



WOOLWORTHS HOLDINGS LIMITED
2020 ERM Independent Limited Assurance Report

START

INDEPENDENT LIMITED ASSURANCE REPORT

INDEPENDENT ASSURANCE STATEMENT TO THE BOARD OF DIRECTORS AND STAKEHOLDERS OF WOOLWORTHS HOLDINGS LIMITED (WOOLWORTHS)

ERM Southern Africa (Pty) Ltd (ERM) was engaged by Woolworths to provide assurance in relation to the information set out below and presented in the 2020 Good Business Journey Report (the Report).

ENGAGEMENT SUMMARY

ENGAGEMENT SCOPE (SUBJECT MATTERS):	<ol style="list-style-type: none"> Whether Woolworths adheres, in all material respects, to the four AA1000 AccountAbility Principles of Inclusivity, Materiality, Responsiveness and Impact. Whether the 2020 data, for the period ending 28 June 2020 (01 July 2019 – 28 June 2020), for the following selected performance indicators, are fairly presented, in all material respects, with the reporting criteria: <ul style="list-style-type: none"> Water usage for Woolworths head office, stores, and distribution centres (KI) (page 136); Percentage of Woolworths branded fashion, beauty and homeware (FBH) locally sourced (%) (page 76); Percentage change in reusable bag sales (%) (page 112); Percentage change in Foods plastic bag sales per transaction (%) (page 112); Percentage of Woolworths Food private label products with a sustainability attribute (%) (page 75); and Good Business Journey Savings (Rands) (page 01 of the Good Business Journey Report Appendix: 2020 Key Sustainability Indicators). Whether the selected assertions (indicated with ^(A)) of the following management approach disclosures are fairly stated, in all material respects: <ul style="list-style-type: none"> Ethical sourcing (page 77); Waste and packaging (page 113); Water (page 133); and Climate change and energy (page 147).
REPORTING CRITERIA:	<ul style="list-style-type: none"> AA1000 AccountAbility Principles Standard (2008) with the 2018 Addendum Woolworths' own internally defined 'measurement and reporting criteria' for the selected indicators, available on Woolworths' website www.woolworthsholdings.co.za/sustainability/reports
ASSURANCE STANDARD USED:	AA1000 Assurance Standard (2008) with the 2018 Addendum – Type 2
ASSURANCE LEVEL:	Moderate assurance for all subject matters
RESPECTIVE RESPONSIBILITIES:	<p>Woolworths is responsible for preparing the Report, and for the collection and presentation of the information within it, including the maintenance and integrity of the website.</p> <p>ERM's responsibility is to provide conclusions on the agreed scope based on the assurance activities performed and exercising our professional judgement.</p>

OUR ASSURANCE ACTIVITIES

We planned and performed our work to obtain all the information and explanations that we believe were necessary to provide a basis for our assurance conclusions. A multi-disciplinary team of sustainability and assurance specialists performed the following activities:

- A review of external media reporting relating to Woolworths, peer company annual reports and industry standards to identify relevant sustainability issues in the reporting period.
- Enquiries with relevant corporate level staff to understand the sustainability strategy, policies and management systems, including stakeholder engagement.
- Interviews with relevant staff to understand and evaluate the data management systems and processes (including IT systems and internal review processes where appropriate) used for collecting and reporting on the data for the selected indicators.
- A review of the suitability of the internal reporting guidelines, including conversion factors used.
- Desktop review of documentation and virtual interviews with relevant staff to verify source data.
- An analytical review and desktop testing of the year-end data included in the consolidated 2020 Group data for the selected indicators.
- A review of selected evidence related to the selected assertions of the management approach disclosures.
- A review of the presentation of information relevant to the scope of our work in the Report to ensure consistency with our findings.

OUR CONCLUSIONS

AA1000APS (2018) PRINCIPLES

Based on our activities, nothing has come to our attention to indicate that Woolworths does not adhere, in all material respects, to the AA1000APS (2018) principles of Inclusivity, Materiality, Responsiveness and Impact.

SELECTED PERFORMANCE INDICATORS

Based on our activities, nothing has come to our attention to indicate that the 2020 data for the selected indicators are not fairly presented, in all material respects, with the reporting criteria.

SELECTED MANAGEMENT APPROACH DISCLOSURES

Based on our activities, nothing has come to our attention to indicate that the following disclosures on Woolworths' management approaches, are not, in all material respects, fairly presented:

- Ethical sourcing;
- Waste and packaging;
- Water; and
- Climate change and energy.

OUR OBSERVATIONS AND RECOMMENDATIONS

We have provided Woolworths with a separate management report. Without affecting the conclusions presented above, we have the following key observations and recommendations:

IN RELATION TO THE INCLUSIVITY PRINCIPLE:

Woolworths conducts numerous stakeholder engagement activities that are led by the Corporate Affairs Department. Accountability to stakeholders is included in internal documents such as the Board Charter and the Social and Ethics Committee Charter. Engagement with internal and external stakeholders is ongoing and maintaining stakeholder relationships is part of the company's day-to-day operations. A summary of stakeholder engagements undertaken during the reporting year is disclosed along with the Good Business Journey Report.

Woolworths is in the process of finalising a Stakeholder Engagement Policy, supplemented by a framework and plan to enable a structured approach to engaging with stakeholders. During the year under review, Woolworths was unable to undertake certain planned engagements and activities to inform this framework and plan due to the COVID-19 pandemic. ERM encourages Woolworths to pursue these planned engagements and activities when reasonably possible.

IN RELATION TO THE MATERIALITY PRINCIPLE:

The group materiality determination process is led by the Strategy and Reporting team, supported by the Good Business Journey team and the Risk and Compliance team. The Board Sustainability Committee has oversight of Woolworths' annual sustainability materiality determination process. Woolworths' determination of material sustainability issues are underpinned by the company's 8 focus areas and are informed by retail industry reviews undertaken bi-annually, peer and competitor comparisons, internal and external stakeholder engagements, as well as the risk assessment process.

Material sustainability issues are reported on annually in a transparent and balanced manner throughout the suite of Good Business Journey Reports. During the year under review, a formal group-wide materiality determination process was undertaken to inform Woolworths' 2025 sustainability vision, goals, targets and commitments. Addressing these material sustainability issues shall be achieved through the roll-out of group-wide targets and the monitoring indicators thereof. Whilst material sustainability issues have largely remained the same over the past 2-3 years, the company is also monitoring material issues that are of increasing and emerging importance.

IN RELATION TO THE RESPONSIVENESS PRINCIPLE:

Material sustainability issues, as raised by Woolworths' key stakeholders, are discussed at Board Sustainability Committee meetings, influencing how the organisation manages and responds to these issues. Woolworths has appropriate approaches to responding to material sustainability issues that are consistent with both stakeholder and organisational interests and expectations. There are numerous mechanisms for stakeholder feedback that are on-going, including formal marketing and communication plans, customer emailers, annual reporting, roadshows, ad-hoc engagement with industry bodies and government, and internal company-specific communications.

Woolworths also reports on performance across its 8 focus areas where targets have been set and the 8 focus areas have been mapped against international imperatives such as the Sustainable Development Goals (SDGs).

IN RELATION TO THE IMPACT PRINCIPLE:

Woolworths' measures, evaluates and manages its impacts through the implementation of the Good Business Journey and sustainability scorecards applied across the group. These impacts are reported on (both quantitatively and qualitatively) in a balanced manner across its 8 focus areas throughout the Good Business Journey Report, with a strong focus on managing its packaging-related impacts in particular. To further strengthen adherence to this principle, Woolworths should consider formalising the process for impact assessment across all GBJ focus areas with clear boundaries, time-periods and scopes defined.

IN RELATION TO SELECTED PERFORMANCE INDICATORS:

The reporting boundary, scope, calculation methodology and process for collecting and reporting data are detailed in indicator-specific guideline documents. These procedures could be improved by detailing the process followed when errors or omissions in data are identified. Supporting information was found to be well maintained and easily accessible for most of the indicators. There is also a limited number of personnel involved in the data collection and reporting process, which limits the potential for reporting errors. Analytical review of the data is carried out, although the final review and approval process is relatively informal and could be strengthened by formal documentation of management reviews and the final approval process.

Data for a number of indicators rely on inputs from multiple systems that are subject to various audits. However, manual data manipulation steps are necessary to derive figures reported for certain indicators, presenting a risk of reporting error. Woolworths should consider automating calculations of this data where feasible, or further strengthening control measures where calculations are undertaken manually to minimise the potential for reporting errors.

THE LIMITATIONS OF OUR ENGAGEMENT

The evidence gathering procedures for moderate assurance are more restricted than for high assurance and therefore less assurance is obtained with moderate assurance than for high assurance as per AA1000AS, 2008 with the 2018 Addendum. It is important to understand our assurance conclusions in this context. Our independent assurance statement provides no assurance on the maintenance and integrity of the website, including controls used to achieve this, and in particular, whether any changes may have occurred to the information since it was first published.

Partner

29 September 2020

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ERM Southern Africa (Pty) Ltd is a member of the ERM Group and is an AccountAbility Licensed Assurance Provider. Our work complies with the requirements of ERM's Global Code of Business Conduct and Ethics (available at <https://erm.com/global-code>). Further, ERM CVS is accredited by the United Kingdom Accreditation Service and our operating system is designed to comply with ISO 17021:2011. Our processes are also designed and implemented to ensure that the work we undertake with clients is free from bias and conflict of interest (refer to both the abovementioned Code of Business Conduct and Ethics, and the ERM CVS Independence and Impartiality Policy (available at www.ermcvs.com/our-services/policies/independence/)). The ERM staff that have undertaken work on this assurance engagement provide no consultancy related services to Woolworths in any respect related to the subject matter assured.

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

We appreciate any feedback on our Good Business Journey Report.
Please contact GoodBusinessJourney@woolworths.co.za
