective judgement in relation to matters affecting the Group and whether the non-executive director has an interest, position, association or relationship which, when considered from the perspective of a reasonable and informed third party, is likely to influence the director unduly or cause bias in the director’s decision-making.

Our suite of policies governing the management of conflicts of interests, the protection of confidential or price-sensitive information, and dealing in the Company’s shares provides relevant guidance to our Board.

Comprehensive registers of individual director’s interests in and outside the Company are maintained and updated and signed by the directors, with details noted by the Board at each quarterly Board meeting. A director is automatically recused from any decision-making where a cross-directorship exists, such as with banks.

GOVERNANCE FRAMEWORK



Our governance framework provides role clarity by clearly delineating roles and areas of accountability and recognises the independent roles and duties required to effectively govern the Group. The governance framework aims to promote strategic alignment across the Group and facilitates efficient decision-making at the appropriate levels. The framework is supported by the Board Charter, committee terms of reference and our governance policies, which provide guardrails to steer performance in a manner aimed at creating value.

At WHL Board level, the governance framework includes the Board committees that have been formally appointed by the Board and these function within the powers delegated or assigned to them by the Board. The committees’ full terms of reference are available on our website, www.woolworthsholdings.co.za and an overview is provided later in this report.

Our main operating subsidiaries, namely, Woolworths South Africa, David Jones and Country Road Group, are separate legal entities, each with a separate Board of

Directors operating according to independently defined responsibilities and authority as set out in their respective Memoranda of Incorporation and Board Charters.

The subsidiary Boards are chaired by the Group Chief Executive Officer and comprise members of executive management and non-executive directors of the WHL Board. Non-executive directors who serve on the Boards of subsidiary companies are deemed to be related parties and are recused from participating in decisions at WHL level when matters affecting the subsidiary are being decided on.

Subsidiary committees are each chaired by an independent non-executive director of the WHL Board. The subsidiary committees operate in terms of delegated powers and clearly defined areas of responsibility and accountability. In addition, the WHL Audit Committee and the Social and Ethics Committee act on behalf of WHL and all subsidiaries to the extent that the Committees’ mandates align with the laws of the countries in which the respective subsidiaries operate.

OUR BOARD

The Board Charter is based on the provisions of the Companies Act, the Company’s Memorandum of Incorporation, the JSE Listings Requirements, and other relevant laws, and sets out the responsibilities of the Board collectively, as well as the roles of chairman, lead independent director and directors.

STRATEGY

In addition to the Board’s custodianship of corporate governance, it is also responsible for guiding strategy and overseeing and monitoring how management implements and executes the strategy to position the Company for long-term success.

Each year, two separate strategy meetings are held where the Group Exco and in particular the CEO of each subsidiary, presents the subsidiary’s strategy, together with the budgets and business plans supporting strategy implementation. In reviewing the strategy presented in

May this year, the Board critically evaluated product strategies, positioning of assets to meet future demands, real estate requirements for a future-fit business, online and digital disruption, as well as the quality of data available to identify customer preferences across the omni-channel shopping experience. Material risks and opportunities based on the operating context and the needs and expectations of stakeholders were also reviewed and mitigation measures considered.

USEFUL LINKS

[Board Charter and committees’ terms of reference](#)

BOARD MEETINGS

A minimum of four Board meetings are held every year and, together with the quarterly committee meetings, take place over a period of three to four days every quarter. Two Board meetings are held each in South Africa and in Australia to enable our Board to visit and experience operations globally and to meet with the broader leadership teams in both key territories.

In addition, the Board receives a monthly update report from the Group Chief Executive Officer, and Board teleconferences are held between the quarterly Board meetings for the purpose of discussing these updates from the Group Chief Executive. In addition, the non-executive directors held teleconferences on five further occasions to consider matters of importance.

The Board composition and attendance at Board and committee meetings are provided in the table below, which excludes details of the teleconferences.

BOARD ATTENDANCE FOR THE FINANCIAL YEAR UNDER REVIEW

NAME OF DIRECTOR	DATE OF APPOINTMENT	STATUS	ATTEN-DANCE	BOARD	STRATEGY	AUDIT	NOMINA-TIONS	RISK AND COMPLIANCE	REMUNE-RATION	SOCIAL AND ETHICS	SUSTAIN-ABILITY	DIRECTORS STANDING FOR ELECTION
Simon Susman ¹	18/11/2010	Non-independent Non-executive	100%	4/4	2/2		3/3	4/4	3/3	3/3	2/2	
Patrick Allaway ²	01/12/2014	Independent Non-executive	100%	2/2	1/1	2/2		2/2	1/1			
Zarina Bassa	17/11/2011	Independent Non-executive	100%	4/4	2/2	4/4	3/3	4/4	3/3			
Tom Boardman	27/09/2010	Independent Non-executive	100%	4/4	2/2		3/3	4/4	3/3	3/3	2/2	
Hubert Brody ³	01/07/2014	Independent Non-executive	100%	4/4	2/2	4/4	1/1	4/4	1/1	1/1		
Christopher Colfer ⁴	01/07/2019	Independent Non-executive	Refer to note 4	-	-	-	-	-	-	-	-	Election
Belinda Earl ⁵	01/07/2019	Independent Non-executive	Refer to note 5	-	-	-	-	-	-	-	-	Election
Andrew Higginson ⁶	01/06/2012	Independent Non-executive	100%	4/4	2/2	4/4	1/1	4/4	3/3			
Reeza Isaacs	26/11/2013	Executive	100%	4/4	2/2			4/4				
Gail Kelly ⁷	01/10/2015	Independent Non-executive	100%	2/2	1/1		1/1	2/2	1/1		1/1	
David Kneale ⁸	11/03/2019	Independent Non-executive	100%	1/1	1/1		1/1	1/1	1/1			Election
Nombulelo Moholi	01/07/2014	Independent Non-executive	100%	4/4	2/2			4/4	3/3	3/3	2/2	
Ian Moir	01/10/2010	Executive	100%	4/4	2/2			4/4		3/3	2/2	
Sizakele Mzimela ⁹	01/07/2018	Independent Non-executive	100%	1/1				1/1				
Sam Ngumeni	12/02/2014	Executive	100%	4/4	2/2			4/4				
Zyda Rylands	22/08/2006	Executive	80%	3/4	1/2			3/4		3/3	2/2	
Thembisa Skweyiya ¹⁰	11/03/2019	Independent Non-executive	100%	1/1	1/1	1/1		1/1				Election
Clive Thomson ¹¹	19/08/2019	Independent Non-executive	Refer to note 11	-	-	-	-	-	-	-	-	Election

1. Chairman.
2. Resigned from the Board on 8 February 2019.
3. Appointed to the Nominations Committee, Remuneration Committee, Sustainability Committee and Social and Ethics Committee from 18 February 2019.
4. Appointed to the Board in the new financial year on 1 July 2019, and had not attended meetings in the financial year under review.
5. Appointed to the Board in the new financial year on 1 July 2019, and had not attended meetings in the financial year under review.
6. Appointed to the Nominations Committee from 18 February 2019.
7. Resigned from the Board on 8 February 2019.
8. Appointed to the Board on 11 March 2019.
9. Resigned from the Board on 5 November 2018.
10. Appointed to the Board on 11 March 2019.
11. Appointed to the Board in the new financial year on 19 August 2019, and had not attended meetings in the financial year under review.
* Belinda Earl, Christopher Colfer and Clive Thomson were appointed subsequent to the year under review and all have attended 100% of all meetings since being appointed.



OUR BOARD COMMITTEES

AUDIT COMMITTEE

Members: Hubert Brody (Chairman), Zarina Bassa, Andrew Higginson, and Thembisa Skweyiya during the financial year. Christopher Colfer and Clive Thomson subsequently appointed.

The committee's purpose is to provide independent oversight of the effectiveness of the internal financial controls and the system of internal controls to assist the Board in ensuring and monitoring the integrity of the Group's Annual Financial Statements and related external reports. The committee further oversees the effectiveness of the Group's external and internal assurance functions and services that contribute to ensuring the integrity of the Group's financial and integrated reporting.

KEY MATTERS IN 2019

(more detail is provided in the Audit Committee Report in the Annual Financial Statements)

- Recommended to the Board that the Group dividend be reduced by way of an Australian dividend holiday to reduce the level of the Group's interest-bearing debt, with a specific target to reduce debt levels in Australia to approximately A\$200 million
- Considered the findings of the impairment review of the carrying value of David Jones assets and recommended an impairment charge of A\$437.4 million (net of deferred tax) to be recognised at the period ended 30 June 2019, reducing the valuation of David Jones to approximately A\$965 million
- Provided oversight over the Australian entities' debt refinancing and the renegotiation of the debt covenants which remain in progress as at date of this report
-
- Agreed to defer audit firm rotation by one year in order to allow time for new systems and procedures to accommodate IFRS 16: Leases to be embedded and refined in the Group before appointing a new external auditor, and for the audit profession in South Africa to stabilise following the recent events and reputational concerns that have impacted this profession
- Provided oversight over Phase 1 of the simplification of the Group's corporate structure
- Satisfied itself as to the independence, JSE accreditation, and performance of the external auditor based on Audit Quality Indicators
- Continued oversight of the David Jones systems implementation and control environment

FOCUS AREAS FOR 2020

- Continuing to strengthen the Group's balance sheet
- Progressing the tender project for mandatory audit firm rotation

TREASURY COMMITTEE

Members: Reeza Isaacs (Chairman), Zarina Bassa, Hubert Brody, Ian Moir, and Ian Thompson during the financial year. Clive Thomson subsequently appointed.

The Treasury Committee was previously a sub-committee appointed by the Audit Committee for the purpose of proactively managing the Group's treasury exposures within acceptable risk limits and in compliance with policy guidelines as approved by the Board. This committee is being reconstituted as a committee of the Board.

RISK AND COMPLIANCE COMMITTEE

Members: Zarina Bassa (Chairman), Simon Susman, Tom Boardman, Hubert Brody, Andrew Higginson, David Kneale, Reeza Isaacs, Nombulelo Moholi, Ian Moir, Sam Ngumeni, Zyda Rylands, and Thembisa Skweyiya during the financial year. Christopher Colfer, Belinda Earl and Clive Thomson subsequently appointed.

The committee plays a vital role in the Board's governance of risk and assists the Board in setting the direction for enterprise risk management throughout the Group. The committee oversees and holds management accountable for the implementation of effective risk management and compliance.

KEY MATTERS IN 2019

(more detail is provided in the Risk and Compliance section of this Report)

- Reviewed and approved the Group Enterprise Risk Management Policy and Framework
- Reviewed and recommended the effectiveness of the risk management process as well as the adequacy and effectiveness of the Group's Business Continuity Programme
- Reviewed IT governance reports, including the strategic alignment and execution of IT projects
- Considered the activities of the Information Management Committee to ensure that appropriate strategies are in place to manage the Group's information
- Reviewed the Group Anti-Bribery and Corruption Policy and recommended updates to the Board
- Reviewed the processes and systems in place to prevent and detect fraud
- Reviewed regulatory changes and management's response to those impacting regulatory compliance in the Group
- Reviewed the insurance programmes for South Africa, other countries in Africa where we operate, and Australia to ensure their adequacy to moderate against key insurable risks
- Reviewed the design of the Group health and safety programme to ensure a safe, healthy, and accident-free working and trading environment

FOCUS AREAS FOR 2020

- Cascading of risk appetite and tolerance framework to entities
- Further evolving the Group insurance programme and cell captives
- Developing a third-party risk framework for the Group
- Continue strengthening information management capability in the Group

INFORMATION MANAGEMENT COMMITTEE

Members: Sam Ngumeni (Chairman), Reeza Isaacs, Chantel Reddiar, and senior leadership team members of operating subsidiaries

The role of the committee is to proactively manage, leverage and protect the Group's information assets in a way that supports the business and enables it to achieve its strategic objectives in compliance with policy guidelines as approved by the Board.

REMUNERATION COMMITTEE

Members: Tom Boardman (Chairman), Simon Susman, Hubert Brody, Zarina Bassa, Andrew Higginson, David Kneale, and Nombulelo Moholi during the financial year. Christopher Colfer subsequently appointed.

The role of the committee is to ensure that the Employee Value Proposition promotes fair, responsible, transparent remuneration and reasonable employment practices within the Group while adopting a stakeholder-inclusive approach. Furthermore, the committee ensures the establishment of an appropriate remuneration framework and adoption of remuneration policies aimed at attracting and retaining top talent with the capacity to drive the Group’s long-term strategy and sustainable performance.

KEY MATTERS IN 2019

(more detail is provided in the Remuneration Committee Report)

- Engaged with shareholders on the 2018 Remuneration Implementation Report due to the Report not receiving more than 75% support by shareholders who participated in the 2018 Annual General Meeting
 - Reviewed the recommendations of the committee’s external advisors on changes to the Group’s Remuneration Policy
 - Recommended the adoption of malus and clawback provisions for the Group’s incentive schemes
- Recommended prospective and more detailed disclosures in respect of long-term incentive performance measures and targets in the 2019 Remuneration Policy and Implementation Report
 - Recommended the removal of the Group gatekeeper principle as it relates to the short-term incentive scheme
 - Approved executive remuneration and recommended non-executive director fees

FOCUS AREAS FOR 2020

- To further progress the work conducted on minimum shareholding requirements for executives
- To further improve remuneration disclosures where appropriate
- To further evolve Group talent reviews, particularly with a view to promoting gender diversity

SOCIAL AND ETHICS COMMITTEE

Members: Nombulelo Moholi (Chairman), Simon Susman, Tom Boardman, Hubert Brody, Ian Moir, and Zyda Rylands during the financial year. Clive Thomson subsequently appointed.

In addition to its statutory duties in terms of the Companies Act, the committee ensures that the Group’s activities support its intent to be a responsible corporate citizen. The committee assists the Board in setting the tone for an ethical organisational culture by overseeing the Group’s conduct, approach, and the manner in which the business is conducted, with due regard to value creation in society.

KEY MATTERS IN 2019

(more detail is provided in the Social and Ethics Committee Report)

- Monitored progress to address challenges and barriers in the achievement of Employment Equity and disability targets in South Africa
 - Accepted responsibility for the role of Social and Ethics Committees of subsidiary companies
 - Reviewed the impact assessment of the Group’s training programmes in assisting career development including return on investment on Learning and Development
 - Reviewed the Group’s activities relating to collective bargaining, working conditions, and employment relationships
- Reviewed the updates on Group Social Development, including the Group’s contribution to the development of communities and donations and charitable giving across the Group
 - Reviewed talent succession plans for the Group, with due regard to diversity and female representation at senior management levels
 - Reviewed the stakeholder engagement strategy and an update on key stakeholder engagement across the Group
 - Reviewed the Group Anti-Bribery and Corruption Policy and management’s approach to the provision of awareness and refresher training

FOCUS AREAS FOR 2020

- Review of the impact of the Group’s Social Development initiatives
- Monitor the Group’s talent succession plans
- Monitor the new transformation vision in Woolworths South Africa

NOMINATIONS COMMITTEE

Members: Tom Boardman (Chairman), Simon Susman, Hubert Brody, Zarina Bassa, Andrew Higginson, and David Kneale during the financial year. Christopher Colfer subsequently appointed.

The committee assists the Board with the nomination, election, and appointment of directors in accordance with Board policies and the succession strategy, ensuring that the process is transparent and delivers to expectations. The committee is also responsible for executive succession.

KEY MATTERS IN 2019

- Attended to the succession for the Chairman and Lead Independent Director who retire at the 2019 Annual General Meeting having served nine year tenures
 - Recommended the appointment of the incoming Chairman and retention of the role of Lead Independent Director
 - Progressed the succession of the Group Chief Executive Officer
- Considered and recommended the appointments of five new independent non-executive directors
 - Assessed the independence of each non-executive director
 - Considered and recommended new chairmen, where required, for the Board committees
 - Evaluated the Group Chief Executive Officer’s performance for the 2019 financial year

FOCUS AREAS FOR 2020

- Oversee Group Chief Executive Officer’s performance for the 2020 financial year
- Oversee the appointment of a new Chief Executive Officer for the Group and for David Jones
- Ensure new directors are fully inducted and the Board’s ways of working are settled
- Oversee the 2020 Board and committee evaluation

SUSTAINABILITY COMMITTEE

Members: Simon Susman (Chairman),Tom Boardman, Hubert Brody, Nombulelo Moholi, Ian Moir, and Zyda Rylands during the financial year. Belinda Earl and Thembisa Skweyiya subsequently appointed.

The committee ensures that the sustainability strategy positions the Group as a leader in responsible retailing in the countries in which it trades. It further oversees that the sustainability initiatives and objectives are effectively integrated into the business and that the Group operates in an environmentally responsible manner.

KEY MATTERS IN 2019

- Reviewed the Group’s sustainable development (Good Business Journey) strategy and performance
 - Discussed contextualisation of the Group’s 2020 water target, taking into account the wide variety of work the Group is undertaking with regard to water stewardship, quality, and efficiency
 - Considered customer feedback on their perceptions of the Good Business Journey with particular reference to packaging
 - Monitored the roll-out and implementation of our zero packaging waste to landfill vision and commitments
- Considered feedback on various local and internal stakeholder engagements as well as the ongoing partnerships in initiatives to remain at the forefront of sustainability
 - Monitored international developments in sustainable fibres and the Group’s ethical sourcing strategy
 - Monitored the restructuring of the regional sustainability team in Australia and alignment of the Australian group’s programme with that of the Good Business Journey
 - Considered assurance coverage of the Good Business Journey focus areas and appointed the report’s assurance service provider

FOCUS AREAS FOR 2020

- Continue to monitor the ethical sourcing strategy, including sustainable fibres
- Continued focus on packaging and developments in that field
- Evaluating the effects of climate change and its impacts on our value chain
- Closing out on our 2020 Group sustainability goals and commitments and identifying the next set of forward-looking goals and targets

USEFUL LINKS:

[Board Charter and committees’ terms of reference](#)

[Social and Ethics Committee Report](#)

FOR MORE DETAILS:

[2019 Good Business Journey Report](#)

[Remuneration Report](#)



GROUP COMPANY SECRETARY

Chantel Reddiar continued to serve as Group Company Secretary, maintaining an arms-length relationship with directors while remaining accessible to the Board to provide guidance and advice on Board and governance matters. She was also responsible for ensuring compliance with Board and committee procedures, terms of reference, and relevant legislation and regulations.

The Board has assessed the competence and expertise of the Group Company Secretary and is satisfied that she has the appropriate qualifications, experience, and competence to carry out the duties on behalf of a public company. In accordance with the governance practices relating to company secretaries as advocated in King IV™, the Group Company Secretary is not a director of the Company and is deemed by the Board to be suitably independent.

The Group Company Secretary is, in addition, responsible for the Group’s governance, risk, compliance and legal functions and is supported by a suitably qualified team.

RISK AND COMPLIANCE

The Board acknowledges its accountability for the Group’s legal and regulatory obligations and is committed to ensuring that the Group conducts business in accordance with the applicable legislative and regulatory requirements of the countries in which the Group operates.

Compliance is embedded within the Group through the Risk and Compliance function. Each business has its own unique regulatory universe which is assessed against defined criteria.

The constantly changing regulatory landscape is carefully monitored to ensure that key regulatory changes are identified by jurisdiction, impact on the business is determined, and appropriate response plans are developed to ensure compliance.

The compliance programme comprises the following key elements:

- Compliance risk identification and assessment
- Compliance monitoring
- Regulator interaction
- Compliance training

Training and awareness of key legislation is of utmost importance for the business and the Risk and Compliance team develops training modules and facilitates user awareness sessions in this regard.

The Board is not aware of the Group having breached any material regulatory requirements or having failed to meet any statutory obligations during the year under review.

STAKEHOLDER ENGAGEMENT

Effective stakeholder engagement characterised by open communication builds trust and promotes mutually-beneficial exchanges. Our stakeholder universe is extensive and includes our employees, customers, investors, shareholders, suppliers, communities, business partners, unions, NGOs, academia, industry bodies, government, regulators, and the media, among others. Although we consider the entire universe of stakeholders in our engagement planning, we focus our reporting on key stakeholders on pages 19 and 20 of this Integrated Report, while we go into more depth regarding a broader range of stakeholders in our Good Business Journey Report, which is accessible on our website, www.woolworthsholdings.co.za.

For the purposes of this report, we have focused on internal and external engagements relating to governance. We engaged with our employees on governance topics during ‘Governance Week’, held over a period of 14 days in both South Africa and Australia. During this period, a series of formal presentations were made and panel discussions were held on topics such as the prevention of bribery and corruption, the provision of reporting mechanisms and protection for whistle-blowers, how to identify conflicts of interest when company and personal interests collide, what constitutes insider trading and price-sensitive information, responsible use of social media, understanding intellectual property rights and anti-competitive practices, planning for the unexpected through business continuity, the individual’s role in cyber security, and the protection of own and others’ data.

Roadshows are held before the Annual General Meeting when we engage with investors on governance issues as well as the resolutions to be tabled at the Annual General Meeting. For the resolutions to be tabled at the 2019 Annual General Meeting, please refer to the Notice published on our website as indicated above.

Post the publication of the Notice of Annual General Meeting for 2018, and in keeping with the Company’s policy of continuing dialogue with key stakeholders on critical corporate governance matters, management invited

key shareholders to one-on-one meetings to discuss the resolutions that would be tabled for approval at the Annual General Meeting. In addition, investor roadshows were held preceding the 2018 Annual General Meeting. During these engagements investors raised concerns in respect of the 2018 Remuneration Implementation Report; however, as the majority of the concerns and comments related to actions that had already been implemented, the Board was not able to address these in 2018. The comments have, nevertheless, provided insight into the views and expectations of investors in terms of remuneration-related decisions as well as the content and structure of future remuneration-related reports. These concerns and the manner in which these have been addressed are set out extensively in the Group’s 2019 Remuneration Report on pages 153 to 186.

This year we have also commissioned an independent investor perception audit (engaging existing key shareholders and potential shareholders) whose insights and perspectives are important for us to hear. We will be in a position to report on these findings next year as the survey is still underway.

The Board is committed to continuing its open communication with stakeholders and will ensure that an opportunity is provided for engagement prior to the 2019 Annual General Meeting.

Our stakeholders have a standing invitation to engage with us at any time via Governance@woolworths.co.za.

THE BOARD IS COMMITTED TO CONTINUING ITS OPEN COMMUNICATION WITH STAKEHOLDERS AND STAKEHOLDERS HAVE A STANDING INVITATION TO ENGAGE WITH US

USEFUL LINKS:	Board Charter and committees’ terms of reference	2019 Annual Financial Statements	FOR MORE DETAILS:	2019 Good Business Journey Report	Social and Ethics Committee Report	Remuneration Report
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ETHICS AND CORPORATE CITIZENSHIP

The Group's values reflect the Board's commitment to doing good business, for our customers, our people, and our planet. We strive to be customer obsessed, inspirational, responsible, collaborative and committed to quality across all our entities and geographies.

The Board's approach to ethical governance and good corporate citizenship is supported by our governance and ethics policies covering areas such as anti-bribery and corruption, whistleblowing, Code of Business Principles, conflicts of interest, gifts, entertainment, insider trading, and price-sensitive information. Policies are reviewed annually and updated when necessary.

In addition, this year, the South African operations participated in the Gordon Institute of Business Science (GIBS) Ethics Barometer for South African businesses. The Ethics Barometer enables organisations to measure and improve their ethical conduct in relation to employees, customers, suppliers and broader society and is designed to help organisations test how well they are living up to Business Leadership South Africa's (BLSA's) Integrity Pledge. As a member of BLSA, we are a signatory to this Pledge, which commits that:

- We shall actively combat corrupt practices wherever we encounter them
- We shall not act anti-competitively
- We shall have zero tolerance for corruption in our midst
- We shall protect whistle-blowers

COMPLIANCE

The Board is of the opinion that the Group currently applies the governance principles contained in King IV™ and the Group complies with all requirements of the Companies Act and the JSE Listings Requirements. Our application of the King IV™ principles is set out in the King IV™ application report, available at www.woolworthsholdings.co.za.

It is vital for the Board to understand whether our people believe, as we do, that we are a responsible and ethical corporate citizen.

As a signatory to the UN Global Compact, we have committed to operating in ways that, at a minimum, meet fundamental responsibilities in the areas of human rights, labour, environment, and anti-corruption. We continue to align with the UN Sustainable Development Goals (SDGs), as well as national development priorities of all the countries in which we operate.

The social and ethical implications of manufacturing in a global supply base are seriously considered. All our suppliers and service providers, whatever their location, are bound by our Codes of Conduct which are aligned with the International Labour Organisation's conventions in relation to ethical trade and the Ethical Trade Initiative base code, as outlined in our Ethical Trade position statement. Suppliers undergo regular social compliance checks conducted by independent auditors or are required to supply audit reports from independent auditors, to ensure they meet the standards of the Codes. For more details in this regard, please refer to our Good Business Journey Report on our website, www.woolworthsholdings.co.za and to the Report of the Social and Ethics Committee on pages 139-152.



Edition, Autumn 2019

USEFUL LINKS:

[2019 King IV™ Application Report](#)

[Anti-Bribery and Corruption Policy](#)

[Our Global Compact Letter of Commitment](#)

SOCIAL AND ETHICS COMMITTEE REPORT

The Social and Ethics Committee (committee) is pleased to present its report for the 2019 financial year on behalf of the WHL Group.

The committee is a statutory committee appointed in terms of the Companies Act; however, our mandate extends not only to our South African business but also to David Jones and Country Road Group which operate in Australia and New Zealand.

Our key focus is to assist the Board in setting the tone for an ethical organisational culture as well as to: ensure that fair labour practices are applied across our Group and our supply chain; that there are appropriate strategies in place to contribute to social and economic development; and that we not only utilise our natural resources responsibly but also work towards minimising our impact on the environment in the long term. As a statutory committee, some of our work is compliance-driven; however, we focus on executing a broader mandate to be an agent for positive change by ensuring that our policies and practices add quality to life.

The committee comprises both executive and non-executive directors and, during the year under review, held three meetings. Details of the committee composition and attendance at meetings are included in the Governance Report, while the committee's terms of reference are available on our website at www.woolworthsholdings.co.za.

It has been a difficult year for South Africa (a culmination of many difficult years) in terms of both State and corporate failures within

the ethical domain. We endeavour to impact positively on our workforce, customers and broader society albeit insofar as we can.

Our statutory duties entail:

- Monitoring the Group's activities having regard to any relevant legislation, other legal requirements or prevailing codes of best practice, with regard to matters relating to:
 - Social and economic development
 - Good corporate citizenship
 - The environment, health and public safety, including the impact of the Group's activities and of its products or services
 - Consumer relationships, including the Group's advertising, public relations and compliance with consumer protection laws
 - Labour and employment
 - Ensuring that the Group's ethics is managed effectively
- Reporting, through the Chairman of the committee, to the shareholders at the Company's Annual General Meeting on any part of the business of the meeting that concerns the committee's functions.

**WE FOCUS ON
EXECUTING
A BROADER
MANDATE TO
BE AN AGENT
FOR POSITIVE
CHANGE BY
ENSURING THAT
OUR POLICIES
AND PRACTICES
ADD QUALITY
TO LIFE.**

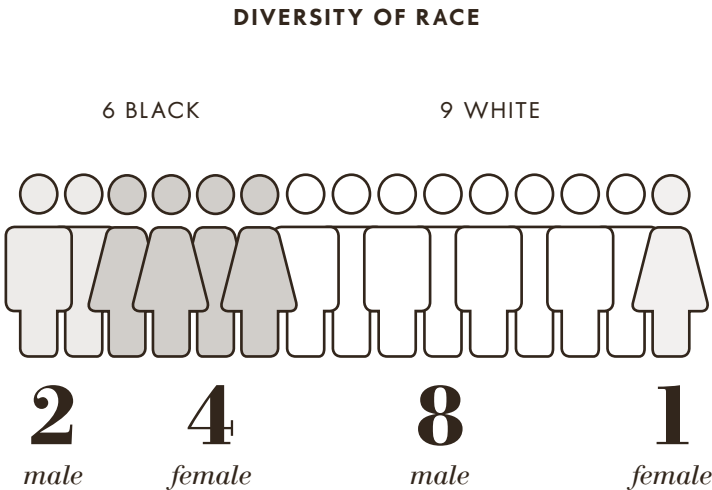
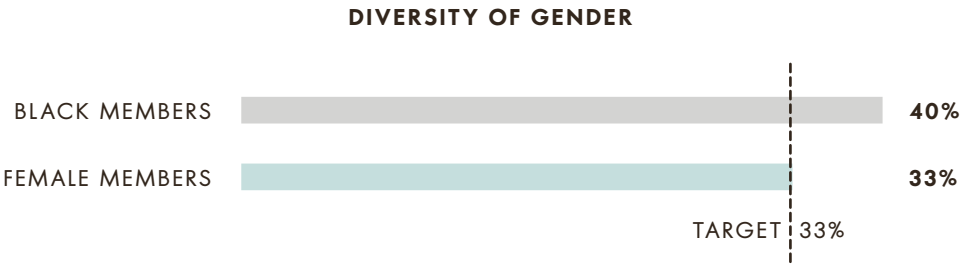


TRANSFORMATION AND DIVERSITY

As with any journey, our transformation journey is not without obstacles; however, we believe that the strategies to entrench diversity in the boardroom, in our workforce and our supply base are gaining momentum.

BOARDROOM TRANSFORMATION AND DIVERSITY

The Board published its voluntary commitment to maintaining female representation and black member representation at a minimum of 33%. The Board’s composition at the time of this report is on target for female representation, while for black member representation the target has been exceeded. Going forward, the Board will endeavour to move towards a 40% level of representation for female directors by 2020 and to maintain black director representation at 40%.



USEFUL LINKS

[2019 BBBEE Verification Certificate](#)

WORKPLACE TRANSFORMATION, DIVERSITY AND INCLUSION

The Group’s efforts in delivering on its overall business strategy, together with navigating the current challenging business environment, places increased attention on its Employee Value Proposition and initiatives as we strive to ensure that we retain our key talent and attract new talent to the Group.

In light of this, the Group’s people strategy has remained focused on creating an environment in which our employees continue to be engaged and feel like active contributors to value creation and strategy. We have had encouraging feedback from our David Jones and Country Road Group employees following the move into one consolidated office in Melbourne.

Our people and transformation strategy is anchored in our values and observes the principles advocated by the

Universal Declaration of Human Rights and the International Labour Organisation. We value diversity and inclusion and are committed to non-sexism and non-racism across our policies, practices, and daily operations. It is important for us as a Group to continue to focus on our transformation initiatives and evolve them so that we are experienced as a truly transformed employer.

In addition to our overarching commitment to transformation, diversity, and inclusion, each region has a key focus for transformation that is determined by the context and environment in which it operates. As a Group, we continue to support these region-specific strategies with gender parity remaining a focus across the Group.

SOUTH AFRICA

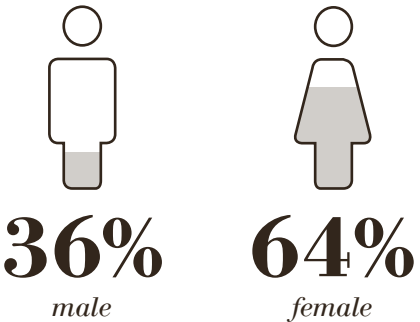
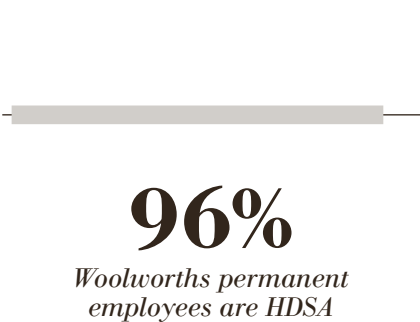
In South Africa we observe the requirements of the Broad-Based Black Economic Empowerment (BBBEE) legislation and, from a people perspective, we focus on human capital transformation, specifically Employment Equity and Skills Development.

EMPLOYMENT EQUITY

In Woolworths South Africa, historically disadvantaged South Africans (HDSA) currently represent 95.8% of total permanent employees, of which 62% are in middle to top management positions. Women represent 64% of HDSA permanent employees.

PEOPLE LIVING WITH DISABILITIES

The recommended BBBEE practice is for 2% of a company’s workforce to be black people with disabilities. In South Africa we currently have 569 people with disabilities on our workforce.



USEFUL LINKS

[See 2019 Group Employee Information](#)



Azania Mqayi at the Woolworths Palmyra store coffee cart.

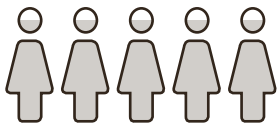
AUSTRALIA

In Australia, transformation focuses on supporting Aboriginal and Torres Strait Islander peoples, including those currently working for the business and those seeking employment as well as customers. Compulsory Equal Employment Opportunity (EEO) training is completed by all new employees to increase awareness of these issues, and David Jones has implemented the David Jones Reconciliation Action Plan.

EMPLOYMENT AND GENDER EQUALITY IN AUSTRALIA

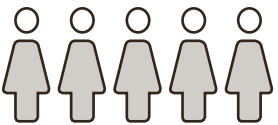
Both Country Road Group and David Jones are committed to equal opportunity in the workplace for all regardless of age, career status, disability, industrial activity, physical features, political belief or activity, pregnancy, race, religion, gender, or sexual preference. The two companies adhere to the Workplace Gender Equality Agency compliance-based report, based on the 2012 Gender Equality Act of Australia, and have submitted annual reports detailing female representation in the workplace for FY2019 as:

Proportion of women:



88%

Country Road Group



77%

David Jones

USEFUL LINKS

[See 2019 Group Employee Information](#)

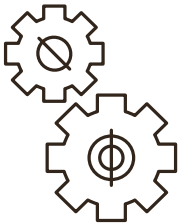
SUPPLY CHAIN TRANSFORMATION

Our Supplier and Enterprise Development (SED) programme in South Africa aims to remove barriers for emerging black and black women-owned businesses to enter into our supplier base. At the heart of the programme is the unlocking of market opportunities for small and medium black and black women-owned enterprises and the further provision of capital and relevant capacity building to deliver to supplier expectations. Woolworths South Africa is on a purpose-led journey to transform entrepreneurial passion and energy into sustainable, local, black businesses absorbed into our supply chain.

In the financial year under review we contributed:

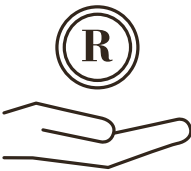
- over R2 billion towards revenues of small and medium enterprises participating in our supplier base
- R2.7 billion in revenues of black and black women-owned suppliers in our supplier base

The 46 beneficiaries of our SED programme have grown from a total revenue of R246 million at the beginning of the period to R293 million by year end as a result of tailor-made support provided by Woolworths South Africa and its partners.



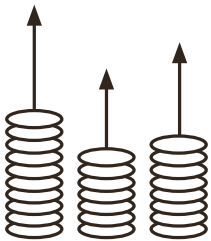
46

suppliers on the Supplier and Enterprise Development programme



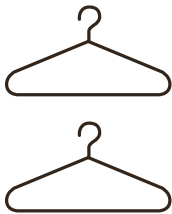
R2.7BN

in revenues contributed to black and black women owned suppliers



R2BN+

towards revenues of participating SMEs



R60.5M

non-cash grant to The Clothing Bank

TALENT DEVELOPMENT

Talent 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 talent development while delivering a value-adding learning and development strategy for a diverse community.

We view skills development as a key enabler of sustainable transformation, particularly in the South African context and to this end, focus on skills development internally as well as enabling education, capacity building and skills development to improve the employability of graduates from various institutions. This will ultimately improve the calibre of our future pipeline and create value for the wider economy.

During the year, we received accreditation by the South African Institute of Chartered Accountants (SAICA) as a training office in terms of SAICA's TOPP training programme (Training Outside of Public Practice). This will enable our aspiring chartered accountant graduates to complete their three years of articles with us to qualify as Chartered Accountants. The accreditation enhances our strategy to grow our own talent and also serves as encouragement for our people who are interested in forging a career as Chartered Accountants. Our first intake of candidates commenced in January 2019. In addition, employees who may not have had the opportunity to complete tertiary studies will now be able to complete a Learnership through Woolworths Finance to obtain their NQF 3 Level Accounting Technician South Africa Certificate. The qualification is the South African Institute of Chartered Accountant's entry- to mid-level designation that helps learners move from being unskilled and unqualified to being accountancy professionals. Both these programmes enable employees to develop the relevant skills for accounting competency in the workplace.

With an increasing demand for access to higher education in our country, our employees are also requesting more opportunities to complete their matric and/or tertiary qualifications. We currently offer funding for tertiary education to our top talent across all levels. It is notable

that despite the funding challenges we have experienced we have been able to address the educational requests of our people. In the last year, we offered 251 employee dependent bursaries amounting to R5 million. We also hosted 102 co-op students for workplace experience, 57 of whom were employed thereafter on long-term contracts of at least 12 months.

In addition to the above initiatives, we also participate in the President's Youth Employment Service initiative to increase employability of youth and build a better South Africa.

Skills development needs and requirements in Australia are substantially different from those in South Africa. One of the key challenges highlighted in 2019 was the need to have a consistent approach and view of talent across the Group. In addressing this, the key focuses for 2019 have been to optimise and streamline the talent and succession process to ensure that talent engagement sessions are objective, strategic, and outcomes driven. Embedding a culture of regular talent discussions that are owned and prioritised by the leaders of the organisation remains central to the people strategy. We have also continued rolling out the Values conversations throughout David Jones and Country Road Group as a priority.

Witchery collaborates with the RMIT University in Melbourne to offer a work placement programme for selected visual merchandising students. Country Road offers 12-month graduate positions for students to be mentored by Country Road's visual merchandising team.

The Woolworths HR team has been awarded the "Best HR team" award by the Institute of People Management (IPM). This award recognises excellence, creativity, innovation and an enterprising spirit within the team, as well as in how people management, development and HR practices are executed in an organisation. Our HR team was commended for making a difference in South Africa by pioneering the TVET Lecture Capacitation Programme (INSIDE RETAIL) plus the ongoing development of unemployed graduates and people with disabilities. We were also recognised for our participation in the YES initiative.

CASE STUDY

YOUTH EMPLOYMENT SERVICE (YES)

Woolworths is committed to making a difference in South Africa and has been involved in making a difference through education by participating in various initiatives like internships, graduate programmes, career exhibitions, and work experience opportunities for unemployed youth and people with disabilities. In March 2018, we became one of the companies partnering with YES (Youth Employment Services) – a CEO-led government initiative launched by President Cyril Ramaphosa aimed at providing one million youth with work experience and helping them gain valuable skills. In the last year, we have collaborated closely with YES and a number of external partners to build an understanding of how to implement YES within the Woolworths environment. Participating in YES has also offered us the opportunity to place learners in

entry-level roles and to build a pipeline of ready-now skilled people for core/scarce roles.

YES employees have been inducted at various Woolworths facilities across the country. At stores, our YES employees will be rotated around the store at approximately three monthly intervals to ensure they experience the complete retail life cycle. They will attend functional and technical training specific to their job role and will attend life skills and financial wellness workshops. Each head-office-based employee will receive a personal development plan based on their specific role, which ranges from visual merchandiser to marketing assistant and graphic designer.

Approximately 450 young people have been offered this opportunity through Woolworths to date.



Woolworths YES employees. From left to right: Nadine Poggenpoel, Lungisa Mjanyelwa, Tara Louw, Warren De Kock, Yonela Gozini, Anastacia Hendricks, Terri Groenewald.

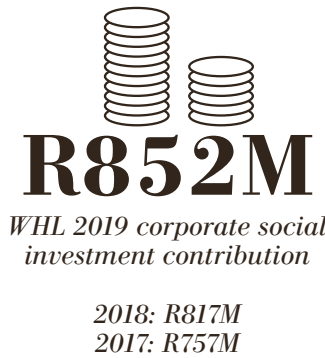
SOCIAL DEVELOPMENT

Our social development strategy reflects our intent to be an active corporate citizen in the countries in which the Group operates and to improving the lives of the communities that help us deliver our business every day. The strategy comprises four pillars that are closely aligned with our overall business strategy, are relevant to the national development priorities in the markets in which we operate, and incorporate the global Sustainable Development Goals. These pillars are:

- Education with the aim of supporting the improvement of educational outcomes in schools. We contribute to this by means of fundraising, positively impacting the education ecosystem and improving the health and wellbeing of learners at school
- Food security to improve access to food and healthy nutrition. We believe that by alleviating hunger by connecting surplus food to need and developing community-based solutions to address food insecurity, we will contribute positively to food security initiatives for the future
- Community resilience to build a thriving and healthy society, customer base and workforce in the regions in which we operate. By partnering with community initiatives, we aim to make a difference, specifically in the areas of physical and mental health
- Involvement of our employees in community-based work so they, too, can contribute to making a difference

In South Africa, social development activities are overseen by The Woolworths Trust in line with our corporate social investment policy. Established in 2003, the Trust is managed by a Board of Trustees and reports to the committee on its activities. Our social development activities in Australia are influenced by the local social context, and the businesses, in partnership with their own strategic partners, relationships and campaigns, focus on community resilience and physical and mental health and wellness

In 2015, we set a Group target to have contributed R3.5 billion in monetary donations and sponsorship as well as surplus food and clothing donations to our communities by 2020. During the course of the 2019 financial year, as we worked towards that goal, our Group’s corporate social investment contribution was R852 million.



BROAD-BASED BLACK ECONOMIC EMPOWERMENT (BBBEE)

Our transformation journey is embedded in our values and desire to improve the quality of life for our employees, customers and other stakeholders. We are, of course, also cognisant of prevailing legislation, such as the BBBEE Act and the BBBEE Codes of Practice.

The Group was rated as a level 7 in 2019, based on the measurement criteria contained in the BBBEE Codes of Practice. The Group’s 2019 BBBEE certificate is available on our website. During the year under review, we monitored the Group’s plan to further entrench and integrate BBBEE transformation into our strategies and reviewed performance on an ongoing basis. Going forward, we will monitor the reformulation of our transformation targets for 2025.

USEFUL LINKS

[2019 BBBEE Verification Certificate](#)

ANTI-CORRUPTION

During the year, the committee reviewed the Group Anti-Bribery and Corruption Policy which is based on the guidance provided by the Organisation for Economic Co-operation and Development’s principles on anti-corruption and the UN Global Compact. The policy articulates and directs the Group’s approach to anti-bribery, anti-corruption and sanctions in support of our responsible corporate citizenship.

We are committed to:

- Zero-tolerance of fraud, theft, corruption or any similar illegal behaviour
- Complying with all applicable anti-bribery and corruption laws, regulations, rules, self-regulatory organisation standards and codes of conduct in the countries in which we operate and conducting business transparently and in an honest and ethical manner
- Embedding the business-relevant anti-bribery and corruption compliance framework and processes in our daily activities

- The continuous enhancement of the anti-bribery and corruption risk-based monitoring programme in order to provide assurance to the Board
- Continuously monitoring the regulatory environment to implement appropriate responses to changes and developments

An independently monitored whistle-blowing hotline, Deloitte’s Tip-Offs Anonymous, has been made available to employees across the Group as well as to customers and suppliers in the South African business. The hotline enables stakeholders to report suspected fraud or other activities considered to be ethical transgressions and all information reported is treated in the strictest confidence. Tip-Offs training and awareness sessions are conducted periodically to promote utilisation of the facility.

A series of refresher training sessions was also conducted across the Group to ensure heightened awareness of the Group’s stance in terms of zero corruption.

ZERO-TOLERANCE OF FRAUD, THEFT, CORRUPTION OR ANY SIMILAR ILLEGAL BEHAVIOUR

HEALTH AND SAFETY

Our Group is committed to providing a safe and healthy environment for all our employees, customers, and contractors. We do so by implementing effective health and safety programmes at each of our locations and by empowering employees to participate in programmes designed to achieve a safe, healthy, and accident-free environment in which to work and trade. Key safety initiatives include regular employee awareness training, quarterly health and safety inspections, and regular internal audit effectiveness reviews.

From a regulatory perspective, the Group’s compliance department actively monitors and reports on compliance with health and safety legislation and the reports are reviewed by the Risk and Compliance Committee, which also monitors health and safety risks.

As a business frequented by the public, there are occasional incidents where employees or customers are injured. We ensure that our stores as as safe as possible, and treat anyone injured in our stores or other workplaces with care and dignity.

USEFUL LINKS

[Anti-Bribery and Corruption Policy](#)

HUMAN RIGHTS DECLARATION

As a responsible corporate citizen whose purpose is to add quality to life, we are committed to respecting human rights, promoting equality and eradicating discrimination, specifically as these relate to relationships with employees and third parties.

To this end, not only are we signatories to the UN Global Compact, we have also adopted the International Labour Organisation principles, Organisation for Economic Co-operation and Development guidelines, as well as abide by country-specific legislation and regulatory requirements. These have been incorporated into our codes of conduct, policies and procedures across the Group and in all our business operations, including our Supplier Codes Of Conduct which require our business partners to align with our human rights values.

In rare instances where our suppliers may have been found to wilfully breach our Supplier Code of Business Principles, we do not hesitate to cancel our relationship.

We believe that creating a meaningful work environment that enables us to attract, retain, and fully engage diverse talent, and a culture that is free from discrimination and enabling of equal opportunity, leads to enhanced innovation, creativity and business performance. This commitment is reflected in all aspects of policies, practices, and our daily operations.

During the year, both Country Road Group and David Jones signed the Bangladesh Accord on Fire and Building Safety (the Accord). The Accord is an independent and legally binding agreement between brands and trade unions to work together towards a safe and healthy garment and textile industry in Bangladesh.

CUSTOMER RELATIONSHIPS

As a values-led Group that aspires to be 'Customer Obsessed', our customers are a key priority. However, there is a growing understanding that the key to delivering an exceptional customer experience is to invest in our people experience and we, accordingly, focus on both aspects to improve and enhance our relationships with customers.

Issues that are material to our customers are identified through daily interaction in our physical stores as well as on

In 2019, and in order to provide a level of transparency to customers in relation to who makes our products and where they are made, Country Road Group published its factory list and David Jones its private label products supplier map.

In Australia, the Modern Slavery Act (Act) came into effect



FIGHTING MODERN SLAVERY

on 1 January 2019. The Act requires organisations with a consolidated revenue of A\$100 million and above to report annually (with first reports due 31 December 2020) on modern slavery risks in their operations and supply chains, the action they have taken to assess and address the risks, and the effectiveness of their responses. To prepare for this, Country Road Group and David Jones have participated in various industry engagements with the Australian Government on the Act, and have set up a modern slavery cross-functional team. In addition, a full-day workshop was hosted for Country Road Group and David Jones teams and their local Australian suppliers to build awareness on the Act. Speakers included government representatives and modern slavery experts. We will report further in this regard next year.

our digital and social media platforms. In addition, customer focus groups and surveys provide focused input to help identify customer requirements, interests, and concerns, such as the privacy of customer information.

Our statutory mandate requires us to ensure that the Group observes applicable consumer laws, and we are pleased to report that there have been no instances of non-compliance throughout the Group.

STAKEHOLDER ENGAGEMENT

Sound stakeholder engagement facilitates good corporate citizenship and positions us as an active participant in society through proactive engagement and effective responsiveness. We engage openly and inclusively with our stakeholders to better understand their needs and concerns. Our approach is to seek areas of potential partnership, mitigate risks to the business, and create mutual trust and respect.

During the year, our stakeholder engagement programme continued to focus on building new relationships and enhancing existing ones with the South African government, non-governmental organisations, and other relevant interest groups as well as expanding our government relations programme into the rest-of-Africa business. This programme of stakeholder engagement helps the Group better navigate through a complex regulatory, legislative, and political landscape and provides ongoing macro-environmental insights, develops goodwill ambassadors, and, ultimately, ensures our continued social licence to operate.

GOOD BUSINESS JOURNEY

The Group's Good Business Journey demonstrates how we have given meaning to the vision of being one of the world's most responsible retailers. Focusing on the areas of transformation, social development, health and wellness, ethical sourcing, sustainable farming, waste, water, energy and climate change, the Good Business Journey continues to evolve to meet the challenges in business, contribute to social and economic development, and reduce the impact of our business on the environment. Embedding the Good

A significant part of the work is focused on industry participation, and, to this end, management has proactively prepared specific narratives to engage with key stakeholders, ensuring that subject matter experts with the appropriate depth of knowledge and ability to articulate the impacts of potential policies on the business, lead the engagements.

Our stakeholder engagements are grouped into the following focus areas:

- Public policy and advocacy to support a more enabling regulatory environment
- Developing credibility to be recognised as a source of expertise on key issues pertinent to Woolworths
- Creating shared value and socioeconomic performance through real private-public partnerships driven by the desire to do good and be involved in society
- Remaining responsive to the expectations of stakeholders and by managing issues
- Participation on leading business/industry associations

Business Journey throughout the business is one of the Group's strategic focus areas.

The Good Business Journey Report, published as part of the Group's suite of integrated reports, describes all the Group's sustainability initiatives and also provides more information on transformation, our workforce, social development, health and safety, environmental issues and stakeholder engagement, and we encourage you to read the report and to share any comments with us.

THE GOOD BUSINESS JOURNEY CONTINUES TO EVOLVE TO MEET THE CHALLENGES IN BUSINESS, CONTRIBUTE TO SOCIAL AND ECONOMIC DEVELOPMENT, AND REDUCE THE IMPACT OF OUR BUSINESS ON THE ENVIRONMENT.

USEFUL LINKS

[2019 Good Business Journey Report](#)

ENVIRONMENTAL MATTERS

All environmental matters are monitored through the Board’s 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 committee received feedback from the Sustainability Committee on its initiatives and an overview of the topics considered by the Sustainability Committee during the year can be found on page 134 and in the Good Business Journey Report.

The committee has, nevertheless continued to monitor results of the packaging commitments reported last year including progress made in terms of achieving our vision to reduce packaging waste to landfill to zero, to phase out single-use shopping bags by 2020 and to use reusable or recyclable packaging for our private label products by 2022. Progress in this regard has been made with the following results having been achieved:

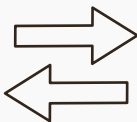


**PACKAGING
HIGHLIGHTS
FOR 2019**

Removal of plastic
straws, earbuds, cutlery

Plastic-bag-free
store introduction

Introduction of low-cost
reusable bag



CONCLUSION

I am pleased to report on behalf of the committee that the annual self-assessment of our statutory obligations has been undertaken for the year under review and we are satisfied that the committee has discharged its responsibilities appropriately. The Board concurred with this view. I further confirm that the Group continues to meet its environmental, social, and governance responsibilities and, for the period under review, there have been no instances of material non-compliance with legislation or non-adherence to codes of best practice that fall within the committee’s mandate.

The Group has retained its inclusion in the FTSE/JSE Responsible Investment Index for 2019/2020 and has been included in the Dow Jones Sustainability Index for the eighth year in succession.

We remain committed to identifying additional strategies to create value and contribute positively to the environmental, societal, and governance requirement of the countries in which we operate and invite our stakeholders to share their views on this report with us by email to Governance@woolworths.co.za. We believe that meaningful feedback from stakeholders is vital to driving our agenda and will help us to deliver more effectively on the Group’s goals and targets in terms of transformation.

In closing, I would like to thank the committee members and the executive management team for their inputs and contributions to advancing our social and ethical objectives – there is no alternative in creating sustainable growth and prosperity for all.

N MOHOLI
Chairman of the Social and Ethics Committee

OUR REMUNERATION REPORT

THIS REPORT COMPRISES THREE SECTIONS

SECTION 1

A report from the Chairman of the Remuneration Committee on material matters deliberated on by the committee during the year.

SECTION 2

Details of the remuneration philosophy, policy, and framework to motivate and reward performance at short-, medium-, and long-term time frames. This is tabled at the Annual General Meeting (AGM) for a non-binding advisory vote by the Group’s shareholders.

SECTION 3

The implementation of the Remuneration Policy in the 2019 financial year, tabled at the AGM for a separate non-binding advisory vote by the Group’s shareholders. The report addresses the Group’s performance for the year ended 30 June 2019, and the remuneration earned by the executive directors explaining how the policy has translated into the remuneration earned by the executive directors.

SHAREHOLDER VOTING ON REMUNERATION RESOLUTIONS

	2018	2017	2016
REMUNERATION POLICY	79.91%	96.92%	69.9%
IMPLEMENTATION REPORT	60.26%	93.57%	No voting requirement
NON-EXECUTIVE DIRECTORS REMUNERATION	96.05%	98.55%	98.25%

Engagement with shareholders on remuneration matters by the Chairman of the Board and the Remuneration Committee are discussed in this report.

SECTION 1: REMUNERATION COMMITTEE CHAIRMAN’S REPORT

I am pleased to table the Remuneration Policy and the Implementation Report for FY2019 to be tabled at the 2019 Annual General Meeting, enabling the committee to receive direct feedback from shareholders.

In line with best practice and previous reports, the FY2019 Remuneration Report encompasses three sections: a background and context setting with material issues dealt with by the committee; the Remuneration Policy applicable for FY2020; and the Implementation Report explaining how the Remuneration Policy was applied for FY2019 with specific disclosure on the Group’s executive directors’ remuneration.

BACKGROUND STATEMENT

In 2018, some shareholders were disappointed in the way we applied and implemented the Remuneration Policy and a number of shareholders declined to endorse our Implementation Report. In line with the King IV™ principles, the committee actively engaged with dissenting shareholders. A conference call was held on 11 December 2018, enabling participating shareholders to engage with the committee on their views.

In addition to several shareholder engagements prior to the Annual General Meeting, the committee welcomed the opportunity to get additional views from shareholders. The feedback received from these engagements stimulated much debate and discussion in committee meetings during the year. A specific workshop dedicated to these matters was held by the Remuneration Committee. Informed by these discussions, changes have been made to the Remuneration Policy and we have enhanced the disclosure in the Implementation Report.

Malus and clawback provisions have now been incorporated into both the Corporate short-term and the long-term incentive schemes and the Group gatekeeper principle has been removed from the Corporate short-term incentive scheme. Additional disclosure has been

implemented, being the prospective disclosure of long-term incentive targets, additional disclosure of the linkage of strategy and the individual executive director’s goals, and more clarity provided in the retrospective targets of elements of the Corporate short-term incentive scheme.

The changes and the consideration of shareholders’ comments are explained in more detail in the Remuneration Report.

FINANCIAL PERFORMANCE
FOR THE PERIOD

The cyclical challenges in the retail sector in both South Africa and Australia continued. The Group experienced a challenging financial year, with performance mixed in the two main trading geographies. Woolworths SA has traded well during the year with a much improved performance in Fashion, Beauty and Home as a result of a focus on core ranges and basics, backed by improved availability. Food continues its good momentum with volume growth driven by further investment in price, innovation and convenience.

In Australia, Country Road Group has had mixed performance within the suite of brands resulting in performance below expectations. David Jones has been significantly impacted by the poor performance of the business.

Both businesses have been affected by the accelerating structural changes affecting the Australian retail sector. This has resulted in a further impairment charge of A\$437.4 million (net of deferred tax), reducing the valuation of David Jones to c. A\$965.0 million.

Group adjusted profit before tax (aPBT) decreased by 0.2% to R4.8 billion and HEPS has declined 1.0% to 342.9 cents per share (53-week figures).

ALLOCATION OF ONCE-OFF
RESTRICTED SHARE AWARDS

The executive directors are regarded as being key to ensuring that the Group delivers sustainable returns for shareholders. They hold pivotal roles in the Group structure and the committee considered it important to retain these key individuals for continuity and delivery of the long-term strategy.

RSP shares to the value of R243 million were allocated to key and critical talent in Woolworths South Africa (R187m - 88 employees), the Group Finance Director, Group Chief Operating Officer and the CEO of Woolworths South Africa. The awards are conditional on the achievement of acceptable individual performance over a five-year vesting period, which is aligned to the medium-term plan (MTP) of the Group, as explained on pages 163 and 164.

USEFUL LINKS: FOR MORE DETAIL

[Our Finance Director’s Report](#)

SHAREHOLDER ENGAGEMENT AND CHANGES TO THE
REMUNERATION POLICY AND DISCLOSURE FOR THE 2020 FINANCIAL YEAR

Key concerns raised by shareholders during engagement pre and post the 2018 AGM and the decisions made by the Remuneration Committee are as follows:

FEEDBACK RECEIVED	COMMITTEE RESPONSE AND ACTION TAKEN
REMUNERATION POLICY	
Request to include malus and clawback provisions	Malus and two-year clawback provisions will be included in short- and long-term incentive schemes from 1 July 2019, save for PSPs which require shareholder approval at the AGM.
Consideration of minimum shareholding requirements (MSR) for executive directors	The current shareholding of executive directors is considered satisfactory (>100%). Committee deliberations on this matter are ongoing.
The impact of Group (WHL) aPBT as a gatekeeper to the Corporate STI is seen as a significant risk to the potential loss of talent in performing operating entities	Group (WHL) aPBT was implemented as a gatekeeper in 2015 to encourage Group thinking and execution. This has resulted in certain unintended consequences. The committee has removed Group (WHL) aPBT as a gatekeeper, but retained aEBIT as a gatekeeper at operating entity level for FY2019.
IMPLEMENTATION	
Disclosure of prospective LTI targets will provide greater transparency	Prospective targets for LTI allocations are now disclosed. See page 177.
More detail to be provided on the retrospective Corporate STI targets to ascertain the level of target setting	Additional details on retrospective STI targets are now disclosed. See page 174.
Show more explicit linkage between strategy and individual goals	Greater disclosure on linkage between strategy and executive directors’ achievement against goals is provided. See page 164.
Consider the inclusion of a measure of salary gap between highest and lowest earners, e.g. GINI coefficient	The committee believes that the principles which guide the Group’s fair and responsible remuneration address these issues. The Group’s fair and responsible remuneration barometer provides disclosure of remuneration elements across categories of employees. See page 172.
OTHER CHANGES IMPLEMENTED	
Corporate short-term incentive bonus pool	The bonus pool available for the 2020 financial year has been reduced by: <ul style="list-style-type: none">• WSA 50%• DJ 65%• CRC 50% This has been done to align the bonus pools with the initial budgeted growth expectations of the operating entities. The committee may review the bonus pools during the year depending on trading performance achieved in each of the operating entities.

IMPACT OF DAVID JONES IMPAIRMENT CHARGE

The impairment charge in respect of David Jones reduces the equity denominator of the ROCE calculation used for performance conditions of the PSP (for executive directors) and RSP (for Group CEO).

The committee will therefore apply the same principle it adopted at the time of the initial impairment in FY2018 by increasing the target to compensate for the equity reduction arising from the impairment.

SINGLE-FIGURE REMUNERATION

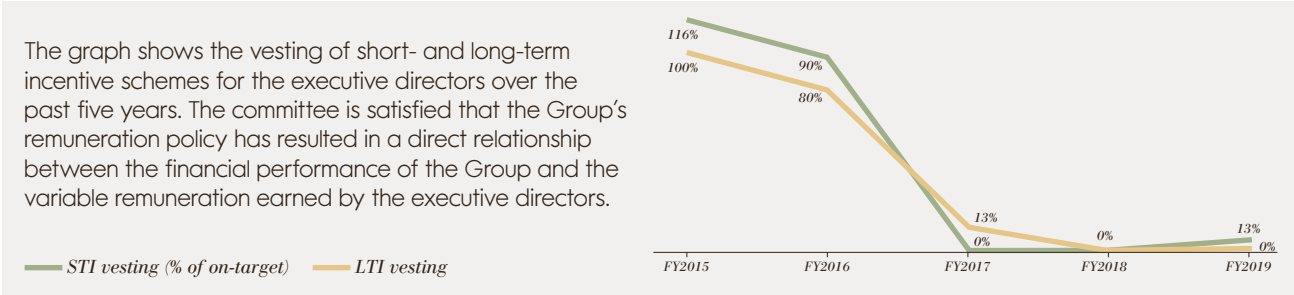
The Remuneration Committee continues to apply the King IV™ principle that companies must provide a single total figure of remuneration. To assist the reader of the report, elements in the Implementation Report are cross-referenced to disclosure of the remuneration received and receivable by the executive directors.

INDEPENDENT EXTERNAL ADVICE

The committee makes use of independent external advice on remuneration trends and market benchmarks. PwC provided advice on local and global remuneration trends as well as with specific benchmarking data on executive remuneration and non-executive directors’ fees. Independent external remuneration advice was provided by PwC, DG Capital, and for the Australian operations, Mercer.

CONCLUSION

The committee continues to engage proactively with shareholders on remuneration matters.



The Board will put both the Remuneration Policy and the Implementation Report as non-binding advisory shareholder resolutions at the AGM on 27 November 2019. We invite any shareholder wishing to engage the Chairman of the Remuneration Committee on the Group’s Remuneration Policy and Implementation Report to do so via email at Governance@woolworths.co.za.

If 25% or more of the shareholders do not endorse either resolution at the AGM, the Board will invite dissenting shareholders to engage with the committee on their concerns.

The committee remains confident that the Group’s remuneration philosophy and policies are aligned to its strategy, aligned with market best practice, and are subject to a robust re-examination each year. However, where it is clear that the Remuneration Policy should be reconsidered in order to adapt to changing business realities and to maximise shareholder value, or where shareholders have raised legitimate concerns regarding an aspect of the Remuneration Policy, the committee will consider amending relevant aspects of the Group’s remuneration framework.

TA BOARDMAN
Chairman of the Remuneration Committee

The committee is pleased to submit a high-level summary of the Remuneration and Implementation Reports on pages 157 - 158.

SUMMARY REMUNERATION & IMPLEMENTATION REPORT

REMUNERATION FRAMEWORK

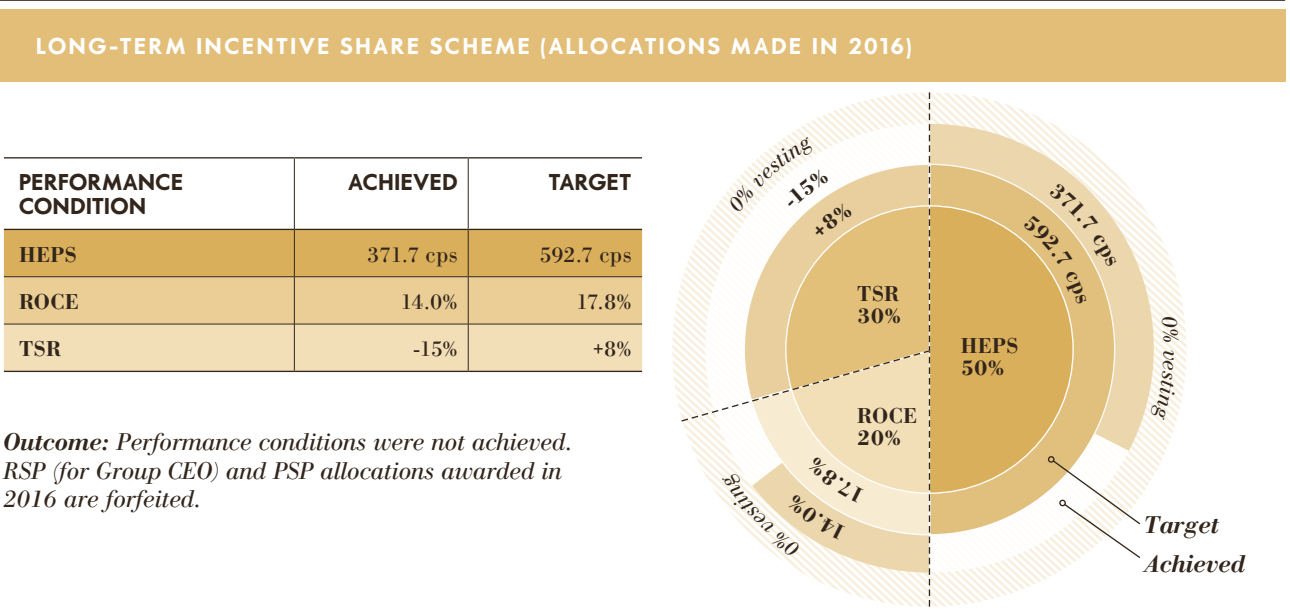
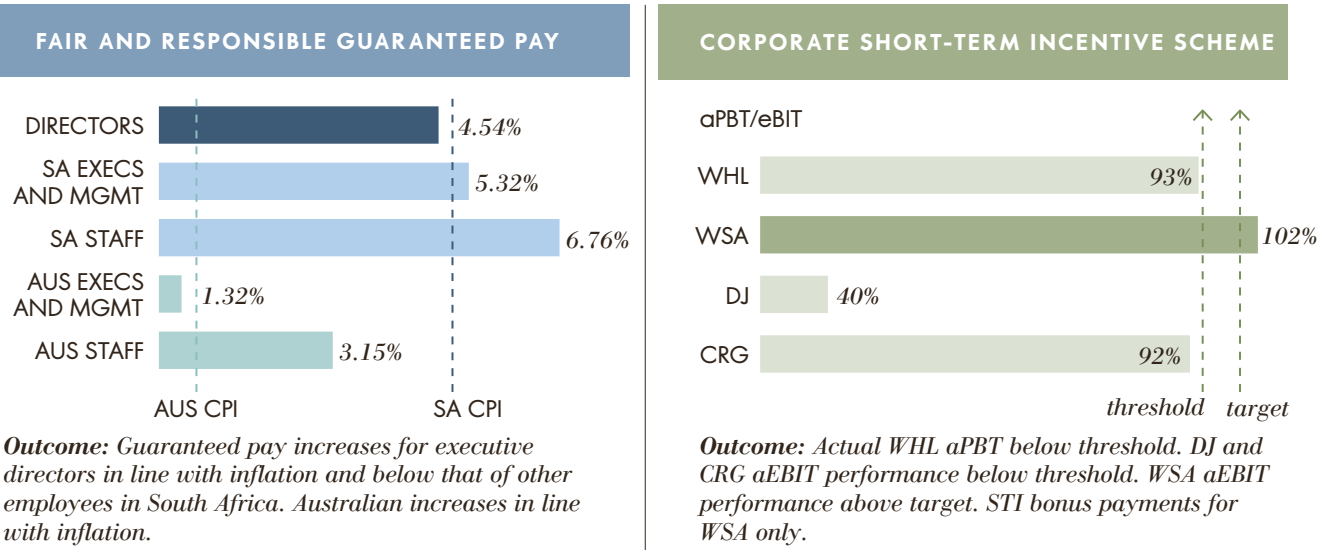
The remuneration framework has been designed to achieve a fair and sustainable balance between guaranteed pay and short- and long-term variable remuneration.

	GUARANTEED PAY	CORPORATE SHORT-TERM INCENTIVES	LONG-TERM INCENTIVES
PARTICIPATION	All permanent employees	All permanent employees primarily based in head offices	Executive directors, senior executives and selected employees
PERFORMANCE PERIOD	Ongoing	One year	Generally three years, up to five years
MECHANICS	Market-related and individual performance	Formula directed	Formula directed
METHOD OF DELIVERY	Cash	Cash	WHL shares
TIMING OF DELIVERY	Increases from 1 October	Annually in September if performance conditions are met	Annually in September if performance conditions are met
PERFORMANCE MEASURES	Individual performance measures (IPM)	Group aPBT and individual company/business unit aEBIT	Prior to August 2018: HEPS, ROCE and TSR Post August 2018: HEPS, ROCE and cash flow
PURPOSE	Attraction and retention	Delivery of one-year strategic initiatives and financial performance	Delivery of three-year Medium Term Plan (MTP) and selected retention

CHANGES IMPLEMENTED

CHANGES	CHANGES
Removal of Group aPBT as gatekeeper of Corporate STI scheme. Gatekeeper applied at operating entity level	Inclusion of malus and clawback provisions
Inclusion of malus and clawback provisions	Prospective disclosure of targets
Retrospective disclosure of targets	Consideration to only include JSE Schedule 14 schemes in the utilisation of shares calculation. Shares purchased on the open market for the purposes of the RSP scheme will therefore not be included in the calculation

OUTCOMES FOR FINANCIAL YEAR ENDED 30 JUNE 2019



SINGLE-FIGURE REMUNERATION

Single-figure remuneration is disclosed for executive directors’ remuneration for 2019. The intention of single-figure remuneration is to disclose the remuneration earned or accrued by directors based on the performance of the current year, including any income attributable to unvested long-term share schemes.

	GUARANTEED PAY			SHORT-TERM INCENTIVES	LONG-TERM INCENTIVES		REMUNERATION
	Base salary R'000	Benefits R'000	Total guaranteed pay R'000	Performance bonus R'000	Fair value of shares R'000	Dividends received R'000	Total remuneration R'000
2019 Total	39 857	1 481	41 338	2 107	-	6 626	50 071
2018 Total	37 891	1 387	39 278	-	6 996	5 012	51 286

SECTION 2: REMUNERATION POLICY

This report specifically deals with the remuneration for the Group Chief Executive Officer (Group CEO), executive directors and executive committee members (execs). Disclosure is also provided in line with the requirements of South African legislation and King IV™. The policy applies on a Group-wide basis. In order to provide a more comprehensive view, policies applicable either to different levels of employee and/or different geographic areas are included where appropriate.

THE FOLLOWING COLOURS ARE USED IN THE REMUNERATION REPORT TO DENOTE THE FOLLOWING

REMUNERATION	GUARANTEED PAY (GP)	VARIABLE PAY (VP)	SHORT-TERM INCENTIVES (STI)	LONG-TERM INCENTIVES (LTI)	DIRECTORS' FEES
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REMUNERATION PHILOSOPHY

The Group’s remuneration philosophy is to ensure that employees are rewarded appropriately for their contribution to the execution of the strategy of the Group. As an integral component of the Employee Value Proposition (EVP), the Remuneration Policy has been designed so that it will continue to attract, engage, retain, and motivate the right, diverse talent required to deliver sustainable profit growth.

The remuneration policies are designed to achieve alignment between the Group’s business strategy and the behaviours of all employees against the values of the Group. The policies recognise and reward individual responsibility, performance, and behaviour in the achievement of the business areas’ goals. These policies are applicable to all Group employees and participation in short- and long -term incentive schemes is dependent on an individual’s role and level within the Group.

The Remuneration Policy is focused on achieving a fair and sustainable balance between GP, STIs, LTIs, and retention schemes for these employees. The fair and responsible application of the Remuneration Policy (on a Group-wide basis) is guided by the King IV™ principles relating to fair and responsible remuneration, which have been adopted by the WHL Group.

FAIR AND RESPONSIBLE REMUNERATION

The Remuneration Policy addresses fair and responsible remuneration for executive management in the context of overall employee remuneration. The Group has developed a ‘fair pay barometer’ to measure fair and responsible remuneration in a manner relevant to its business model.

Principles that drive the Group’s policy on fair and responsible remuneration are:

- consideration given to minimum wage legislative requirements and living wage
- equal pay for work of equal value, specifically addressing any income disparities based on gender and race
- all permanent employees of the Group (excluding certain categories of employees in Australia subject to bargaining arrangements) participate in some form of short-term incentive scheme
- all permanent employees participate in equal measure on product discounts
- specific corporate initiatives are applied to enhance work experience and improve the EVP for employees.

USEFUL LINKS: FOR MORE DETAIL

Fair and Responsible Pay Barometer

REMUNERATION FRAMEWORK

The Group’s EVP framework balances remuneration (financial rewards) with other non-financial rewards to drive and deliver a high performance culture. The remuneration component of the EVP framework is made up of two elements – Guaranteed Pay (GP) and Variable Pay (VP) as illustrated below:

REMUNERATION			
GUARANTEED PAY		VARIABLE PAY	
Benchmarked against applicable retail and non-retail companies within geographic locations to ensure that GP is competitive and attracts and retains the required level of experience and expertise required for the Group		Short- and long-term incentives with the opportunity to earn additional financial rewards over performance periods of between one and five years	
BASE PAY	BENEFITS	SHORT-TERM INCENTIVES	LONG-TERM INCENTIVES
Market-related salary tailored to roles and performance	Market-related benefits including pension/ superannuation, healthcare, vehicle allowances, discounts on purchases	Annual performance bonus paid on the achievement of one-year financial targets Employees in the Group participate in an STI scheme appropriate to the level and role that they perform in the Group Gain-share and commission based incentive schemes are in place for store and distribution centre employees	Share schemes designed to incentivise Group CEO, executive directors, execs and senior- to middle-management levels across the Group, on delivery of long-term strategic goals aligned with shareholder expectations: <ul style="list-style-type: none">• Performance Share Plan (PSP)• Restricted Share Plan (RSP)

DISCRETION

The remuneration framework provides a guideline for the Group’s remuneration arrangements. Although the basis for STI and LTI awards are formulaic in nature, participation in variable pay remuneration is discretionary.

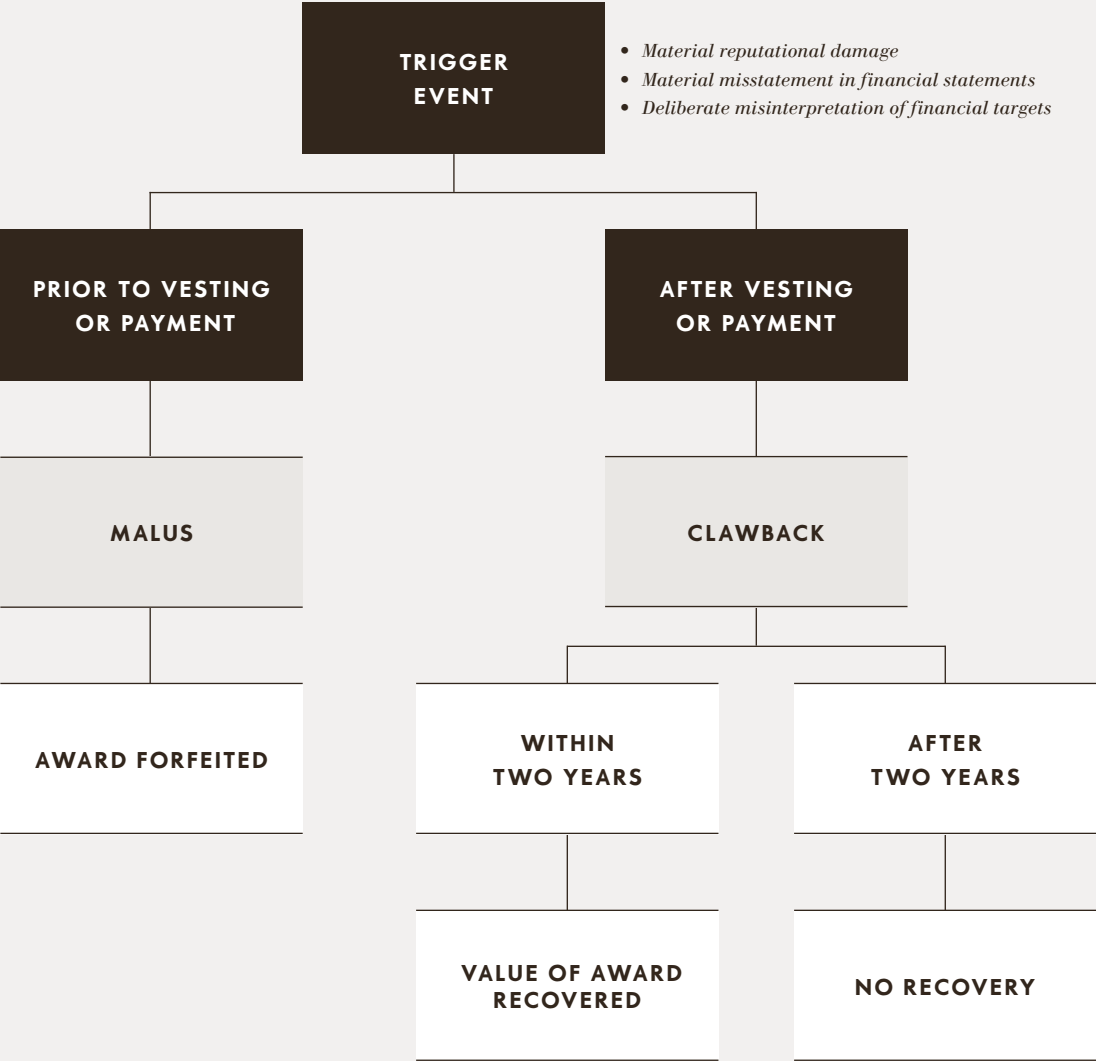
The Remuneration Committee determines the size of the STI pools and has the discretion to exercise reasonability and discretion to make ex gratia payments where extraordinary value has been created by executives. Discretion is not exercised in the calculation of the performance conditions for the short- and long-term incentive schemes. If a material deviation from the Remuneration Policy occurs, this will be appropriately disclosed in the Remuneration Report.

MALUS AND CLAWBACK PROVISIONS

With effect from 1 July 2019, the Remuneration Policy will include malus (adjusting) and clawback (recovery) provisions for awards allocated to executive directors and Exco members of operating entities. Malus and clawback provision will be incorporated in the Corporate short-term incentive scheme and share allocations under the long-term incentive scheme.

These provisions will enable the committee to recover variable remuneration awards made based on the occurrence of a trigger event caused by the participant that has led to loss or damage incurred by the Group.

Shareholder approval, at the AGM on 27 November 2019, is required to include the malus and clawback provisions in the PSP long term incentive share scheme.



The clawback provision is applicable for a two-year period after the payment of any Corporate STI or vesting of any PSP or RSP shares effective from 1 July 2019.

REMUNERATION MIX

To achieve a performance culture and an alignment with shareholders through value creation, the total reward mix for the Group CEO, executive directors, Exco members, and senior management is geared towards a higher percentage of variable pay which is ‘at risk’ to drive the achievement of stretch goals.

The chart below illustrates the potential composition (in Rand and % composition) for the aggregate of the Group CEO and executive directors at below, on-target, and stretch levels.

The ‘below’ level assumes Guaranteed Pay (GPI) with vesting of annual LTI allocations and no STI payments. On-target level assumes 50% vesting of annual LTI allocations and on-target STI performance. Stretch assumes 100% vesting of annual LTI allocations and stretch STI performance.

AGGREGATE EXECUTIVE DIRECTORS (INCLUDING GROUP CEO)	BELOW	(GP) 100%		
	ON-TARGET	(GP) 43%	(STI) 36%	(LTI) 21%
	STRETCH	(GP) 29%	(STI) 42%	(LTI) 29%



ALIGNMENT TO STRATEGY AND FINANCIAL MEDIUM-TERM PLAN

ALIGNMENT TO STRATEGY

The Board reviews the Group’s balanced scorecard quarterly to monitor the performance of the six strategic focus areas at Group and operating entity level.

In order to focus on the achievement of the Group’s or entity’s strategy, up to 60% of an individual’s performance measurement (IPM) includes objectives aligned with the achievement of the operating entity’s strategic focus areas. The remaining 40% of the IPM rating measures the employee’s behaviours against the Group’s values.

The IPM rating is an input to the determination of an employee’s increase in guaranteed pay. In addition, the IPM rating is a multiplier of the final percentage allocation for the Corporate STI scheme. Exceptional performance (4 rating) will multiply the allocation by 120%, average performance will reduce the allocation by 20% (2 rating) and poor performance (1 rating) will not attract any bonus.

The process of incorporating the six strategic focus areas and the financial performance measures are illustrated as follows:



ALIGNMENT TO MEDIUM-TERM PLAN (MTP)

A three-year medium-term plan (MTP) is developed from the strategic focus areas and drives the achievement of financial targets which will deliver sustainable financial returns to shareholders and enhance stakeholder value.

Key measures from the MTP are included in the short- and long term incentive schemes. This drives ownership of the MTP by the executive directors and rewards achievement of the measures in both the Corporate STI scheme and the performance conditions of the LTI scheme.

FINANCIAL PERFORMANCE					
MEDIUM-TERM PLAN (3 YEARS)	INCLUDED IN	PERFORMANCE CONDITIONS			
		BALANCED SCORECARD	SHORT-TERM INCENTIVES (1 YEAR)	LONG-TERM INCENTIVES (3 - 5 YEARS)	
		SALES	✓		
		aEBIT	✓	✓	
		OPERATING PROFIT MARGIN %	✓		
		aHEPS			✓
		ROCE			✓
		EBITDA			✓
		NET DEBT			✓

DIRECTORS’ PERFORMANCE ALIGNMENT TO STRATEGIC FOCUS AREAS

The table below shows how the strategic focus areas are integrated into the Group CEO and executive directors’ IPMs.

STRATEGIC FOCUS AREAS	HOW WE MEASURE SUCESS	WHL	GROUP CEO	GROUP FD	GROUP COO	WSA	WSA CEO
CUSTOMER RELATIONSHIPS	Number of active customers	●	✓		✓	●	✓
	% revenue tracked on loyalty cards	●	✓		✓	●	✓
CONNECTED RETAIL	Growth in online sales	●	✓		✓	●	✓
	% online sales	●	✓			●	✓
	Net new space	●	✓			●	✓
LEADING FASHION RETAILER	Sales	●	✓			●	✓
	Comparable sales growth	●	✓			●	✓
	Gross profit margin	●	✓			●	✓
	Return on sales %	●	✓			●	✓
	Market share (12mma)	●	✓				✓
BIG FOOD BUSINESS	Sales	●	✓			●	✓
	Comparable sales growth	●	✓			●	✓
	Price movement	●	✓			●	✓
	Gross profit margin	●	✓			●	✓
	Return on sales %	●	✓			●	✓
	Market share (12mma)	●	✓			●	✓
DRIVE SYNERGIES	Cost to sell %	●	✓	✓	✓	●	✓
EMBED GBJ	% targets achieved on sustainability scorecard	●	✓	✓	✓	●	✓
FINANCIAL PERFORMANCE	aEBIT	●	✓	✓	✓	●	✓
	ROCE	●	✓	✓	✓	●	✓

MEASUREMENT: ACHIEVED ● PARTIALLY ACHIEVED ● MISSED ● INCLUDED IN IPM ✓

Measurements from the delivery of the six strategic focus areas are incorporated into the executive directors’ IPMs (in addition to individual specific goals) and provide an assessment of their individual performance. This IPM assessment is input into their increase in guaranteed pay and Corporate STI individual multiplier.


USEFUL LINKS: FOR MORE DETAIL

Implementation Report

EXECUTIVE DIRECTORS

REMUNERATION POLICY APPLICABLE TO THE 2020 FINANCIAL YEAR

The table below sets out the components of the remuneration framework which will be applied by the WHL Group in the 2020 financial year for the Group Chief Executive Officer (Group CEO), executive directors and key senior executives (execs).

GUARANTEED PAY		SHORT-TERM INCENTIVES
BASE SALARY	RETIREMENT/ SUPERANNUATION, HEALTHCARE, AND OTHER BENEFITS	SHORT-TERM PERFORMANCE BONUS
PURPOSE AND LINK TO STRATEGY Market-related level of remuneration with consideration to specific requirements of the role	PURPOSE AND LINK TO STRATEGY Benefits and allowances of a compulsory and non-compulsory nature appropriate to the market and contribute to well-being of employees, in line with EVP	PURPOSE AND LINK TO STRATEGY Motivate executives and senior management to achieve short-term strategic, financial and non-financial objectives in the one-year business plan
MECHANICS Reviewed annually against retail peer companies in South Africa, Australia and other countries in which the Group trades Market conditions, company performance, internal comparability, individual performance and responsibility are taken into consideration Includes performance against financial and non-financial objectives and individual behaviour against Group values No obligation to increase base salary	MECHANICS Benefits include: <ul style="list-style-type: none">retirement funding, superannuationhealthcaremotor vehicle allowance and vehicle leasing optionsproduct discount on purchases made in the Group's storesother benefits as per specific country	MECHANICS The target is determined annually in advance STI calculated as follows: <ul style="list-style-type: none">Group CEO: 100% based on Group performanceGroup COO and Group FD: 100% based on Group performanceWSA, DJ, CRG CEOs: 50% based on Group performance and 50% based on company performanceExecs: 20% based on Group performance with remaining 80% based on company and/or specific business area performance IPM and specific company EBIT performance are multipliers of the final payments Payments commence when threshold incentive trigger is achieved. Earnings potential is applied on a sliding scale between threshold, on-target and stretch performance
OPPORTUNITY & MAXIMUM LIMIT Base salary reviewed in context of company and Group performance, in-country CPI and affordability	OPPORTUNITY & MAXIMUM LIMIT Some benefits and the quantum of the benefits will vary according to Group's subsidiaries and the market in which they trade	OPPORTUNITY & MAXIMUM LIMIT On-target and stretch performance percentage of GP: GROUP CEO <div><div></div><div>100%125%</div></div> GROUP COO AND GROUP FD <div><div></div><div>80%150%</div></div> WSA CEO <div><div></div><div>80%150%</div></div> DJ AND CRG CEOs <div><div></div><div>80%125%</div></div> EXECS <div><div></div><div>WSA 30% TO 50%75% TO 150%</div><div>AUS 20% TO 30%60% TO 115%</div></div>
PERFORMANCE CONDITIONS Adjustments influenced by individual performance measures aligned with strategic focus areas and behaviours to Group values	PERFORMANCE CONDITIONS n/a	PERFORMANCE CONDITIONS Target: % growth of Group aPBT and/or company aEBIT No Group aPBT gatekeeper for profit pool accumulation Company aEBIT gatekeeper applied at 93% In finalising STI payments, the Remuneration Committee may exercise discretion to mitigate any unintended consequences
USEFUL LINKS: FOR MORE DETAIL Remuneration Policy PSP allocations STI calculations Single-figure Remuneration		MALUS AND CLAWBACK Malus and two-year clawback provisions apply to executive directors and Exco of operating entities
		OTHERS All employees in the Group* participate in an STI scheme at different levels of % of GP at on-target and stretch levels. A percentage of Group performance is included in the STI calculation regardless of the participants' employer company Group STI payments are made in cash in September each year after the finalisation of WHL audited annual financial results Store and supply chain employees participate in gain-share or commission schemes appropriate to their employer company. Cash payments may be made monthly, quarterly or biannually dependent on the scheme The Remuneration Committee has the discretion to exercise reasonability and discretion to pay ex gratia payments where extraordinary value has been created by executives
		NO. OF PARTICIPANTS 47 513 
		<small>*excluding certain categories of employees in Australia subject to bargaining arrangements</small>

Components of the framework may differ between the three main operating subsidiaries of the WHL Group and, where elements are different, the details per subsidiary are highlighted. The remuneration framework is applied to all Group employees, with LTI components not available to lower management when 'line of sight' is not easily attributable to those roles.

LONG-TERM INCENTIVES																									
PERFORMANCE SHARE PLAN	RESTRICTED SHARE PLAN																								
PURPOSE AND LINK TO STRATEGY Motivate employees to achieve three-year strategy aligning shareholder and executive interests	PURPOSE AND LINK TO STRATEGY Retain and motivate employees who are key to the delivery of the Group's long-term strategy Enables the recruitment of key executives to address value forfeited on resignation from a previous employer																								
MECHANICS Participants are entitled to the delivery of conditional awards in shares after three years from date of grant provided that certain performance conditions are met Vesting occurs subject to the achievement of performance conditions over the three-year performance period Vesting occurs on a linear scale in accordance with an agreed threshold and stretch target Participants receive a payment settled in equity on vesting equal to the value of dividends paid on the vested shares during the vesting period	MECHANICS Participants allocated the unrestricted delivery of shares after a three- to five-year period from the date of grant or shorter period at the discretion of the Remuneration Committee Vesting and ownership to participants occurs on condition that the participant is still in the employ of the Group on the expiry of the agreed vesting period and any applicable performance conditions are achieved Staggered vesting occurs from year three to year five. The Remuneration Committee has the discretion to amend vesting periods where appropriate Participants are entitled to receive dividends during the vesting period RSP allocations are not awarded to Australia-based employees																								
OPPORTUNITY & MAXIMUM LIMIT Grants are made annually at the discretion of the Remuneration Committee based on GP at grant date. Allocations capped at: <div><div>GROUP COO AND GROUP FD <div><div></div><div>100%</div></div></div><div>EXECS (WSA) <div><div></div><div>46% TO 79%</div></div></div><div>WSA, DJ AND CRG CEOs <div><div></div><div>100%</div></div></div><div>DJ AND CRG EXCO <div><div></div><div>46% TO 50%</div></div></div></div>	OPPORTUNITY & MAXIMUM LIMIT Awards subject to Remuneration Committee discretion GROUP CEO ANNUAL ALLOCATION: <div><div></div><div>150%</div></div> OTHER CATEGORIES/PARTICIPANTS The Remuneration Committee has the discretion to determine the minimum and maximum award of GP at grant date Allocations are limited to the Group CEO, executive directors, Group Exco members and selected core and scarce employees																								
PERFORMANCE CONDITIONS Executive directors, Group execs, Operating entities' Excos: Annual allocation with 100% based on financial performance conditions Senior management: Annual allocation with 50% based on financial performance conditions and 50% based on non-financial performance	PERFORMANCE CONDITIONS GROUP CEO The Group CEO receives an annual allocation of RSP with financial performance conditions and weightings as below																								
FINANCIAL PERFORMANCE CONDITIONS AND WEIGHTINGS																									
<table><tr><th>PERFORMANCE</th><th>WEIGHTING</th><th>MEASUREMENT</th></tr><tr><td>HEPS</td><td>50%</td><td>3-year CAGR of HEPS > SA and Australia weighted CPI</td></tr><tr><td>ROCE</td><td>30%</td><td>ROCE performance > WACC in medium-term plan</td></tr><tr><td>CASH FLOW</td><td>20%</td><td>Net debt: EBITDA ratio</td></tr></table>	PERFORMANCE	WEIGHTING	MEASUREMENT	HEPS	50%	3-year CAGR of HEPS > SA and Australia weighted CPI	ROCE	30%	ROCE performance > WACC in medium-term plan	CASH FLOW	20%	Net debt: EBITDA ratio	<table><tr><th>THRESHOLD</th><th>STRETCH TARGET</th></tr><tr><td>VESTING 30%</td><td>100%</td></tr><tr><th>THRESHOLD</th><th>STRETCH TARGET</th></tr><tr><td>VESTING 30%</td><td>100%</td></tr><tr><th>THRESHOLD</th><th>STRETCH TARGET</th></tr><tr><td>VESTING 30%</td><td>100%</td></tr></table>	THRESHOLD	STRETCH TARGET	VESTING 30%	100%	THRESHOLD	STRETCH TARGET	VESTING 30%	100%	THRESHOLD	STRETCH TARGET	VESTING 30%	100%
PERFORMANCE	WEIGHTING	MEASUREMENT																							
HEPS	50%	3-year CAGR of HEPS > SA and Australia weighted CPI																							
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VESTING 30%	100%																								
THRESHOLD	STRETCH TARGET																								
VESTING 30%	100%																								
No retesting of performance conditions. Awards lapse if performance conditions are not achieved																									
OTHER CATEGORIES/PARTICIPANTS: Vesting linked to the achievement of IPM scoring measure	OTHER CATEGORIES/PARTICIPANTS: 100% vesting on condition that the participant is still in the employ of the Group at the vesting dates, and/or acceptable performance																								
MALUS AND CLAWBACK Malus and two-year clawback provisions apply to executive directors and Excos of operating entities	MALUS AND CLAWBACK Malus and two-year clawback provisions apply to executive directors and Excos of operating entities																								
OTHERS Rules governing cessation of employment, change in control and delisting as per scheme rules aligned with King IV™ recommendations	OTHERS Shares are purchased on the open market and held by third-party in escrow until unrestricted ownership passes to participants Rules governing cessation of employment, change in control and delisting as per scheme rules aligned with King IV™ recommendations																								
NO. OF PARTICIPANTS 711👤👤👤	NO. OF PARTICIPANTS 109👤																								

SERVICE CONTRACTS AND NOTICE PERIODS

Executive directors and execs have employment agreements with the company which may be terminated with notice periods of between six and twelve months. The Group CEO's contract has a 12-month notice period. Employment agreements may also include restraint of trade agreements. Expatriate execs employed on a fixed-term contract are subject to obtaining and maintaining applicable work permits.

WOOLWORTHS HOLDINGS SHARE TRUST

The Woolworths Holdings Share Trust is managed by two independent non-executive directors acting as trustees. The Trust administers the utilisation of shares for the purposes of the long-term incentive share schemes. The Trust Deed and share scheme rules, approved by shareholders in November 2010, are in compliance with the Johannesburg Stock Exchange Limited (JSE) Listings Requirements.

The maximum number of shares available for allocation in terms of the Schedule 14 schemes, as approved by the JSE is 85 000 000, currently representing approximately 8% of the Group's issued share capital. In any one financial year, the maximum market value of grants and/or offers in terms of the LTI schemes may not exceed 250% (face value) of an individual's guaranteed pay. The aggregate total number of shares awarded to an individual participant in terms of JSE Schedule 14 schemes may not exceed 12 700 000.

Shares allocated to participants under JSE Schedule 14 schemes may be purchased on the open market or new shares may be issued. Shares and grants may not be awarded or exercised during a closed period.

IMPACT OF RSP SCHEME ON SHARES AVAILABLE FOR UTILISATION

The Group introduced the Restricted Share Plan scheme in 2009, primarily for retention of selected employees. Shares awarded to participants, in terms of the RSP scheme, are purchased on the open market at the prevailing market price.

The Group previously deducted RSP awards from the number of shares available for utilisation. During the year, the Remuneration Committee reconsidered this practice and decided that, from 1 July 2018, by virtue of neither being a requirement of Listing Requirements or legal practice, these shares would be reflected separately and not deducted from the maximum number of shares available for JSE Schedule 14 share schemes. The committee decided that, in line with the principle of fair and transparent disclosure, the amount of RSP shares purchased during the financial year would be disclosed in the Implementation Report.



NON-EXECUTIVE DIRECTORS

REMUNERATION POLICY

The table below sets out the remuneration framework applied by the Group for the 2019 financial year for non-executive directors.

This framework is also applicable for the 2020 financial year and forms the underlying basis for the directors’ fees tabled for shareholder approval at the AGM to be held on 27 November 2019.

NON-EXECUTIVE DIRECTORS’ REMUNERATION	
FEES	OTHER BENEFITS
<p>CHAIRMAN, LEAD INDEPENDENT DIRECTOR AND DIRECTORS</p> <p>A market-related fee to attract and retain experienced and diverse non-executive directors</p>	<p>MECHANICS</p> <p>Non-executive directors receive product discounts on purchases made in WHL Group stores</p> <p>No other benefits are provided</p> <p>Non-executive directors do not participate in any STI or LTI schemes</p> <p>The Chairman receives post-retirement healthcare by virtue of him previously holding the role of Group CEO and retiring from that position</p>
<p>COMMITTEE MEMBERSHIP</p> <p>The fees reflect the additional responsibilities and time commitment taken by membership of Board committees. Committee chairmen receive an additional amount</p>	
<p>MECHANICS</p> <p>An annual fee structure. Directors are required to provide input on an ongoing basis throughout the year, not merely confined to attendance at meetings</p> <p>International directors not based in South Africa earn directors’ fees commensurate to market-related fees in their respective jurisdictions and paid in the currency of that country</p> <p>Fees reflect the time commitment, travel, demands, and responsibilities of the role</p> <p>Non-executive directors who perform a similar role for any of the direct operating subsidiaries of WHL are remunerated for those functions. Zarina Bassa is a Non-executive Director of WSA and Chairman of its committees, Hubert Brody served as the Chairman of WSA Audit Panel and Christopher Colfer is a Non-executive Director of DJ and CRG and Chairman of the Risk and Compliance and Remuneration Committees. Clive Thomson will chair the WSA Audit Panel and Audit Committees of DJ and CRG</p> <p>Audited non-executive directors’ fees for the 2019 financial year are shown on page 185</p>	
<p>OTHER</p> <p>Fees are reviewed annually against retail peer companies in South Africa, Australia, and the United Kingdom</p> <p>Fees are proposed by the executive directors, based on independently benchmarked data, to the Remuneration Committee which, in turn, recommends the fees to the Board for final approval by shareholders</p> <p>Fees are paid quarterly in arrears in cash</p>	

PROPOSED NON-EXECUTIVE DIRECTORS’ FEES

The proposed fees for non-executive directors have been independently benchmarked by PwC.

Three comparator groups have been used for the benchmarks:

- industry-based: JSE-listed retail companies
- size-based: JSE-listed companies based on size
- international: selected retail companies listed in Australia and the UK

Fees have been unchanged since 2018. The Board agreed to propose a 5.0% increase for all fees with the exception of the increases for the Chairman and the Lead Independent Director to take into account the requested increase in time and responsibilities of the Australian business and leading a relatively new Board. Proposed fees for UK and Australia-based directors are based on relevant benchmarks. The proposed fees (exclusive of South African VAT) from 1 January 2020 are shown in the table below:

	Current approved fees (R'000)	Proposed fees (R'000)	% increase
Chairman	1 728.2	2 250.0	30.2
Lead Independent Director	662.5	795.0	20.0
South Africa-based director	400.6	420.6	5.0
United Kingdom-based director (paid in £)	£75.9	£77.5	2.0
Australia-based director (paid in A\$)	A\$158.9	A\$134.0	(15.7)
Audit Committee chairman	345.1	362.4	5.0
Audit Committee member	189.2	198.7	5.0
Nominations Committee chairman	178.1	187.0	5.0
Nominations Committee member	111.3	116.9	5.0
Remuneration Committee chairman	233.8	245.5	5.0
Remuneration Committee member	122.4	128.5	5.0
Risk and Compliance Committee chairman	233.8	245.4	5.0
Risk and Compliance Committee member	122.4	128.5	5.0
Social and Ethics Committee chairman	189.2	198.7	5.0
Social and Ethics Committee member	111.3	116.9	5.0
Sustainability Committee chairman	189.2	198.7	5.0
Sustainability Committee member	111.3	116.9	5.0
Treasury Committee chairman	-	245.4	-
Treasury Committee member	44.5	129.9	>100.0
Hourly rate for additional services	R5 342	R5 609	5.0

SERVICE CONTRACTS

Non-executive directors do not have service contracts but serve the company through letters of appointment, which may be terminated without liability for compensation. Directors must be re-elected by shareholders at an AGM on a rotational basis, usually at three-year intervals.

SECTION 3: IMPLEMENTATION REPORT FOR THE YEAR ENDED 30 JUNE 2019

This section of the report specifically deals with the remuneration for the Group CEO, executive directors and non-executive directors. Where appropriate, details are included for execs and other employees. Prescribed officer roles are held by executive directors.

COMPLIANCE WITH THE REMUNERATION POLICY

The Remuneration Committee monitored the implementation of the Remuneration Policy throughout the year and is of the view that the Group was in material compliance with the 2019 Remuneration Policy (as set out in the 2018 Integrated Annual Report).

FAIR AND RESPONSIBLE REMUNERATION

The barometer is discussed at Remuneration Committee meetings on an annual basis. The barometer enables the committee to consider the remuneration of executive directors in the context of the remuneration earned by other levels of employees and differing geographies of the Group.

The Group continues to make significant progress in terms of managing 'the ethics of pay'. The barometer shown on the opposite page explains the application for the 2019 financial year.

GROUP CEO AND EXECUTIVE DIRECTORS

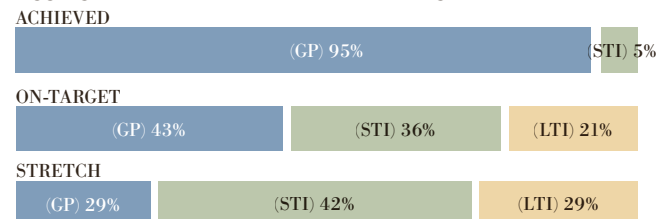
REMUNERATION MIX

The chart below has been prepared on the same basis as the chart on page 162 representing the potential mix of GP, STI, and LTI compared with the actual mix achieved for the year ended 30 June 2019. The chart reflects the composition for the aggregation for the Group CEO and executive directors.

On-target level assumes 50% vesting of annual LTI allocations and on-target STI performance. Stretch (maximum) assumes 100% vesting of annual LTI allocations and stretch STI performance.

The achieved remuneration mix is a result of the partial payments for short-term performance incentives for the year, explained in more detail on page 174, while LTI vesting did not occur.

Aggregate Executive Directors (including Group CEO)



Only the WSA CEO earned STI for 2019.

USEFUL LINKS: FOR MORE DETAIL

[Single-figure Remuneration](#)

GUARANTEED PAY

The annual GP increases are set out in the table below.

	% INCREASE IN GUARANTEED PAY
Group CEO and executive directors	4.54%
Senior executives and management:	
South Africa	5.32%
Australia	1.32%
Staff	
South Africa	6.76%
Australia	3.15%

Increases in guaranteed pay are referenced to inflation for the differing geographic areas. Increases were effective 1 October 2018.

The Group continues to address and reduce the pay gap between management and staff by awarding staff higher percentage increases than management. Adjustments to guaranteed pay were above CPI in South Africa and Australia.

SINGLE-FIGURE REMUNERATION

Increases awarded to the executive directors effective 1 October 2018 are shown under guaranteed pay and benefits.

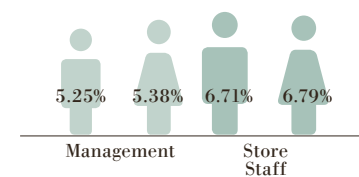
FAIR AND RESPONSIBLE PAY BAROMETER

SOUTH AFRICA

DIFFERENTIATED ANNUAL SALARY INCREASES*



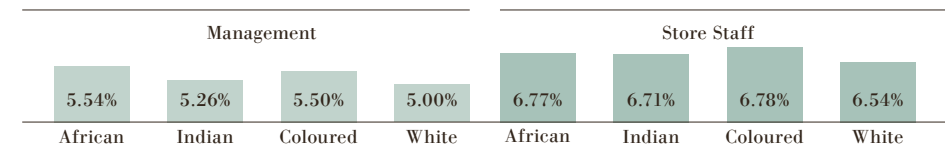
ANNUAL SALARY INCREASES BASED ON GENDER*



SHORT-TERM INCENTIVES % of Group aPBT



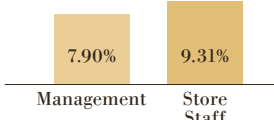
ANNUAL SALARY INCREASES BASED ON RACE*



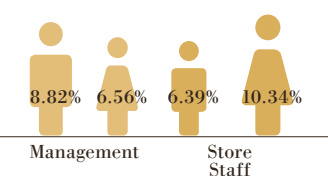
MINIMUM WAGE Store staff: 5% above legislative minimums (sectoral)

REST OF AFRICA

DIFFERENTIATED ANNUAL SALARY INCREASES*



ANNUAL SALARY INCREASES BASED ON GENDER*



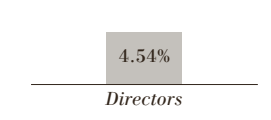
SHORT-TERM INCENTIVES % of Group aPBT



MINIMUM WAGE Store staff: on or above legislative minimums

EXECUTIVE DIRECTORS

DIFFERENTIATED ANNUAL SALARY INCREASES*

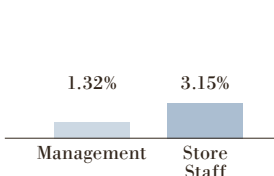


SHORT-TERM INCENTIVES % of Group aPBT

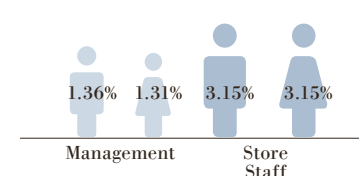


AUSTRALIA AND NEW ZEALAND

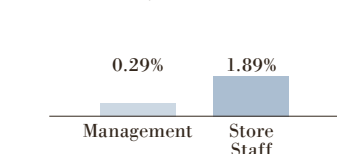
DIFFERENTIATED ANNUAL SALARY INCREASES*



ANNUAL SALARY INCREASES BASED ON GENDER*



SHORT-TERM INCENTIVES % of Group aPBT



MINIMUM WAGE Store staff: on or above legislative minimums

PERMANENT EMPLOYEES * % increase effective 1 October 2018

SHORT-TERM INCENTIVES (STI)

The framework and mechanics of the STI scheme explained below were applied to all employees in the Group.

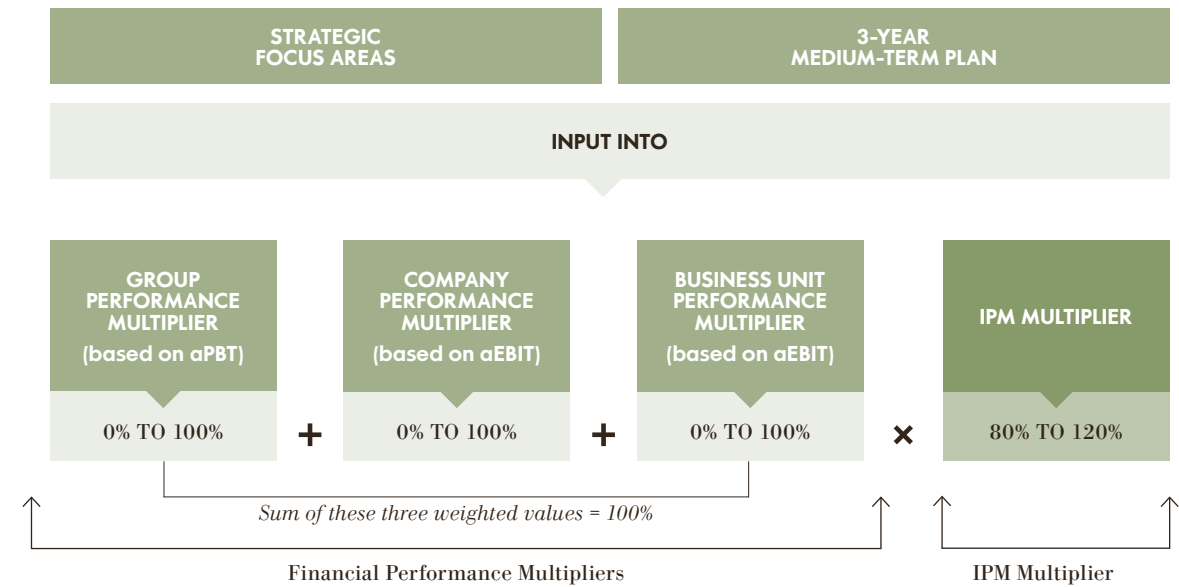
The high-level design of the STI scheme is as follows:

- incentives are calculated at a business unit level taking into account the scheme design and parameters
- a principle of budgeted pre-incentive profit is used across all business units as the trigger for on-target incentives
- a gatekeeper of 93% of company aEBIT for threshold bonuses is built into the scheme

The STI is calculated as follows:

- Group CEO: 100% based on Group performance
- Group COO and Group FD: 100% based on Group performance
- Executive directors and execs:
 - 50% – 75% based on Group performance, with remaining
 - 50% – 25% based on company and/or specific business area performance

Individual performance scores (IPM) and specific company aEBIT performance are multipliers for the final payments. Business unit modifiers are applicable for employees at levels below execs.



The financial performance targets are determined annually in advance.

PERFORMANCE FOR THE PERIOD

On an audited 53-week basis, the Group achieved aPBT of R4.9 billion. The performance conditions for the short-term performance bonus were tested to determine if the minimum incentive trigger had been achieved. The gatekeeper for any entity to pay a Corporate STI is the achievement of >93% of aPBT or aEBIT. Only the WSA trigger has been met and bonuses for the 2019 financial year will be paid to any STI participant of WSA. The FY2019 bonus pool for WSA was reduced by 50% to align it with budget expectations.

The analysis of the STI calculations for the Group CEO and executive directors based on Group, company, and individual performance is shown in the table below and on the following pages.

		FINANCIAL PERFORMANCE TARGETS					
		Threshold	On target	Stretch target	Achieved	% achievement	Resultant vesting
Group aPBT	PBT adjusted for impairment of David Jones assets, relocation costs (net of grants received) and store exit costs, net onerous lease provisions raised and unrealised foreign exchange losses incurred/reversed	R4 863m	R5 228m	> R5 228m	R4 858m	92.9%	0%
WSA aEBIT	EBIT adjusted for unrealised foreign exchange losses incurred/reversed	R4 063m	R4 369m	> R4 369m	R4 466m	102.2%	100%
DJ aEBIT	EBIT adjusted for impairment of assets, relocation costs (net of grants received) and restructure costs and net onerous lease provisions raised	A\$85.1m	A\$91.5m	> A\$91.5m	A\$36.9m	40.3%	0%
CRG aEBIT	EBIT adjusted for store exit costs	A\$109.6m	A\$117.9m	> A\$117.9m	A\$108.8m	92.2%	0%

LINEAR VESTING OF FINANCIAL PERFORMANCE ACHIEVEMENT								
% achievement of financial performance	<=93%	94%	95%	96%	97%	98%	99%	100%
	DJ CRG WHL							WSA
Group/Company performance multiplier	0%	14.3%	28.6%	42.9%	57.1%	71.4%	85.7%	100%

SHORT-TERM INCENTIVES (STI) (CONTINUED)

The tables below explain how the individual performance ratings of the Group CEO and the executive directors, together with the financial performance measures, impact the achievement of short-term incentives.

The Remuneration Committee agreed that the STI bonus pool for the 2019 financial year would be reduced by 50% to align with budgeted growth expectations.

IAN MOIR

Financial performance weighting: 100% Group performance

INDIVIDUAL PERFORMANCE MEASURE	IPM rating	Multiplier	Resultant vesting % of GP	Guaranteed pay	STI payment*
Group EBITDA	2 (80%)	✖	= 0%	✖ R19.0m	= R NIL
DJ Sales and EBIT					
WSA FBH Sales and EBIT					
Talent management including succession planning					
Strategy formulation, delivery to strategic focus areas, and Group transformation					

REEZA ISAACS

Financial performance weighting: 100% Group performance

INDIVIDUAL PERFORMANCE MEASURE	IPM rating	Multiplier	Resultant vesting % of GP	Guaranteed pay	STI payment*
Group EBITDA	3 (100%)	✖	= 0%	✖ R6.2m	= R NIL
Funding and financial management					
Talent management including succession planning					
Strategy formulation, delivery to strategic focus areas, and Group transformation					

USEFUL LINKS: FOR MORE DETAIL

Single-figure Remuneration

SAM NGUMENI

Financial performance weighting: 100% Group performance

INDIVIDUAL PERFORMANCE MEASURE	IPM rating	Multiplier	Resultant vesting % of GP	Guaranteed pay	STI payment*
Group EBITDA	3 (100%)	✖	= 0%	✖ R7.4m	= R NIL
Expense management					
Talent management and alignment to values					
Strategy formulation, delivery to strategic focus areas, and Group transformation					
	IPM performance 100%				

ZYDA RYLANDS

Financial performance weighting: 50% Group performance, 50% WSA performance

INDIVIDUAL PERFORMANCE MEASURE	IPM rating	Multiplier	Resultant vesting % of GP	Guaranteed pay	STI payment*	
WSA EBITDA	3 (100%)	Group performance 0%	= 50%	✖ R8.9m = R4.25m	= R2.1m	
Talent management and alignment to values		+				WSA performance 50%
Strategy formulation, delivery to strategic focus areas, and Group transformation		✖				IPM performance 100%

* bonus pool reduced by 50%

LONG-TERM INCENTIVES

ALLOCATIONS DURING 2019

The annual rolling allocations for the Group CEO and executive directors for components of LTI were approved by the Remuneration Committee during the 2019 financial year and are shown opposite.

LTI allocations to executive directors and execs were made in line with the percentage allocations described in the Remuneration Policy table on page 166.

	PSP AWARDS			RSP AWARDS		
	BASIS	NUMBER	FACE VALUE R'000	BASIS	NUMBER	FACE VALUE R'000
Ian Moir				150% of GP	525 265	28 500
Reeza Isaacs	100% of GP	115 248	5 888			
Sam Ngumeni	100% of GP	131 680	6 727			
Zyda Rylands	100% of GP	157 566	8 050			
Total		404 494	20 665		525 265	28 500

WEIGHTINGS AND PERFORMANCE CONDITIONS		
WEIGHTING	THRESHOLD (30% VESTING)	ON TARGET (100% VESTING)
50%	HEPS growth > weighted (SA+Aus) CPI	HEPS growth > weighted (SA+Aus) CPI +5% yoy
30%	ROCE > WACC +2%	ROCE > WACC +4%
20%	Net debt to EBITDA ratio =1	Net debt to EBITDA ratio < 0.88

ONCE-OFF ALLOCATIONS

The committee recognised the roles that the executive directors and other key individuals perform in ensuring that the Group delivers sustainable returns for shareholders and the delivery of the long-term strategy. Against this context, restricted shares, with a total value of R56m were awarded to the Group Finance Director, Chief Operating Officer and CEO of Woolworths SA.

The basis of allocation for and the resultant RSP awards given to the executive directors are shown opposite. These RSP awards have a five-year vesting period, with three tranches of: 25% in year 3, 25% in year 4 and 50% in year 5.

	RSP AWARDS		
	BASIS	NUMBER	FACE VALUE R'000
Reeza Isaacs	200% of GP	217 036	11 776
Sam Ngumeni	300% of GP	371 971	20 182
Zyda Rylands	300% of GP	445 093	24 150
Total		1 034 100	56 108

PERFORMANCE CONDITIONS

Awards are conditional on the achievement of directors' individual objectives and targets which are directly linked to the six strategic focus areas and financial measures in the Group's MTP as depicted alongside:



STRATEGIC FOCUS AREAS

+



MEDIUM-TERM PLAN

INDIVIDUAL DIRECTOR PERFORMANCE MEASUREMENT

VESTING OF LTI ALLOCATIONS RELATING TO THE PERFORMANCE FOR THE 2019 FINANCIAL YEAR

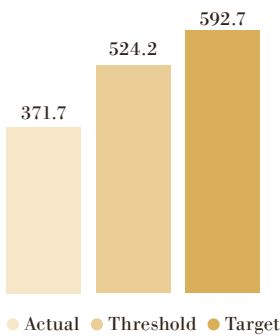
The performance conditions of the PSP August 2016 allocations were tested to determine if vesting had been achieved.

The performance conditions are:

- 50% based on HEPS growth of CPI plus 5% per annum
- 20% based on 3-year average ROCE percentage achievement against targets from MTP
- 30% based on TSR performance compared to the peer group TSR performance

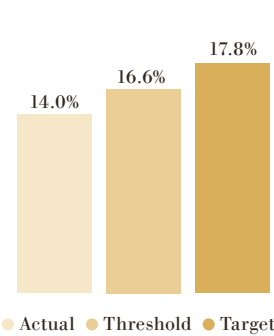
HEPS PERFORMANCE

This graph shows the target HEPS required for the full vesting of this performance condition. Adjusted HEPS achieved was 371.7 cps, significantly below the target HEPS of 592.7 cps and the threshold HEPS of 524.2 cps. The HEPS performance condition has not been met, therefore vesting is 0%.



ROCE PERFORMANCE

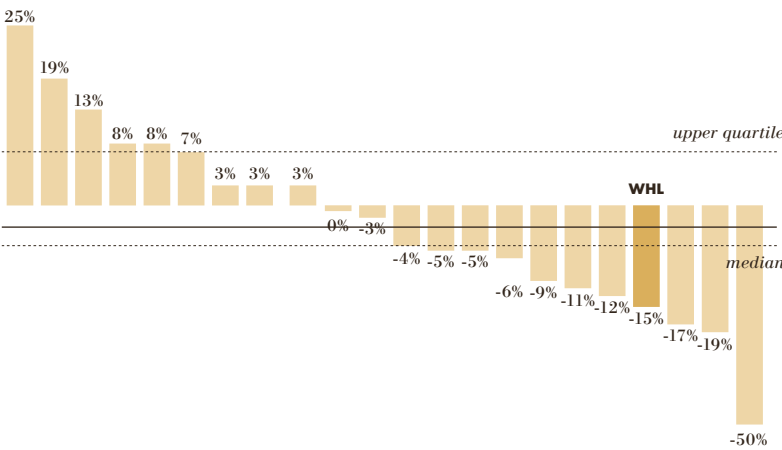
This graph shows the target ROCE required for full vesting for this performance condition. Actual ROCE achieved was 14.0%, impacted by the poor trading performance experienced by the Group. The achieved ROCE is below the threshold of 16.6% and on-target goal of 17.8%, therefore vesting is 0%.



TSR PERFORMANCE (EXTERNALLY INDEPENDENTLY CALCULATED)

This graph compares the TSR performance of the company to the TSR index of the peer group at the median and upper quartiles. The companies included in the peer group are: Astral Foods, Clicks, Shoprite, Tiger Brands, AVI, Tongaat Hulett, Foschini Group, Pioneer Foods, Tsogo Sun, Massmart, Italtile, Sun International, Pick n Pay, Distell, Mr Price, Truworths, Oceana, Nampak, Spar, Life Healthcare, and Lewis Stores. The calculation of TSR is performed by an independent external service provider.

Actual TSR performance for WHL declined by 15%, below the median of the peer group performance. As a result, the TSR performance condition has not been met, therefore vesting is 0%.



SINGLE-FIGURE REMUNERATION DISCLOSURE

No amounts are included in single-figure remuneration as the performance conditions for the PSP allocations (executive directors) and RSP allocation (Group CEO) vesting in 2019 were not met.

USEFUL LINKS: FOR MORE DETAIL

[Single-figure Remuneration](#)

[Participation in Share Schemes](#)

LONG-TERM INCENTIVES (CONTINUED)

UTILISATION OF SHARES HELD BY WOOLWORTHS HOLDINGS SHARE TRUST

In line with the JSE requirements, an analysis of the shares utilised for the purposes of LTI is shown in the table below.

	JSE Sch 14 share schemes only	2019 RSP scheme shares
Maximum available for utilisation	85 000 000	n/a
Previous years' net utilisation	68 749 362	
Available for utilisation at 1 July 2018*	16 250 638	
Allocations made to participants during the year	(5 244 507)	4 491 788
Exercised	115 653	
Forfeited	4 202 619	(533 495)
Available for utilisation at 30 June 2019*	15 324 403	

*includes RSP scheme shares prior to 1 July 2018



SINGLE-FIGURE REMUNERATION FOR YEAR ENDED 30 JUNE 2019 (AUDITED)

The Group discloses the single-figure remuneration paid to executive directors of Woolworths Holdings Limited in connection with the affairs of the Company and its subsidiaries during the year ended 30 June 2019 and comparatives for 24 June 2018.

The intention of single-figure remuneration is to disclose the remuneration earned and/or accrued by directors based on the performance of the current year, the vesting of shares with non-financial performance conditions, and any income attributable to unvested long-term share schemes.

Notes	GUARANTEED PAY			SHORT-TERM INCENTIVES	LONG-TERM INCENTIVES		SINGLE-FIGURE REMUNERATION
	Base salary R'000	Benefits (1) R'000	Total guaranteed pay (2) R'000	Performance bonus (3) R'000	Fair value of shares (4) R'000	Dividends received (5) R'000	Total remuneration R'000
2019							
Ian Moir	18 907	142	19 049	-	-	3 992	23 041
Reeza Isaacs	5 800	421	6 221	-	-	578	6 799
Sam Ngumeni	6 876	453	7 329	-	-	936	8 265
Zyda Rylands	8 274	465	8 739	2 107	-	1 120	11 967
	39 857	1 481	41 338	2 107	-	6 626	50 071
2018							
Ian Moir	18 915	139	19 054	-	6 996	4 504	30 555
Reeza Isaacs	5 378	387	5 765	-	-	199	5 964
Sam Ngumeni	6 168	449	6 617	-	-	141	6 758
Zyda Rylands	7 430	412	7 842	-	-	168	8 009
	37 891	1 387	39 278	-	6 996	5 012	51 286
AUSTRALIA-BASED (AMOUNTS EXPRESSED IN A\$'000)							
John Dixon	(6)	1 717	205	1 922	-	-	1 922

NOTES

- Benefits include retirement, healthcare, related benefits, long-service awards and discounts received on purchases made in WHL Group stores.
- Guaranteed pay and other benefits: actual payments made in the financial year.
- Short-term incentives: amounts accrued in the financial year relating to the financial performance against target for the year.
- Fair value of shares: value of vesting of performance conditions based on the three-year period FY2016 – FY2018. Valued using the 30-day VWAP share price of WHL at 30 June 2019 of R47.44 (2018: R56.84).
- Dividends received during the financial year on unvested RSP shares held during the year.
- John Dixon resigned as an Executive Director on 21 May 2018; his remuneration is disclosed for the full year in A\$. John was paid his notice period of 12 months' salary as per his employment agreement. This amount equates to A\$1.8m. He was entitled to a salary of A\$1.0 million until 31 December 2018 in terms of his employment agreement. The Company paid for costs incurred relocating him back to the UK.

DIRECTORS’ PARTICIPATION IN SHARE SCHEMES

Shares purchased and options granted to executive directors in terms of the Woolworths Holdings Share Trust which had not been exercised at 30 June 2019 are set out below.

IAN MOIR															
SCHEME	Award date	Vesting date	Expiry date	As at 24 June 2018		Awarded		Forfeited		Sold or transferred			As at 30 June 2019		
				NUMBER	PRICE RANDS	NUMBER	PRICE RANDS	NUMBER	PRICE RANDS	REALISATION VALUE (1) RANDS	NUMBER	PRICE RANDS	VESTED	UNVESTED	TOTAL
SARS															
	25 Aug 2011	28 Aug 2014	25 Aug 2018	87 468	27.89					87 468	53.30	2 222 562		-	
	23 Aug 2012	27 Aug 2015	26 Nov 2019	72 288	51.48								72 288	72 288	
	29 Aug 2013	29 Aug 2016	29 Aug 2020	103 755	56.06								103 755	103 755	
Total				263 511						87 468		2 222 562	176 043	176 043	
RSP															
	05 Jan 2015	16 Feb 2018	16 Feb 2018	106 500	92.14			106 500						-	
	27 Aug 2015	27 Aug 2018	27 Aug 2018	186 126	96.71			186 126						-	
	25 Aug 2016	26 Aug 2019	26 Aug 2019	318 442	84.79								318 442	318 442	
	24 Aug 2017	24 Aug 2020	24 Aug 2020	475 118	59.99								475 118	475 118	
	24 Aug 2017	24 Aug 2020	24 Aug 2020	475 117	59.99								475 117	475 117	
	23 Aug 2018	23 Aug 2021	23 Aug 2021			525 265	54.26						525 265	525 265	
Total				1 561 303		525 265		292 626					1 793 942	1 793 942	
Total				1 824 814		525 265		292 626		87 468		2 222 562	176 043	1 793 942	
													1 969 985	34 998 860	

REEZA ISAACS																
SCHEME	Award date Vesting date Expiry date			As at 24 June 2018		Awarded		Forfeited		Sold or transferred			As at 30 June 2019			
				NUMBER	PRICE RANDS	NUMBER	PRICE RANDS	NUMBER	PRICE RANDS	NUMBER	PRICE RANDS	REALISATION VALUE (1) RANDS	VESTED	UNVESTED	TOTAL	FAIR VALUE RANDS (2)
RSP	01 Jun 2013	24 Aug 2018	24 Aug 2018	26 210	73.92					26 210	50.09	1 312 851		-		
	24 Aug 2017	24 Aug 2020	25 Aug 2020	42 678	59.99								42 678	42 678	2 024 644	
	23 Aug 2018	23 Aug 2021	23 Aug 2023			217 036	54.26						217 036	217 036	10 296 188	
Total				68 888		217 036				26 210		1 312 851		259 714	259 714	12 320 832
PSP	27 Aug 2015	27 Aug 2018	27 Aug 2018	37 581	96.70			37 581						-		
	11 Feb 2016	11 Feb 2019	11 Feb 2019	9 990	93.69			9 990						-		
	25 Aug 2016	26 Aug 2019	26 Aug 2019	55 498	87.86								55 498	55 498		-
	24 Aug 2017	24 Aug 2020	24 Aug 2020	78 014	65.63								78 014	78 014		1 850 492
	23 Aug 2018	23 Aug 2021	23 Aug 2021			115 248	51.09						115 248	115 248		2 733 683
Total				181 083		115 248		47 571						248 760	248 760	4 584 175
Total				249 971		332 284		47 571		26 210		1 312 851		508 474	508 474	16 905 007

NOTES

1. Realisation value based on taxable benefit at date of sale or transfer.
2. Fair value calculated based on 30-day VWAP at 30 June 2019 of R47.44 and 50% vesting probability for unvested PSP awards, and 100% vesting for RSP awards.

DIRECTORS’ PARTICIPATION IN SHARE SCHEMES (CONTINUED)

SAM NGUMENI															
SCHEME	Award date Vesting date Expiry date			As at 24 June 2018		Awarded		Forfeited		Sold or transferred			As at 30 June 2019		
				NUMBER	PRICE RANDS	NUMBER	PRICE RANDS	NUMBER	PRICE RANDS	NUMBER	PRICE RANDS	REALISATION VALUE (1) RANDS	VESTED	UNVESTED	TOTAL
RSP	24 Aug 2017	24 Aug 2020	24 Aug 2020	48 762	59.99								48 762	48 762	2 313 269
	23 Aug 2018	23 Aug 2021	23 Aug 2023			371 971	54.26						371 971	371 971	17 646 304
Total				48 762		371 971							420 733	420 733	19 959 574
PSP	27 Aug 2015	27 Aug 2018	27 Aug 2018	40 848	96.70			40 848						-	
	11 Feb 2016	11 Feb 2019	11 Feb 2019	10 858	93.69			10 858						-	
	25 Aug 2016	26 Aug 2019	26 Aug 2019	60 324	87.86								60 324	60 324	-
	24 Aug 2017	24 Aug 2020	24 Aug 2020	89 137	65.63								89 137	89 137	2 114 330
	23 Aug 2018	23 Aug 2021	23 Aug 2021			131 680	51.09						131 680	131 680	3 123 450
Total				201 167		131 680		51 706					281 141	281 141	5 237 780
Total				249 929		503 651		51 706					701 874	701 874	25 195 354

ZYDA RYLANDS																		
SCHEME	Award date Vesting date Expiry date			As at 24 June 2018		Awarded		Forfeited		Sold or transferred			As at 30 June 2019					
				NUMBER	PRICE RANDS	NUMBER	PRICE RANDS	NUMBER	PRICE RANDS	REALISATION VALUE (1) RANDS	NUMBER	PRICE RANDS	VESTED	UNVESTED	TOTAL	FAIR VALUE RANDS (2)		
SARS	23 Aug 2012	27 Aug 2015	26 Nov 2019	38 304	51.48								38 304		38 304			
	29 Aug 2013	29 Aug 2016	29 Aug 2020	40 790	56.06								40 790		40 790			
Total				79 094									79 094		79 094			
RSP	24 Aug 2017	24 Aug 2020	24 Aug 2020	58 348	59.99									58 348	58 348	2 768 029		
	23 Aug 2018	23 Aug 2021	23 Aug 2023			445 093	54.26						445 093	445 093		21 115 212		
Total				58 348		445 093							503 441	503 441		23 883 241		
PSP	27 Aug 2015	27 Aug 2018	27 Aug 2018	105 073	96.70			105 073										
	25 Aug 2016	26 Aug 2019	26 Aug 2019	73 982	87.86									73 982	73 982	-		
	24 Aug 2017	24 Aug 2020	24 Aug 2020	106 659	65.63									106 659	106 659	2 529 951		
	23 Aug 2018	23 Aug 2021	23 Aug 2021			157 566	51.09							157 566	157 566	3 737 466		
Total				285 714		157 566		105 073					338 207	338 207		6 267 417		
Total				423 156		602 659		105 073					79 094	841 648	920 742	30 150 658		

NOTES

1. Realisation value based on taxable benefit at date of sale or transfer.

2. Fair value calculated based on 30-day VWAP at 30 June 2019 of R47.44 and 50% vesting probability for unvested PSP awards, and 100% vesting for RSP awards.

NON-EXECUTIVE DIRECTORS’ FEES AND EMOLUMENTS (AUDITED)

Emoluments paid to non-executive directors of Woolworths Holdings Limited in connection with the affairs of the Company and its subsidiaries during the year ended 30 June 2019 and comparatives for 24 June 2018 are set out below.

2019

NON-EXECUTIVE DIRECTORS										
Notes	Directors' fees R'000	Audit Committee member R'000	Nominations Committee member R'000	Remuneration Committee member R'000	Risk & Compliance Committee member R'000	Social and Ethics Committee member R'000	Sustainability Committee member R'000	Treasury Committee member R'000	Benefits (1) R'000	Total non-executive directors' remuneration R'000
Simon Susman (2)	1 728	-	111	122	122	111	189	-	310	2 693
Hubert Brody (3)	1 546	345	56	61	122	56	56	45	279	2 566
Patrick Allaway (4)	2 149	115	-	74	74	-	-	27	4	2 443
Zarina Bassa (5)	1 210	189	111	122	234	-	-	22	239	2 127
Tom Boardman	663	-	178	234	122	111	111	-	153	1 572
Andrew Higginson (6)	1 403	189	56	122	122	-	-	-	9	1 901
Gail Kelly (7)	982	-	68	74	74	-	68	-	7	1 273
David Kneale (8)	124	-	34	38	38	-	-	-	4	238
Nombulelo Moholi	401	-	-	122	122	189	111	-	170	1 115
Sizakele Mzimela (9)	138	-	-	-	42	-	-	-	38	218
Thembisa Skweyiya (10)	124	59	-	-	38	-	-	-	32	253
	10 468	897	614	969	1 110	467	535	94	1 245	16 399

NOTES

1. Benefits include discounts received on purchases made in WHL Group stores. Any VAT charged by directors on their directors’ and committee fees is also included.
2. Simon Susman receives post-retirement healthcare by virtue of him previously holding the role of Group CEO and retiring from that position. Benefits of R310 461 (2018: R166 970) include the following:

– post-retirement healthcare benefit of R39 858 (2018: R28 416);

– discounts received on purchases made in WHL Group stores of R55 971 (2018: R42 574);

– VAT R214 632 (2018: R95 980).
3. Hubert Brody’s director’s fees earned include fees as the Chairman of Woolworths Audit Review Panel of R322 547 (2018: R315 788). He was appointed Deputy Chairman on 12 November 2018 and appointed to the Nominations, Remuneration, Social and Ethics and Sustainability Committees in February 2019. He was paid R865 404 for the additional hours he worked as Deputy Chairman during the year.
4. Patrick Allaway resigned from the Board on 8 February 2019. His director’s fees were paid in Australian Dollars as an Australian resident. He was appointed to the Treasury Committee from 1 July 2018. He was paid R160 260 for additional hours he worked in respect of overseeing the FY2018 David Jones impairment. Director’s fees earned include fees as a non-executive director for David Jones and Country Road Group of A\$99 166 (2018: A\$150 000).

2018

NON-EXECUTIVE DIRECTORS										
	Notes	Directors' fees R'000	Audit Committee member R'000	Remuneration Committee member R'000	Risk and Compliance Committee member R'000	Nominations Committee member R'000	Sustainability Committee member R'000	Social and Ethics Committee member R'000	Benefits (1) R'000	Total non-executive directors' remuneration R'000
Simon Susman	(2)	1 657	-	119	119	108	108	108	167	2 386
Hubert Brody	(3)	700	335	-	119	-	-	-	78	1 232
Patrick Allaway	(4)	3 041	184	119	119	-	-	-	3	3 466
Peter Bacon	(11)	150	89	58	-	-	-	-	9	306
Zarina Bassa	(5)	1 164	184	119	227	108	-	-	107	1 909
Tom Boardman		644	-	227	-	173	108	108	75	1 335
Andrew Higginson	(6)	1 274	184	119	119	-	-	-	57	1 753
Gail Kelly	(7)	1 741	-	119	119	108	108	-	62	2 257
Nombulelo Moholi		384	-	119	119	-	108	184	82	996
Stuart Rose	(12)	1 146	-	119	119	108	184	-	53	1 729
		11 901	976	1 118	1 060	605	616	400	693	17 369

5. Zarina Bassa’s director’s fees earned include fees as a non-executive director of Woolworths South Africa of R931 103 (2018: R780 202). She was appointed to the Treasury Committee in February 2019.
6. Andrew Higginson’s director’s fees are paid in Sterling as a British resident. He was appointed to the Nominations Committee in February 2019.
7. Gail Kelly resigned from the Board on 8 February 2019. Her director’s fees were paid in Australian Dollars as an Australian resident. Director’s fees earned include fees as a non-executive director for David Jones and Country Road Group of A\$ nil (2018: A\$19 327).
8. David Kneale was appointed to the Board on 11 March 2019. On his appointment to the Board, David was appointed to the Nominations, Remuneration, and Risk and Compliance Committees.
9. Sizakele Mzimela was appointed to the Board on 1 July 2018 and resigned from the Board on 5 November 2018. During her tenure she was a member of the Risk and Compliance Committee.
10. Thembisa Skweyiya was appointed to the Board on 11 March 2019. On her appointment to the Board, Thembisa was appointed to the Audit and Risk and Compliance Committees.
11. Peter Bacon retired from the Board on 28 November 2017.
12. Stuart Rose resigned from the Board on 28 May 2018. His director’s fees were paid in Sterling as a British resident.

GLOSSARY



ABBREVIATIONS USED IN THIS INTEGRATED ANNUAL REPORT

12mma: 12-month moving average; Used to refer to average market share over a rolling 12-month period

A

aPBT: Adjusted profit before taxation
aEBIT: Adjusted earnings before interest and taxation

AGM: Annual General Meeting; Annual shareholder meeting held in terms of the Companies Act

B

BBBEE: Broad-Based Black Economic Empowerment; Legislation which aims to increase the participation of the majority of South Africans in the economy. Aims to redress the inequalities experienced under apartheid
BPS: Basis points

C

CEO: Chief Executive Officer
COO: Chief Operating Officer
CPI: Consumer Price Index
CPS: Cents per share
CRG: Country Road Group; wholly owned trading subsidiary of WHL based mainly in Australia. Owns the Country Road, Trenery, Witchery, Mimco and Politix brands
CSI/SD: Corporate Social Investment; Component of the BBBEE scorecard which encourages support of charitable and non-profit organisations
CTS: Cost to sell; Expenses expressed as a percentage of turnover

D

DC: Distribution Centre; The food and Fashion, Beauty and Home distribution centres
DJ: David Jones Proprietary Limited; Wholly owned, trading subsidiary of WHL based mainly in Australia
dti: Department of Trade and Industry

E

EBITDA: Earnings before interest, taxation, depreciation and amortisation
EPS: Earnings per share; Profit earned for the period divided by the weighted average number of shares in issue

F

FBH: Fashion, Beauty and Home; An operating segment in Woolworths South Africa which aggregates clothing, footwear, accessories, homeware, beauty and cell phone product buying groups
FD: Group Finance Director
FTE: Full-time equivalent; Number of hours worked by store staff equated back to a person working a 40-hour week
FY: Financial Year

G

GBJ: Good Business Journey; Woolworths Holdings Limited’s programme to assist it in achieving its vision of becoming one of the world’s most responsible retailers by managing the environmental, social and transformational activities of the Group
GP: Guaranteed Pay; Annual salary and benefits paid to employees
GRC: Governance, Risk and Compliance; Business unit which provides governance, risk, legal and compliance solutions to the business and the Board

H

HEPS: Headline earnings per share; Key measurement of normalised profit per share in South Africa
HDSA: Historically disadvantaged South Africans

I

IPM: Integrated Performance Management; Performance appraisal mechanism to measure employees’ achievement against performance goals and behaviours

J

JAWS: JAWS ratio; The percentage increase in sales ahead of increase in expenses
JSE: Johannesburg Stock Exchange; Stock exchange in South Africa on which the company is listed

K

KPI: Key Performance Indicator; Measurable value of performance against target which demonstrates how effectively the Group is achieving its key business objectives

L

LFL: Like for like; Used to compare sales in comparable stores i.e., those stores that are not new and have not had any extension or modernisation to them. Calculated on a 24-month period
LID: Lead Independent Director
LTi: Long-term incentive; Variable remuneration subject to the achievement of performance conditions. Generally a 3-year period
LTIP: Long-term incentive plan; Share scheme instrument allocated to employees in terms of long-term incentive scheme
LTO: Labour turnover; Percentage of employees leaving the business over a defined period

M

MTP: Medium Term Plan; 3-year financial strategic plan

R

ROCE: Return on Capital Employed
ROE: Return on Equity
ROS: Return on sales; Profit after tax expressed as a percentage of turnover
RSP: Restricted share plan; Share scheme instrument allocated to employees in terms of retention scheme

S

SARS: Share appreciation right scheme; Share scheme instrument allocated to employees in terms of long-term incentive scheme
SEC: Social and Ethics Committee; A statutory committee in terms of the South African Companies Act which ensures that a company conducts business in a sound and ethical manner
SRI: Socially Responsibility Index; An index created by the JSE to measure the social responsibility criteria of companies listed on the JSE. The South African equivalent of the Dow Jones Index
STI: Short-term incentive; Variable remuneration subject to the achievement of performance conditions. Generally a 1-year period

T

TCoE: Total cost of employment; Total salary and benefits of employees

V

VP: Variable pay; Remuneration that varies according to the achievement or not of performance conditions

W

WACC: Weighted average cost of capital
WFS: Woolworths Financial Services (Pty) Limited; A joint venture between Woolworths and Barclays Africa Group that supports the Woolworths retail business by providing financial services to Woolworths’ customers through in-store cards, credit cards and personal loans
WHL: Woolworths Holdings Limited; Southern hemisphere retail Group that has been listed on the Johannesburg Stock Exchange Limited (JSE) since 1997. The Group trades through three operating subsidiaries, including Woolworths Proprietary Limited (Woolworths or WSA), Country Road Group Proprietary Limited (Country Road Group or CRG), and David Jones Proprietary Limited (David Jones or DJ). Woolworths Financial Services Proprietary Limited (WFS) is a joint venture with Barclays Africa Group, which holds the controlling interest
WHST: Woolworths Holdings Share Trust; The Trust through which the shares allocated for the long-term incentive schemes are managed
WSA: Woolworths/Woolworths SA; A wholly owned trading subsidiary of WHL, mainly based in South Africa

Y

YES: Youth Employment Service; A CEO-led government initiative launched by President Cyril Ramaphosa aimed at providing one million youth with work experience and helping them gain valuable skills

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

We appreciate any feedback on our Integrated Annual Report.
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