# WHL 20

WOOLWORTHS HOLDINGS LIMITED

*2020 Integrated Annual Report*

START

# NAVIGATING OUR REPORT

*IN COMMITMENT TO OUR GOOD BUSINESS JOURNEY, THIS REPORT IS ONLY AVAILABLE DIGITALLY.*

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# GROUP OVERVIEW

Studio.W, Autumn 2020

WOOLWORTHS HOLDINGS LIMITED IS ONE OF THE TOP COMPANIES LISTED ON THE JSE LIMITED SECURITIES EXCHANGE (JSE), WITH OPERATIONS IN SOUTHERN AFRICA AND AUSTRALASIA

**WHL**

- **WOOLWORTHS** SA
  - **WOOLWORTHS** FASHION, BEAUTY AND HOME
  - **WOOLWORTHS** FOOD
  - **WOOLWORTHS** FINANCIAL SERVICES
- DAVID JONES
- COUNTRY ROAD GROUP
  - COUNTRY ROAD
  - TRENERY
  - MIMCO
  - WITCHERY
  - POLITIX

**R78.3BN**
*Turnover and concession sales*

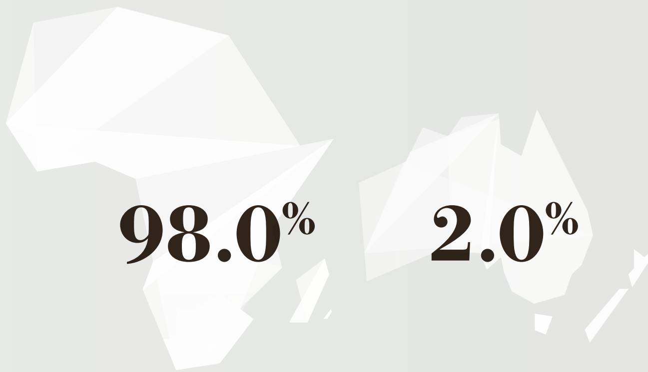
*Adjusted EBIT by category*

**21.1%** *Apparel, Beauty, and Homeware*

**76.1%** *Food*

**2.8%** *Financial Services*

*Adjusted EBIT by geography*



**98.0%** **2.0%**

*More than*
**17 MILLION**
*customers across the southern hemisphere*

**1 492**
*store locations in 14 countries*

**44 863**
*employees*

*On a comparable 52-week basis*
*As at 28 June 2020*

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*Studio.W, Summer 2020*

# OUR INTEGRATED REPORT

***Woolworths Holdings Limited (WHL or the Group) presents its 2020 Integrated Annual Report:*** *an overview of WHL's performance, value created for stakeholders, and contribution to society for the 52 weeks ended 28 June 2020, 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
THE MEDIA
INDUSTRY ORGANISATIONS
ACADEMIC INSTITUTIONS
GOVERNMENT & REGULATORS

*Material issues, risks, and opportunities arising from stakeholder engagement*

The scope of this 2020 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 Southern Africa, and Australasia. Our statutory financial results are prepared on a 52-week basis, which requires the inclusion of an additional week every few years. This was also the first year of implementation of IFRS 16. We adopted the modified retrospective approach to implementation, which requires an adjustment to opening reserves rather than restating comparative information. The adoption of IFRS 16 impacted this year's reported results which is discussed later on in the Group Finance Director's report. Furthermore, the current year had 52 trading weeks compared to 53 for the year ended 30 June 2019, which also resulted in a shift in trading weeks between the respective halves. This should also be taken into account when comparing the year-on-year performance. To facilitate comparison, the commentary that follows excludes the impact of IFRS 16 on the current year and references a pro forma 52-week prior year, unless specified otherwise.

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 2020 Integrated Annual Report are broadly similar to those of the 2019 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

### 2020 REPORTING SUITE

The 2020 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, 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 30 September 2020.

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 Sustainability Committee reviewed and recommended the Good Business Journey Report, which was then approved by the Board.

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 2020 WHL Integrated Annual Report was approved by the Board on 15 September 2020.*

**H BRODY**
Chairman

**R BAGATTINI**
Group Chief Executive Officer

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# HOW OUR INTEGRATED ANNUAL REPORT DESCRIBES OUR VALUE CREATION PROCESS

We deliver our purpose and vision with a commitment to the highest standards of governance, ethics, and integrity.

Sustainable value creation depends on ensuring the relevance and sustainability of our business model. This includes efficiently and effectively using our capitals, managing their trade-offs and optimising our business activities to meet the wants, needs, and expectations of our stakeholders.

Our strategy is informed by our trading environment, meaningful interactions with our stakeholders, and the resulting material issues, risks, and opportunities which are identified. Through strong governance oversight and the successful execution of our strategy we aim to deliver financial outcomes and long-term, sustainable value for all our stakeholders.

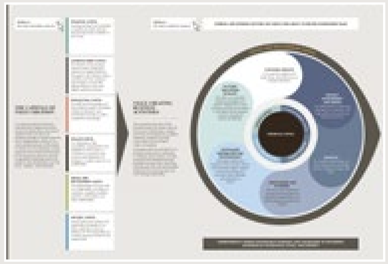
**STRONG GOVERNANCE OVERSIGHT AND COMMITMENT TO THE HIGHEST STANDARDS OF GOVERNANCE, ETHICS, AND INTEGRITY**

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

*To help us to achieve this vision we:*

### 1. USE OUR VALUES

to guide the way in which we create long-term sustainable value for the Group and all our stakeholders



### 2. OPTIMISE OUR BUSINESS MODEL

and business activities to efficiently transform our capital inputs and balance their trade-offs to deliver the desired outputs, outcomes, and value for our stakeholders


### 3. ENGAGE WITH OUR STAKEHOLDERS

to understand their needs, wants, and expectations, and define and determine if we have created value for them

### 4. MATERIAL ISSUES

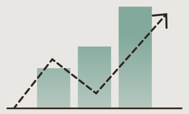
Determine how our stakeholders' needs influence our material issues, risks, and opportunities

CEO REPORT | WOOLWORTHS SA

DAVID JONES | COUNTRY ROAD GROUP

### 5. REVIEW & REFINE OUR STRATEGY

to address our stakeholders' needs, our risks and opportunities based on our material issues



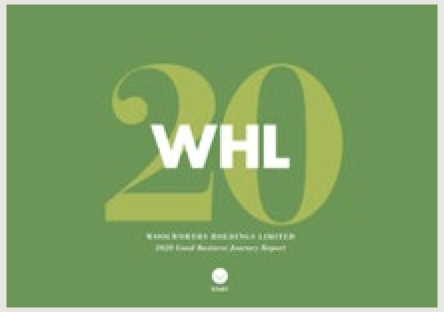
### 6. MEASURE OUR PERFORMANCE

how we are achieving and delivering to our strategy and the value that we have created for our stakeholders

### 7. REPORT BACK TO OUR STAKEHOLDERS


Integrated Annual Report


Annual Financial Statements




Good Business Journey Report

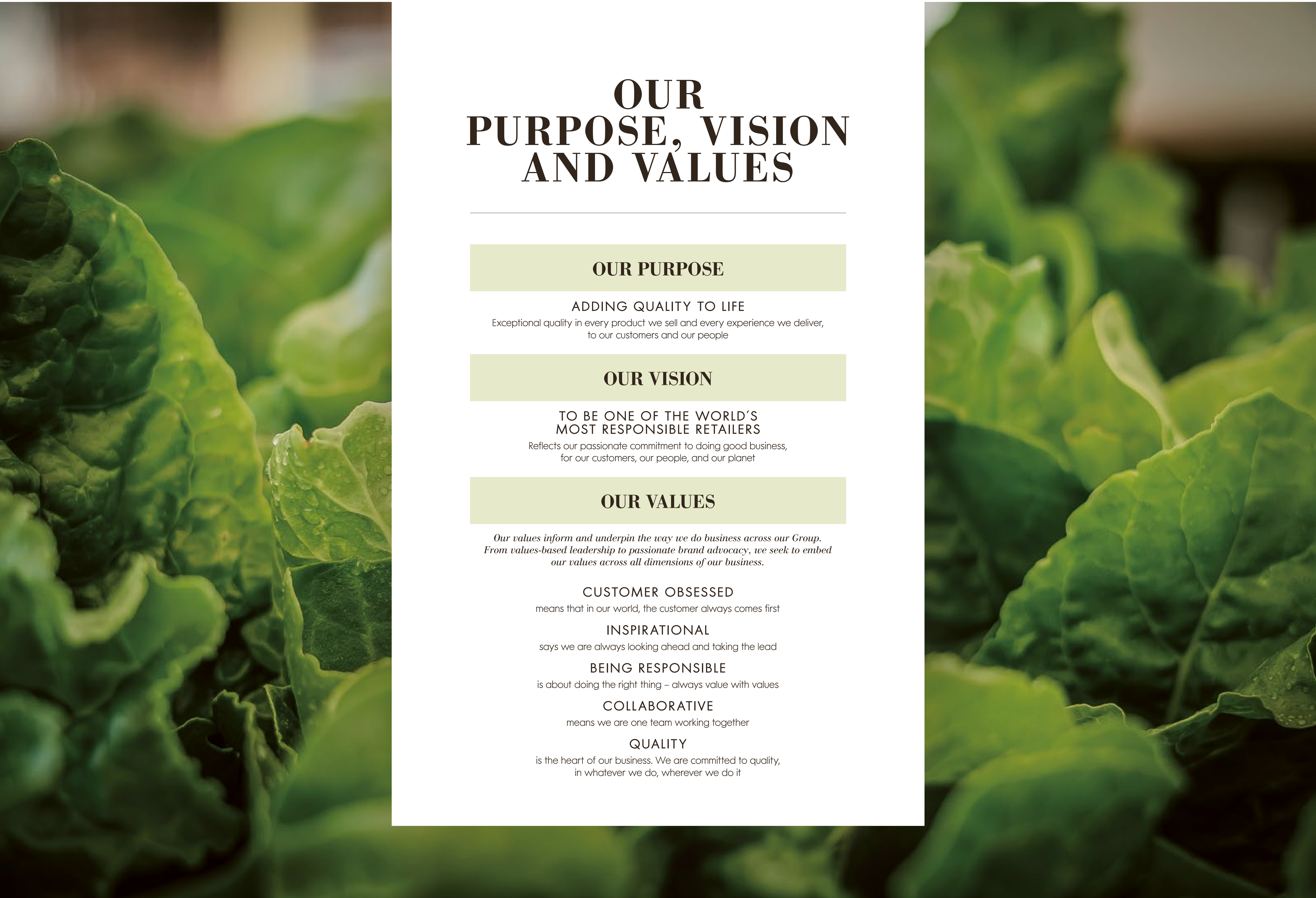
**DELIVERING LONG-TERM, SUSTAINABLE VALUE FOR ALL STAKEHOLDERS**

# CREATING VALUE

QUICK ACCESS TO SECTIONS



*Studio.W, Summer 2020*



# 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

# OUR VALUE-CREATING BUSINESS MODEL

*Our business model is underpinned by strong governance oversight and commitment to the highest standards of governance, ethics, and integrity. Through it, we aim to create maximum value by delivering our purpose and ensuring the relevance and sustainability of our business model.*

## OUR TRADING ENVIRONMENT

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

**WITHIN OUR CONTROL**

- Our product offering
- Operational efficiencies and synergies
- Cost management
- Relationships with our stakeholders
- Responsible use of natural capital governed by our Good Business Journey

**BEYOND OUR CONTROL**

- Global markets and exchange rate volatility
- Local macroeconomic factors
- The impact of unprecedented events such as COVID-19 and the Australian bushfire crisis
- Climate and weather patterns


Politix: Autumn 2020

## OUR CUSTOMERS

While we appeal to a broad range of customers, our main target market is the mid- to upper-income consumer in Southern Africa and Australasia. 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.

*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.*

**USEFUL LINKS** | CHAIRMAN'S REPORT | CEO'S REPORT | MATERIAL ISSUES | OUR STAKEHOLDERS

*Go to page within document*

# OUR GROUP

Woolworths Holdings Limited (WHL) consists of three trading divisions, Woolworths South Africa (WSA), David Jones (DJ), and Country Road Group (CRG). The businesses all retail safe, quality, innovative products that are responsibly sourced and conveniently available to the mid- to upper-income income customers. Through ongoing integration across business operations, we drive efficiencies, control costs, facilitate synergies, and share resources, knowledge, skills, and expertise. This allows us to responsibly manage our resources, ultimately creating value for all our stakeholders.

## WOOLWORTHS SA

EST. 1931

*Profile*
**LEADING SOUTH AFRICAN RETAILER OFFERING A RANGE OF PRIMARILY PRIVATE LABEL PRODUCTS**

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

**BASED IN**
South Africa and trading in South Africa and a further 11 countries in Southern Africa

**TRADING SPACE**
*Woolworths*
*747 000 m²*

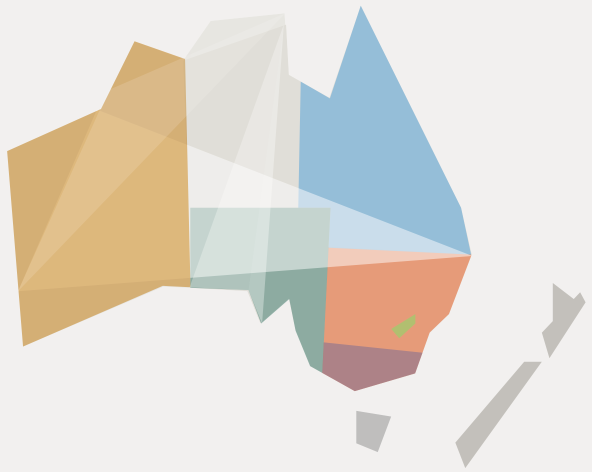
CONTRIBUTION TO GROUP TURNOVER*
**62.3%**

**98.0%**
CONTRIBUTION TO GROUP ADJUSTED EBIT

## DAVID JONES

EST. 1838

*Profile*
**ONE OF AUSTRALIA'S LEADING PREMIUM DEPARTMENT STORES**



**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

**TRADING SPACE**
*David Jones*
*472 000 m²*

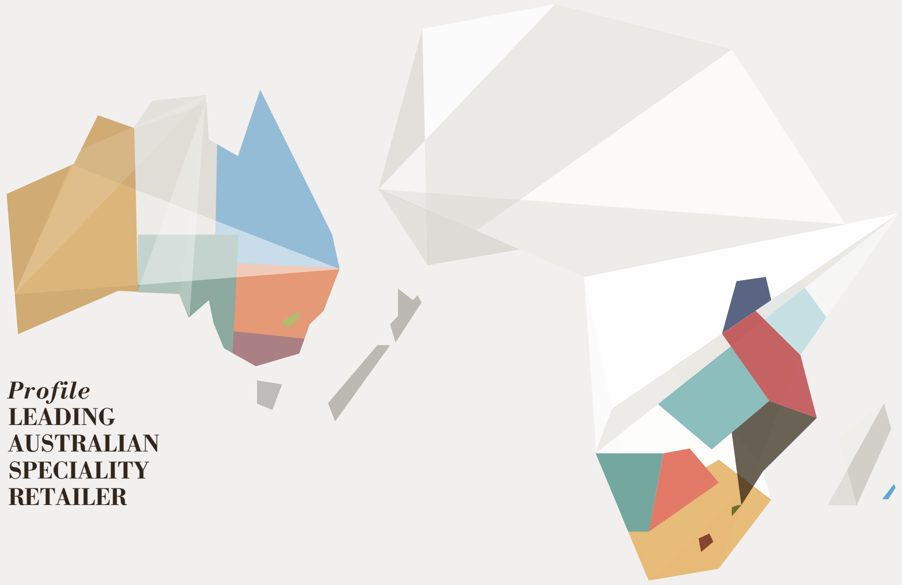
CONTRIBUTION TO GROUP TURNOVER*
**25.4%**

**-9.2%**
CONTRIBUTION TO GROUP ADJUSTED EBIT

## COUNTRY ROAD GROUP

EST. 1974

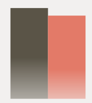
*Profile*
**LEADING AUSTRALIAN SPECIALITY RETAILER**



**OFFERING**
Stylish, high-quality apparel, accessories, footwear, and homeware.

**BASED IN**
Australia and trading in Australia, New Zealand, and Southern Africa

**TRADING SPACE**
*Country Road Group*
*115 000 m²*



CONTRIBUTION TO GROUP TURNOVER*
**12.3%**

**11.2%**
CONTRIBUTION TO GROUP ADJUSTED EBIT

*On a comparable 52-week basis*
*As at 28 June 2020*
** Including concession sales*

***Rollover** for more detailed content*

# THE CAPITALS OF VALUE CREATION

Our inputs include the financial, manufactured, intellectual, human, social and relationship, and natural capitals which we use in our business activities to create value for all our stakeholders. Unique to our value creation process is the extent to which our Good Business Journey (GBJ) aims to mitigate negative environmental and social impacts and supports and nurtures future access to our resources, and how we aim to generate sustainable value and returns for our stakeholders over the short-, medium-, and long-term.

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

**MANUFACTURED CAPITAL**
The infrastructure including physical stores, distribution centres and digital platforms throughout Southern Africa and Australasia that enable us to provide differentiated in-store and digital customer journeys

**INTELLECTUAL CAPITAL**
The skills and knowledge and the enabling systems, processes, intellectual property, and brands that provide us with a competitive advantage

**HUMAN CAPITAL**
Our employees' skills, capabilities, experience, training, and development which allow us to successfully execute our strategy and meet our customers' wants and needs

**SOCIAL AND RELATIONSHIP CAPITAL**
The relationships we have with our stakeholders, including our customers, suppliers, business partners, communities, and other stakeholders

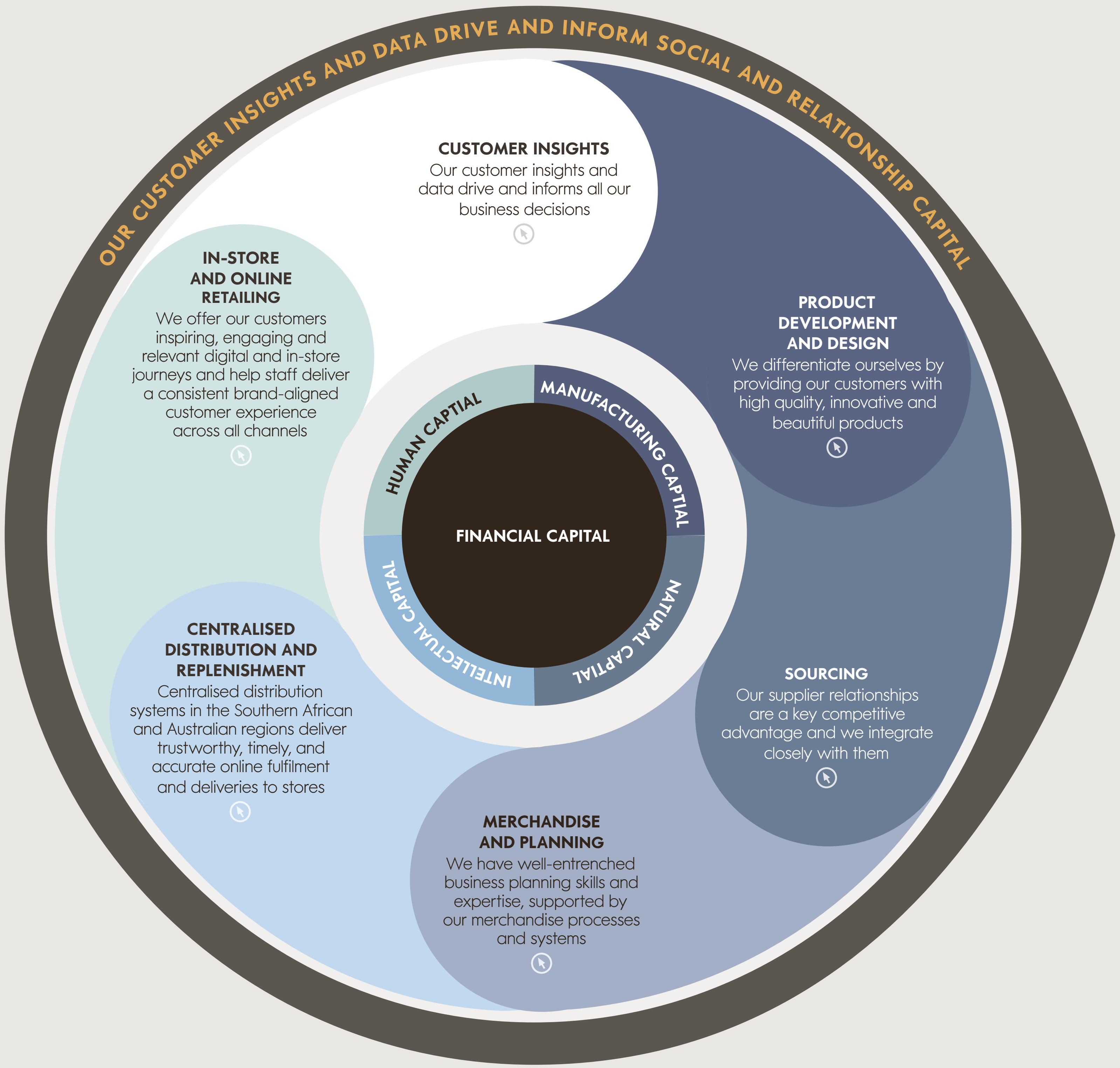
**NATURAL CAPITAL**
Natural resources actively and responsibly managed in our direct operations, and our influence on the responsible use of these resources further in the supply chain

# VALUE CREATING BUSINESS ACTIVITIES

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.

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.

**INTERNAL AND EXTERNAL FACTORS THAT IMPACT OUR ABILITY TO DELIVER STAKEHOLDER VALUE**




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

*Rollover for more detailed content*

## 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.

## OUTCOMES AND TRADE OFFS

We mindfully use and trade-off the capitals to continue to invest in our employees, supplier relationships, and operations to meet the wants and needs of our customers, while entrenching strong corporate governance and actively managing our costs and investments.

| ACTIONS AND OUTCOMES | KEY TRADE-OFFS | |
|---|---|---|
| **FINANCIAL CAPITAL** Continued access to financial capital through investor and financial market confidence by actively managing capital. Read more | Financial capital is used to sustain and grow our business, usually with positive impacts on manufactured, human, intellectual, and social and relationship capital, and negative impacts on natural capital. In the current year, we traded off funding support between Australasian entities and WHL to position the Group for long-term value creation. We also decided to trade-off the short-term shareholder dividend benefit with the longer-term sustainability of the Group. | **USEFUL LINK** GROUP FINANCE DIRECTOR'S REPORT |
| **MANUFACTURED CAPITAL** Ongoing investment in stores, distribution centres, and digital platforms to promote sustainable growth. Read more | We actively manage our investment in manufactured capital by carefully considering the negative impact on short-term financial and natural capitals with the positive impact on the sustainability of these resources in the medium-to-longer term. We also trade-off and balance our investment in our physical stores and in our digital platforms to meet the needs of our customers. This was particularly noteworthy in the current year where we up-weighted our focus and investment on our online platforms and offerings due to the impact of COVID-19 on shopping behaviours. We also sold our Bourke Street Menswear store, trading off this physical store asset in order to reduce our Australasian debt. | **USEFUL LINKS** CEO REPORT; COMPANY REVIEWS |
| **INTELLECTUAL CAPITAL** Continued development and improvement in our private label brands by focusing on quality, sustainability, and innovation, and the investment in future-fit systems and processes. Read more | We mindfully trade-off the short-term negative impact on financial capital with the benefit we receive directly by investing in our intellectual capital and indirectly from our human and social and relationship capitals. In the current year, we depleted some financial capital to invest in our intellectual capital through systems and processes which facilitated our employees working from home. This allowed us to continue to meet the wants and needs of our customers and larger stakeholder base under unprecedented conditions. | **USEFUL LINKS** CEO REPORT; COMPANY REVIEWS |
| **HUMAN CAPITAL** Employment creation, development through training, and promotion of diversity within the workplace. Read more | Our employees are critical to the success of our business. We actively invest in our human capital, and thereby in our broader social and relationship capital. The WHL Board, Group CEO, and senior team members decided to forgo up to 30% of their fees and salaries for three months to provide additional support to staff during the COVID-19 crisis. This preserved both financial and human capital. We also preserved financial capital by securing government relief in the form of TERS UIF in South Africa and JobKeeper subsidy in Australia. The closure of our CRG stores in Australia meant that our retail employees were 'stood down' for a 4-week period which negatively impacted our human capital but further preserved financial capital. We continue to train and develop our employees, which reduces our financial capital but increases our human and intellectual capital in order to further meet the wants and needs of our stakeholders, thereby ultimately creating value for them. | **USEFUL LINKS** REMUNERATION REPORT; SOCIAL AND ETHICS COMMITTEE REPORT; GOOD BUSINESS JOURNEY REPORT |
| **SOCIAL AND RELATIONSHIP CAPITAL** Strengthened positive relationships with our stakeholders. Read more | Through our Good Business Journey and our Corporate Social Investment initiatives, we reduce our financial capital in the short-term for the longer-term benefit to the communities in which we operate. This was particularly noteworthy in the current year where we consciously traded financial capital to provide support during the COVID-19 and Australian bushfire crises. | **USEFUL LINKS** SOCIAL AND ETHICS COMMITTEE REPORT; GOOD BUSINESS JOURNEY REPORT |
| **NATURAL CAPITAL** Actively managed the responsible use, but inevitable depletion, of environmental resources. Read more | We consume natural resources, which negatively impacts on natural capital but ultimately increases our financial capital and, indirectly, all other capitals of value creation. Our consumption of natural capital is carefully managed under our well-established Good Business Journey. | **USEFUL LINKS** SOCIAL AND ETHICS COMMITTEE REPORT; GOOD BUSINESS JOURNEY REPORT |

# OUR STAKEHOLDERS

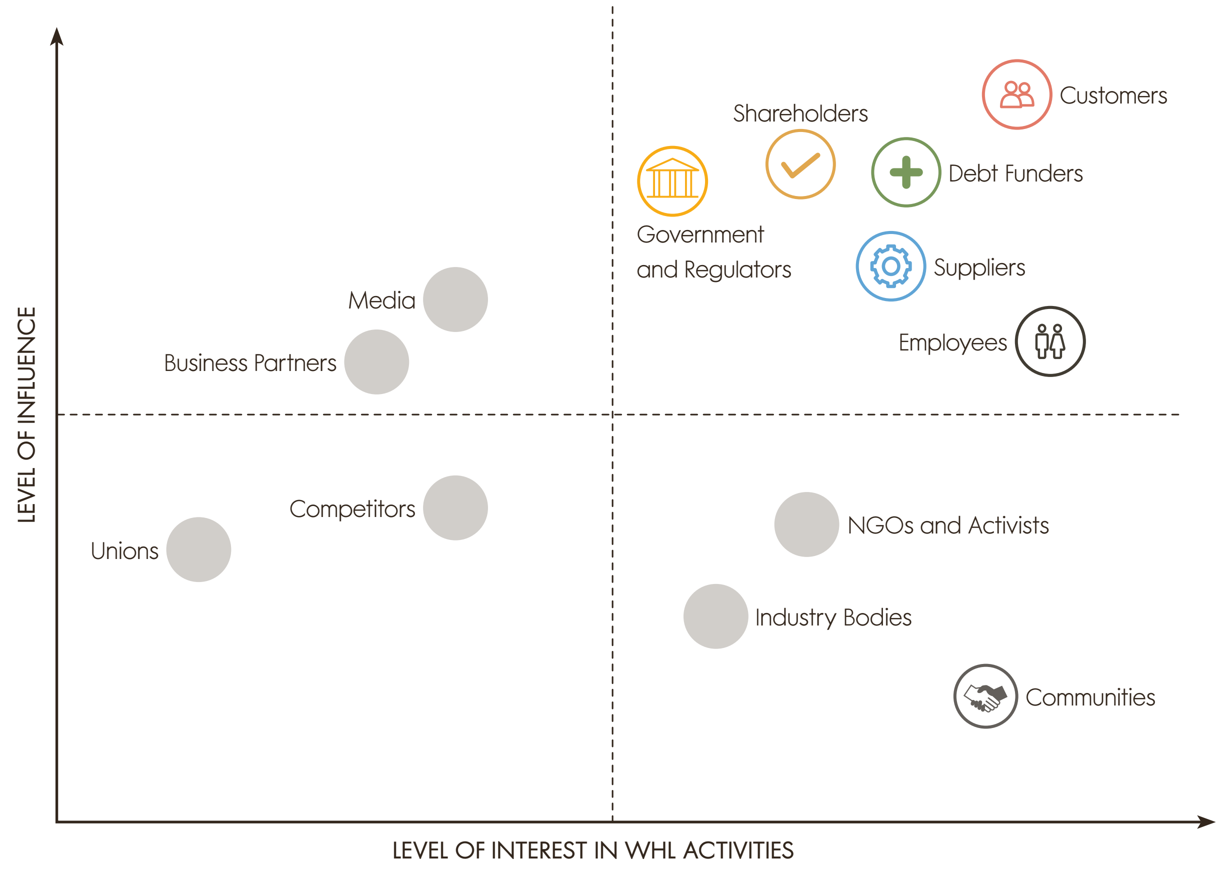
*The Group believes that strong, sustainable stakeholder relationships form the foundation of our ability to create shared value in the short-, medium-, and long-term. Unique to our value creation process is the extent to which our Good Business Journey supports and nurtures future access to our resources, which is key to building a more sustainable business and future.*

We are committed to developing and maintaining quality, long-term relationships with the broad range of stakeholders who have an interest in the Group, its products, activities, and initiatives and on whom our business has an impact.

Our philosophy is to engage authentically, openly and inclusively with them, 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 could significantly impact our performance and sustainability. We therefore ensure that we engage on issues that are salient both for stakeholders and the business.

> **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.**

Our stakeholders, their interests, and level of influence in the Group's operations 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 ROLE OF STAKEHOLDER ENGAGEMENT

The 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. The interactions, monitoring and implementation of stakeholder engagement are the responsibility of respective management teams in the Group. The Social and Ethics Committee annually reviews the Group's self-assessment of stakeholder engagement.

**THE COVID-19 PANDEMIC** has significantly impacted both our Group and our stakeholders. Across the Group, our first priority is always the health and safety of our people, our customers and all our stakeholders, including our extended value chain. More information on our response to the COVID-19 pandemic and to the bushfire crisis in Australia can be found in our detailed case studies presented.

**USEFUL LINKS** FOR MORE DETAIL

COVID-19 PANDEMIC CASE STUDY

CASE STUDY ON OUR RESPONSE TO THE AUSTRALIAN BUSHFIRE CRISIS

## CUSTOMERS

OVER 8 MILLION CUSTOMERS IN SOUTHERN AFRICA AND OVER 9 MILLION CUSTOMERS IN AUSTRALASIA RELATE DIRECTLY TO OUR BRAND

They are at the heart of everything we do and provide us with our main source of revenue.

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.

## SHAREHOLDERS & DEBT FUNDERS

THE SOURCES OF CAPITAL FOR THE GROUP COMPRISING 58 467 SHAREHOLDERS, R10.8BN EQUITY AND R17.1BN INTEREST-BEARING DEBT

This enables business continuity and growth.

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, the incoming Chairman and Lead Independent Director hosted a roadshow for investors and our new CEO has also actively engaged with analysts, investors, and debt funders. Further interaction with shareholders is facilitated prior to and at the Annual General Meeting.

## COMMUNITIES

THE RELATIONSHIPS WE HAVE WITHIN OUR COMMUNITIES ARE CRITICAL

They create an enabling business environment as well as the pipeline of future customers and employees.

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.

## EMPLOYEES

THE PURPOSE, PASSION, COMMITMENT, TALENT AND KNOWLEDGE OF OUR 44 863 EMPLOYEES ACROSS THE GROUP

We believe that in addition to our employees being key enablers of our strategy and performance, they are also some of our most influential brand ambassadors. They are fundamental in allowing us to meet our customers wants and needs and are also deeply invested in the success of our business.

Employee engagement is a strategic focus area across the Group and takes place both informally as well as through more structured and formal engagement channels.

Informally, employee engagement occurs on a daily basis in the normal course of business. The Group value of being collaborative is deeply embedded and expressed in our culture of engagement and the co-creation of value through working together.

Additionally, regular formal one-on-ones and team engagements, both at an operational and at a strategic level, are an established way of working. The continuous formal engagement is supplemented by the annual performance and development process which includes one-on-one, bi-annual engagements on performance, career, and development.

More broadly, our employees are informed about business direction and priorities and engaged on a wide range of issues through various channels including business and strategy updates, roadshows, focus groups, special purpose forums, digital and social platforms, and online media.

Regular employee surveys are also a key tool for employees to give input and feedback and voice their concerns and expectations.

## GOVERNMENT & REGULATORS

WE ENGAGE WITH GOVERNMENTS AND REGULATORS, HONOURING NATIONAL PRIORITIES AND CONTRIBUTING TOWARDS THE GLOBAL SUSTAINABLE DEVELOPMENT GOALS

We are passionate about contributing towards building a thriving society.

We are an active corporate citizen, and constructively participates in industry affairs. We share insights and concerns with government and gain invaluable socio-political information which enables the Group to mitigate risks, explore opportunities, and partner with governments.

Our standing with government and track record as a good corporate citizen provide us with the opportunity to credibly contribute towards public policy formulation in the interest of a regulatory environment conducive to business sustainability.

## SUPPLIERS

OUR RELATIONSHIPS WITH OVER 500 FBH DIRECT SUPPLIERS AND OVER 550 FOOD DIRECT SUPPLIERS ARE A KEY COMPETITIVE ADVANTAGE

In many cases our suppliers are not seen as external to our operations, but rather as pivotal and strategic extensions that are integral in our businesses.

Their exceptional and often exclusive products help us meet our customers' wants and needs.

We are also committed to supporting the development of small, black-owned businesses in South Africa, and artisans globally. 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 to ensure sustainable, responsible, and ethical business practices in our supplier base.

## ACADEMIC INSTITUTIONS

WE ARE COMMITTED TO FACILITATING INTERACTIONS BETWEEN BUSINESS AND ACADEMIA

We participate in postgraduate and other research and surveys, offer experiential learning opportunities for students, and participate in the Network for Business Sustainability, an association that brings academia and business together to shape the future of sustainability.

## INDUSTRY ORGANISATIONS

WE HOLD MEMBERSHIPS AND PARTICIPATE IN VARIOUS INDUSTRY BODIES

This allows us to provide commentary and advice on emerging issues, address topics of mutual concern and optimise opportunities for the Group.

## THE MEDIA

OUR MEDIA INTERACTIONS PROVIDE US WITH THE OPPORTUNITY TO POSITIVELY INFLUENCE STAKEHOLDERS' PERCEPTIONS OF OUR COMPANIES AND TO HIGHLIGHT KEY SUSTAINABILITY ISSUES

We do this by proactively engaging with various media sources via press releases, TV appearances and interviews, as well as contributions to publications and opinion pieces.

*THE WHL GROUP'S STAKEHOLDER UNIVERSE INCLUDES NUMEROUS STAKEHOLDER GROUPINGS IMPACTED AND AFFECTED ACROSS OUR VALUE CHAIN.*

Our stakeholders are listed in the table that follows, together with their material needs, expectations, and concerns and how we create and measure value for them.

**USEFUL LINK** FOR MORE DETAIL

2020 GOOD BUSINESS JOURNEY REPORT

*Rollover for more detailed content*

| | OUR STAKEHOLDERS | | | |
|---|---|---|---|---|
| | CUSTOMERS | EMPLOYEES | SUPPLIERS | SHAREHOLDERS & DEBT FUNDERS |
| THE NEEDS, EXPECTATIONS, AND CONCERNS OF OUR STAKEHOLDERS | • Quality, safe, and responsibly sourced products<br>• Convenience<br>• Value<br>• Good service<br>• Giving back to the community<br>• Access to credit<br>• Packaging and plastic<br>• Animal welfare<br>• Transparency in the supply chain<br>• Resource efficiency<br>• Customer health, safety, and wellbeing | • Employment and job security<br>• Remuneration<br>• Diversity and inclusion<br>• Training and development<br>• Employee community involvement<br>• Employee health, safety, and wellbeing | • Fair and ethical sourcing<br>• Timely payment and favourable terms<br>• Supplier and enterprise development | • Consistent returns on their investments<br>• Strong corporate governance<br>• Management of economic, social, and environmental risks |
| HOW WE CREATE VALUE FOR THEM AND THE VALUE WE CREATED IN THE CURRENT YEAR | • Providing quality, appealing, safe, innovative, and responsibly sourced products<br>• Building strong relationships with enticing and rewarding loyalty programmes<br>• Ensuring products are readily, seamlessly and conveniently available, at great value and with excellent service<br>• Offering them access to responsible and affordable credit<br>• Providing opportunities to give back to their communities<br>Read more | • Providing the opportunity to be part of a purpose-led organisation, where they can add value through doing meaningful work<br>• Ensuring that our businesses are anchored in values and committed to playing its role as a good corporate citizen<br>• Recognising the value of our employees with fair and responsible remuneration, including equal work for equal pay<br>• Continual investment in training and development, enabling a more specialised and knowledgeable workforce<br>• Recognising all forms of diversity through committing to transforming our workforce to be more diverse and our culture to be more inclusive<br>• Providing opportunities for workplace-giving initiatives and other volunteering programmes to support employees to further participate in causes which they identify as important to them<br>• Offering wellness services and on-site occupational health and safety assistance<br>Read more | • Supporting our suppliers by mutually growing our businesses and relationships with close integration, particularly for smaller, local suppliers, thereby inspiring inclusive growth for all<br>• Assisting our suppliers to contribute positively towards the environment and their communities through various sustainability initiatives such as fair and ethical sourcing<br>Read more | • Responsibly investing capital for long-term sustainability<br>• Ensuring adequate funding to meet financial obligations and business objectives<br>• Actively managing the level of debt and liquidity, refinancing interest rates, and counterparty risks<br>• Implementing a range of cash generation and preservation initiatives<br>Read more |
| RELATED KPI | • Number of active customers<br>• % revenue tracked on loyalty cards<br>• Net promoter score<br>• Market share<br>• Turnover and concession sales growth<br>• % online sales<br>• Online traffic | • Employee satisfaction | • Turnover and concession sales growth<br>• % targets achieved on sustainability scorecard | • Turnover and concession sales growth<br>• Trading density<br>• Return on sales %<br>• Adjusted diluted HEPS<br>• Dividend per share<br>• Return on capital employed<br>• Free cash flow |
| MATERIAL ISSUES | • Our trade performance<br>• Consumer spending and behaviour<br>• Digital world and cyber<br>• Responsible retailing | • Talent and change management | • Our trade performance<br>• Responsible retailing | • Our trade performance<br>• The business transformation in Australasia |
| RELATED GBJ FOCUS AREA | | | | |

KEY: *People & Transformation* · *Social Development* · *Health & Wellness* · *Sustainable Farming* · *Ethical Sourcing* · *Waste* · *Water* · *Energy & Climate Change*

OUR STAKEHOLDERS

*Rollover for more detailed content*

| | COMMUNITIES | INDUSTRY ORGANISATIONS | GOVERNMENT & REGULATORS | ACADEMIC INSTITUTIONS | THE MEDIA |
|---|---|---|---|---|---|
| THE NEEDS, EXPECTATIONS, AND CONCERNS OF OUR STAKEHOLDERS | • Community involvement and contribution<br>• Contribution to economic growth and social development<br>• A clear stance from leadership on inequality and other social issues | • Policy development<br>• Retail-sector-related issues<br>• Key sustainability issues | • Legislation and regulation adherence, both in spirit and intent<br>• Contribution towards inclusive economic growth (including, but not limited to, job creation and skills development, enterprise development, and local procurement) | • Corporate sustainability<br>• Reporting and governance | • Retail and consumer issues<br>• Product information<br>• Key sustainability issues |
| HOW WE CREATE VALUE FOR THEM AND THE VALUE WE CREATED IN THE CURRENT YEAR | • 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<br>• Supporting our communities by contributing towards various disaster relief initiatives<br>• Assisting in driving economic growth by investing capital<br>Read more | • Providing commentary and input on emerging issues, programmes, and best practice through our industry partnerships<br>• Memberships and active contributions<br>• Collaborations with other industry players on non-competitive issues<br>• Full support on industry transformation efforts | • Adhering to the spirit and intent of legislation and regulation<br>• Actively engaging government and industry on policy matters<br>• Using our core competencies to contribute to solving social problems, such as food security, the impact of the COVID-19 pandemic and the Australian bushfire crisis | • Contributing towards the sharing of knowledge in sustainability and business issues by participating in surveys and interviews<br>• Drawing on the expertise of academic institutions in the development and execution of certain proof of concepts and trials | • Growing our customer engagement and education, allowing them to make informed purchasing decisions |
| RELATED KPI | • % targets achieved on sustainability scorecard | • % targets achieved on sustainability scorecard | • % targets achieved on sustainability scorecard | • % targets achieved on sustainability scorecard | • Number of active customers<br>• % targets achieved on sustainability scorecard |
| MATERIAL ISSUES | • Responsible retailing | • Responsible retailing | • Our trade performance<br>• Responsible retailing | • Responsible retailing | • Responsible retailing |
| RELATED GBJ FOCUS AREA | | | | | |

KEY: People & Transformation; Social Development; Health & Wellness; Sustainable Farming; Ethical Sourcing; Waste; Water; Energy & Climate Change

USEFUL LINKS | CEO'S REPORT
COMPANY REVIEWS | WOOLWORTHS | DAVID JONES | COUNTRY ROAD GROUP

CASE STUDY

## COUNTRY ROAD GROUP AND DAVID JONES RESPONSE TO THE AUSTRALIAN BUSHFIRES CRISIS

Towards the end of 2019 and in early 2020, Australia experienced one of the worst bushfire seasons in history, with vast areas affected across much of the country. The effects of the fires were devastating; families lost their homes, communities were displaced, and wildlife and their natural habitats were destroyed on a massive scale. Many Country Road Group and David Jones employees, customers and suppliers were directly impacted by these bushfires. In response to this national crisis, we made donations to charities and aid organisations and supported staff who were directly impacted and those who wished to volunteer.

**USEFUL LINK** FOR MORE DETAIL

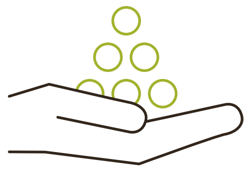
DAVID JONES BUSHFIRE RESPONSE

**A$200 000**

*donated by Country Road Group and David Jones to the Australian Red Cross Disaster Relief and Recovery Fund to assist bushfire-impacted communities*

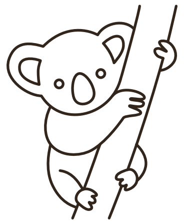
**A$209 600**

*donated by employees and customers in-store and online to the Australian Red Cross Disaster Relief and Recovery Fund and RSCPA Bushfire Recovery Fund*



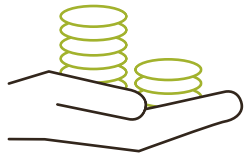
*Food donated by employees to the Foodbank Victoria Bushfire Emergency Food Relief Appeal*

*Paid Volunteer Leave was temporarily doubled to two days per year to enable staff to support bushfire relief efforts*



**A$100 000**

*donated by Country Road Group and David Jones to the RSPCA Australia for animal and wildlife rescue and rehabilitation*



**100%**

*of proceeds from personalisation at the Australian Open Country Road pop-up store donated to the Australian Red Cross Disaster Relief and Recovery Fund*

***CLOTHING, BEAUTY AND HYGIENE PRODUCTS DONATED TO CHARITY PARTNERS***

*Wildlife pouches made by employees donated to organisations supporting wildlife rehabilitation*

***HEAD-TO-TOE POLITIX OUTFITS DONATED TO A WEDDING PARTY WHO LOST EVERYTHING IN THE BUSHFIRES***

**100%**

*of sales from a specially created limited edition t-shirt sold at the Rod Laver arena donated to the Australian Red Cross Disaster Relief and Recovery fund in partnership with Tennis Australia's Australian Open Rally for Relief match*

***CLOTHING AND SUPPORT PROVIDED FOR EMPLOYEES DIRECTLY IMPACTED BY THE BUSHFIRES***

## CASE STUDY CARING IN ACTION: OUR RESPONSE TO COVID-19

The COVID-19 pandemic and lockdowns significantly affected our operations, employees, suppliers, and customers across the Group. While our food businesses were deemed essential services and continued to operate, our fashion businesses were severely impacted with temporary store closures across the Group. The Group's main focus has been on prioritising the health and safety of employees and customers, assisting communities in need, working with our suppliers to mitigate impacts, and closely managing the financial impacts.

### EMPLOYEES

HEALTH AND SAFETY
- Implemented strict health and safety protocols at all our operations across the Group
- Transitioned the vast majority of head office staff across the Group to work from home
- Provided cloth masks to store staff across the Group, and free access to the flu vaccine for all Woolworths staff

FINANCIAL WELLBEING
- Allocated a monthly appreciation allowance to all Woolworths staff classified as essential workers
- Applied for Government wage subsidy schemes for eligible staff at Woolworths, Country Road Group and David Jones
- Encouraged 5 000 stood-down Country Road Group store employees to sign up to Hatch Exchange, a COVID-19 labour exchange, to access temporary short-term work until stores re-opened

EMOTIONAL AND MENTAL HEALTH AND WELLBEING
- Provided all staff across the Group, and their families, access to a confidential employee assistance helpline for psychological and emotional support during the pandemic
- Provided all Woolworths staff who were COVID-19 positive or on precautionary quarantine with support from an external specialist health provider through a dedicated wellness helpline

### CUSTOMERS

HEALTH AND SAFETY (IN STORES ACROSS THE GROUP)
- Cleaned and sanitised high traffic areas and equipment regularly
- Placed social distancing decals on floors
- Limited the number of people allowed inside
- Provided hand sanitiser

DONATIONS
- Collected non-perishable grocery and toiletry items from in-store customer donations at Woolworths for distribution to needy families

INCREASED ONLINE SHOPPING CAPACITY
- Rolled out click-and-collect services at over 60 Woolworths stores, increasing online shopping capacity while aiming to keep our customers and staff safer
- Enhanced online delivery capacity across the Group, with additional delivery slots added and dark stores created to cope with increased demand

### COMMUNITIES

DONATIONS
- Donated over R4 million to charities and aid organisations to assist healthcare workers, local communities in need, schools, and animal welfare organisations

PROVISION OF FOOD AND MEALS
- Delivered over 3 600 food care packs (prepared by Woolworths) and 200 000 meals (in partnership with Infinity Culinary Training Centre) to communities in South Africa in need and to those ill, in quarantine, or unable to leave home
- Continued donation of surplus food to more than 1 000 charities from Woolworths stores

ENABLING REMOTE ACCESS TO EDUCATION
- Supported remote access to education, working with multiple partners and organisations

### SUPPLIERS

ORDERS
- Even with increased promotions to move stock, in certain cases product intake was reduced or delayed, and extended payment terms negotiated

SUPPLIER ASSISTANCE
- Assisted small and medium suppliers with various relief options offered by the Group, government and banks, with the aim of ensuring appropriate support during the pandemic

### SHAREHOLDERS AND DEBT FUNDERS

MANAGEMENT OF FINANCIAL IMPACTS
- Reduced Board and senior executive teams salaries and fees across the Group for three months. The savings were used to provide additional financial support, over and above the current interventions, to staff impacted during the crisis
- Instituted significant focus across the Group on facilitating trade and driving revenue, including through online channels. Costs were aggressively reduced, inventory and working capital managed closely, with only critical capital expenditure projects moving forward. Suppliers were engaged to reduce apparel product intake and negotiate extended payment terms
- Proactively engaged with our South African funders
- Provided funding support of A$75 million to the Australasian businesses in the form of a loan secured by a second lien and obtained the suspension of covenant testing for the Australian funding from banks and bondholders
- Initiated a review of the capital structure of the Australasian entities which will include the restructuring of its borrowings, including a full review of options relating to the Australasian property portfolio
- Undertook discussions with Australasian landlords to accelerate the restructure of our store networks and reduce our floor space. And in South Africa, alternative arrangements were negotiated with landlords to manage lease commitments during lockdown
- Suspended distributions to WHL shareholders until the situation arising from COVID-19 stabilises. Consequently, no final dividend was declared for the year

***Rollover** for a few words from our Group CEO*

**TOGETHER WE WILL MAKE A DIFFERENCE**

**R34M**

*allocated by Woolworths to COVID-19 efforts*

# OUR RESULTS

*Studio.W, Autumn 2020*

QUICK ACCESS TO SECTIONS

# OUR CHAIRMAN'S REPORT

***This report is being delivered during what is certainly the most volatile and uncertain time that one could have imagined.*** *Not only have we encountered a proverbial 'Black Swan' event in the form of the COVID-19 pandemic, but the world is also besieged by geopolitical, equality, and inclusiveness challenges. The economic situation in South Africa is dire as the country could well face a debt trap, and consumer sentiment in Australia is significantly muted. The backdrop against which our portfolio of businesses operates at the moment is, therefore, most unpredictable and complex.*

At the same time, our industry is rapidly transforming. Consumers armed with formidable digital tools are able to compare and select product and price, or to opine on our business in the most powerful ways imaginable. Predicting the optimal combination of physical and digital real estate together with appropriate experiential elements is elusive and dynamic, and more so due to many skilful multi-channel competitors.

Notwithstanding this volatile environment, certain fundamentals that have made us successful in the past still reign and are as key now as they were before. In particular, tasteful, quality products, presented in a pleasing environment at the right value for money price points, will be the central pillar of our success and this is what we need to deliver consistently. This applies to our digital and physical channels alike, while our customer ecosystem across all channels must be efficient, relevant, and experiential.

Under these circumstances, it is more important than ever that WHL robustly follows sound management principles and wastes no time in dealing with our considerable challenges. The fundamentals, which more than ever are paramount to us, are:

- Ensuring that we have the best possible talent in every key position. In this respect, we are delighted that we have been able to secure Roy Bagattini as our new Group CEO and that he was able to start with us early during the second half of the year. Roy, who is South African, has extensive international experience in consumer product- and business turn-around dynamics.

  We have also significantly refreshed the Board to ensure that we have the relevant skills and experience on board, unencumbered by our past. At David Jones, we have continued the process to recruit a new permanent CEO and hope to make an appointment as soon as the most demanding of the current restrictions on movement have been lifted in Australia.
- Being astute, judicious capital managers. Capital management across our Group is more important than ever, not only to frugally utilise our scarce resources but also because the Group has a portfolio of businesses which undeniably presents us with tough capital allocation choices. We have already announced a careful evaluation of our Australian property portfolio, owned and leased. World-class advisors assist us through this process across a number of projects.
- A propensity for fast, effective decision-making and implementation. This calls for a cultural reset to some degree, an openness to face up to our shortcomings and failures of late while at the same time, we need to have enabling management structures that facilitate this. The ability of the management teams across the Group, at Woolworths, David Jones and Country Road Group, and of our suppliers to respond to and defend ourselves against the most severe immediate threats brought about by the pandemic has been impressive and proves our capabilities when the pressure is on. We need to apply the same dexterity going forward.

Our recent performance has been varied and is also more complex to evaluate due to the turmoil that our operations have faced as a result of COVID-19.

In Australia, David Jones underperformed and we did not reach the targets that we had set ourselves for the first half. The second half of the year started more promisingly; however, there is now, particularly during the after-effects of the pandemic, significant work required to do justice to David Jones, which is an iconic and important part of the retail landscape in Australia. Importantly, this will include the optimisation of our store portfolio, physical and virtual,

*WOOLWORTHS SOUTH AFRICA, ITS CUSTOMERS, SUPPLIERS, EMPLOYEES, AND SOCIAL PARTNERS WERE ALLIED BY DONATING FUNDS OR PRODUCT DURING THIS TIME. DUE TO SUCH GENEROUS CONTRIBUTIONS, WE WERE ABLE TO DONATE 756 000 MEALS TO GIFT OF THE GIVERS. FURTHERMORE, THE SUSTAINED SUPPORT FROM THE MYSCHOOL MYVILLAGE MYPLANET PROGRAMME DURING THE PAST FINANCIAL YEAR ALSO RESULTED IN OVER 8 000 BENEFICIARY ORGANISATIONS RECEIVING R85M, ALL THE MORE CRITICAL DURING THE COVID-19 PANDEMIC.*

and capitalising on our refurbished flagship store in Elizabeth Street, Sydney. Country Road Group (CRG) performed satisfactorily until the onset of the coronavirus and under the circumstances of the exit from Myer, which was a sound decision and was expected to create some turmoil during this year. CRG has a compelling range of brands, with Country Road recently performing outstandingly.

Woolworths Food in South Africa was a star performer and recovered very well from a muted December trading period and was particularly strong during the lockdown period. This business is extremely cash generative and defensive and is, therefore, a key pillar of our portfolio. Our Fashion, Beauty and Home (FBH) business was severely affected by the lockdown restrictions on top of a very disappointing first half, and therefore, although it delivered a profit overall in the current year, it was significantly lower than that of the prior year. A crisis of the magnitude presented by COVID-19 tests any business to the extreme and Woolies was no exception, with our digital proposition showing strain during this period as we found it hard to cope with the extremely high volumes, especially when customers were stockpiling during the onset of the lockdown.

External engagement is very important to us, and we have reached out on numerous occasions over the past year, in addition to our regular management interactions with investors and many other stakeholders. An independently run shareholder perception survey, performed by Instinctif, took place during the first part of the year. This survey probed many topics, and the honest feedback from shareholders, analysts, and bondholders was extremely useful to the Board. Furthermore, Zarina Bassa, Chantel Reddiar, and I visited all key shareholders prior to the 2019 AGM and discussed a wide range of issues. Thereafter, at the 2019 AGM, our Remuneration Implementation resolution, which is of a 'non-binding advisory' nature, received support of 69.25%, which, being less than 75%, obliged us to invite shareholders to engage with us again. We invited shareholders to provide further inputs subsequent to the aforementioned vote; however, there were no further responses. It is noteworthy, though, that the Remuneration Policy received 95.23% support at the AGM, and, therefore, we will be most circumspect and diligent in its implementation in the future.

We also engage meaningfully with governments and regulators in the countries in which we operate. By actively leveraging government and industry relations, we have been able to obtain guidance, give input and contribute to COVID-19 responses that balance the importance of lives and livelihoods. We believe a much deeper social compact was modelled during these unprecedented times, which casts hope for a future of sustainable nation-building and economic recovery post-COVID-19.

Woolworths has a proud and profound tradition of doing good for the community, our planet, suppliers, our customers and our staff. This is deeply etched in the culture of the business and our almost 45 000 employees and is one of the truly rewarding aspects of working for this great organisation.

The COVID-19 crisis, preceded by the Australian bushfire crisis, triggered a range of initiatives aimed at assisting our teams, customers, and communities. Cash donations by both David Jones and Country Road Group detailed elsewhere in this Integrated Report were supplemented with customer donations to various relief organisations. In South Africa, Woolworths committed over R34 million to support a variety of COVID-19 crisis response initiatives which focused on the physical safety of our frontline workers, the provision of PPE for health care and community workers, alleviation of hunger experienced by many communities, and educational initiatives aimed at providing resources to families without access to online home-schooling tools.

> ***LOOKING AHEAD, THE GROUP NEEDS TO SAFELY NAVIGATE THE TREACHEROUS BUSINESS ENVIRONMENT CREATED BY THE COVID-19 PANDEMIC WHILE AT THE SAME TIME FIX SOME OF OUR BUSINESS FUNDAMENTALS THAT HAVE DISAPPOINTED FOR A WHILE. WE MUST CONTINUE TO SHAPE THE SUSTAINABLE FUTURE OF WHL, ENSURING THAT IT IS VALUE-CREATING IN THE FINANCIAL SENSE, BUT ALSO THAT IT CONTINUES TO DO SO IN THE MUCH BROADER SOCIETAL CONTEXT.***

Woolworths, its customers, suppliers, employees, and social partners were allied by donating funds or product during this time. Due to such generous contributions, we were able to donate 756 000 meals to Gift of the Givers. Furthermore, the sustained support from the MySchool MyVillage MyPlanet programme during the past financial year also resulted in more than 8 000 beneficiary organisations receiving R85m, all the more critical during the COVID-19 pandemic.

The responsible wool strategy published by CRG and David Jones in late 2019, will see them transition away from the use of mulesed wool in support of higher animal welfare standards and improved land management across the chain.

These efforts, which are among many, are facilitated by an active Sustainability Board sub-committee, which, for the time being, is kindly being chaired by Simon Susman, our Honorary President. Simon's experience, passion, and instinct in this field continue to make a significant contribution, together with the ambassadorial role that he plays for us in the broader society.

Looking ahead, the Group needs to safely navigate the treacherous business environment created by the COVID-19 pandemic while at the same time fix some of our business fundamentals that have disappointed for a while. We must continue to shape the sustainable future of WHL, ensuring that it is value-creating in the financial sense, but also that it continues to do so in the much broader societal context. This task has been made more difficult by the global recessionary conditions that are expected to be prevalent for the next number of years. We are, though, very fortunate to have a Board, staff, and an executive team that are up to the challenge and have the appropriate and deep skills required.

Finally, I would like to extend my sincerest appreciation to the Board of Directors for their support and contribution over the year. Also, to Simon, Tom Boardman, and Andy Higginson, who retired from the Board over the period, for their roles over the years. Ian Moir stepped down as group CEO early in 2020, and we thank him for his contribution as CEO since 2010. We have welcomed Roy and wish him all of the best as Group CEO as he takes over at one of the most trying times facing any organisation.

Most importantly, we owe our deepest gratitude to every staff member of the Group, particularly our store and supply chain employees at the frontline who diligently went into work during the lockdown period. The second part of the financial year has been an extremely challenging period in which every member of our team has thoroughly distinguished themselves.

*Country Road, Autumn 2020*

# OUR GROUP
# CHIEF EXECUTIVE OFFICER'S REPORT

***My appointment as Group CEO coincided with the outbreak of COVID-19, presenting not only immediate challenges to contend with, but also unique opportunities to develop a deep appreciation for the company's culture and character.***
*WHL is widely regarded as an organisation with a powerful legacy, iconic brands, and a profound dedication to the customers it serves. Our Group is so much more than simply a business – it has real purpose – and plays a crucial role in positively impacting the lives of our employees, their families, and the communities in which we operate. This role has been amplified over the past several months, as we have had to confront the enormity of the impact of the pandemic on people's lives.*

*Reflecting on the six months spent at the helm of the Woolworths Group, I now have an even deeper conviction that I have a unique privilege and, at the same time, a significant responsibility to lead this incredible company at such a significant time in its history.*

## COVID-19 IMPACTS

The retail industry had already been experiencing significant challenges even prior to the pandemic. The landscape has been changing faster than ever, influenced by the proliferation of choice, the growing demand for convenience, and the increasing penetration of the online channel. COVID-19 has accentuated many of these challenges and accelerated the need to respond to them effectively. We are seeing a seismic shift to digital engagement on literally every level and across all generations, not only in mobile and e-commerce but also in the way consumers are engaging with brands and experiences. For us to remain relevant and successful, as a brand and as a business, we must fast-track the building of our online capability and fully appreciate the way our customers now live their lives in the digital ecosystem.

As our organisation continues to navigate through this period of extraordinary change and uncertainty, we have been challenged to dramatically adapt our ways of working as we confront the enduring impacts of the pandemic.

Our focus, during the pandemic, has been, firstly, on the health and safety of our employees and customers. It has been truly inspiring to witness the ways in which our teams have rallied to support one another, to serve our customers and contribute to our communities. Secondly, the pandemic has galvanised our teams to safeguard the future of our businesses and to this end we have undertaken numerous initiatives to stabilise our businesses, protect liquidity and strengthen our balance sheet. Thirdly, we are making certain that we learn from the crisis, identify opportunities, re-assess our strategies, and ensure that we emerge from this time, with momentum, well positioned and prepared for the 'next normal'.

## REFLECTING ON BUSINESS PERFORMANCE

This past year has been an exceptionally challenging and tumultuous one for all our businesses across the Group. Results were mixed. The performances of our apparel businesses were particularly affected by the impacts of the pandemic during the second half. However, the exceptional performance of our Food business in South Africa as well as the strong growth in our online channels, somewhat offset the disappointing apparel performance and ameliorated overall Group results for the year.

***THE PERFORMANCE OF OUR FOOD BUSINESS OVER THE PAST YEAR HAS BEEN NOTHING SHORT OF EXCEPTIONAL AND CONTINUES TO BE THE PRIMARY CONTRIBUTOR TO THE GROUP'S FINANCIAL PERFORMANCE. TURNOVER AND CONCESSION SALES GREW BY 10.7% AND ADJUSTED EBIT, AT R2.7 BILLION, WAS UP AN OUTSTANDING 19% ON LAST YEAR.***

### SOUTH AFRICA

The performance of our Food business over the past year has been nothing short of exceptional and continues to be the primary contributor to the Group's financial performance. Turnover and concession sales grew by 10.7% and adjusted EBIT, at R2.7 billion, was up an outstanding 19% on last year. I would like to commend the Food Team on another market-leading performance. We are very aware that the strength and robustness of our Food business is the result of years of focused investment and commitment towards building a truly world-class proposition and customer experience.

The Fashion, Beauty and Home (FBH) business, on the other hand, was already performing below expectation as we headed into the second half and this was exacerbated by the lockdown restrictions, resulting in sales and adjusted EBIT for the year contracting by 10.7% and 60%, respectively. We recognise that the performance of our FBH business has disappointed for several years. We are currently undertaking a comprehensive review of both our strategy and execution, to appropriately and sustainably reposition our business for future profitable growth.

COVID-19 also significantly impacted the performance of Woolworths Financial Services, which suffered from lower book and revenue growth due to lower non-essential spend and lower interest rates, as well as higher impairments.

Given the high levels of uncertainty and significant COVID related business disruptions, most notably experienced in our Fashion, Beauty and Home (FBH) business, we proactively engaged with our funders to secure the suspension of covenant testing and successfully renewed our South African Revolving Credit Facility funding lines, notwithstanding significant liquidity headroom in the South African business. This will continue to stand us in good stead to trade through these unprecedented and unpredictable times.

### AUSTRALASIA

In Australasia, our circumstances are more complex given the elevated levels of debt in the business compounded by the challenging trading conditions. We anticipated that the impacts of COVID-19 would reduce our covenant headroom and therefore, proactively sought the suspension of covenant testing for the Australasian funding from the lending banks and bondholders. Both have granted the suspension. To facilitate this process, the Group has made funding support available in the form of a A$75 million loan facility, secured by a second lien. It is pleasing to note that no draw down on this facility has been made to date, due mainly to the better-than-expected performance of our Australasian operations thus far.

David Jones started the year on a promising note but the bushfire crisis and COVID-19 pandemic severely impacted footfall, tourism and sales. As a result, and notwithstanding the positive uplift from our refurbished Elizabeth Street store, David Jones posted a loss of A$33 million for the year.

Turnover within Country Road Group was more adversely impacted by COVID-19 due to the voluntary decision to close stores for eight weeks, given the challenge of managing social distancing protocols across their smaller formats. This, along with the exit from Myer stores, resulted in sales and adjusted EBIT for the year contracting by 14.3% and 60%, respectively.


## LOOKING AHEAD

As a company, we are assessing the implications of the changes in customer behaviour, new shopping patterns and developing trends. Already we are experiencing a marked shift to wellness and hygiene, to the rediscovered pleasures of nesting at home and to the resurgence in importance of human and family values.

Furthermore, it is undeniable that the unfolding economic crisis will have a major impact on spending, with customers becoming more price sensitive, underpinning a drive towards value and accessible propositions. It is going to be critical for us as a business to contemplate and fully assess the effects of these changes on our future strategies. Our strategies will focus on protecting and growing our core businesses whilst, simultaneously, pursuing initiatives targeted at new, profitable growth opportunities and also accelerating our capabilities as a leading omni-channel retailer.

Through all of this, our customers must remain at the centre of everything we do. To this end, our rich customer databases afford us a significant advantage. Through our focus on step-changing the development of our data analytics capability, it is our intention to significantly improve the way in which we leverage this information. We became a great business by putting our customer at the heart of everything we do, and we must ensure that we continue to do so in the process of developing and executing our growth strategies.

### IN AUSTRALASIA

A key imperative in support of protecting and growing the value of our Australasian businesses, is the implementation of a more sustainable funding structure. To this end, we have initiated a review of the capital structure, which includes a full assessment of our Australasian property portfolio. We intend to use proceeds generated as a result of these initiatives towards the repayment and cancelation of debt. As a first measure, we have sold the Bourke Street Menswear building for A$121 million and have used these proceeds to pay down debt.

Furthermore, rationalising our store footprint and reducing our retail space remains a critical focus area for the business. The dramatic shift to online shopping has further heightened the significance and urgency of these efforts. Discussions with our Australasian landlords are currently underway with a view to accelerating the rationalisation of the store network and further reducing floor space.

In addition, we plan to upweight the focus on building our brands and ensuring they remain desirable and relevant across the Australasian markets. In David Jones, a key element of this, is the execution of our brand exclusivity strategies across the store network and online channel. To this end, during the past year, Country Road Group brands exited from Myer and became exclusive to David Jones department stores. David Jones further introduced 60 new and exclusive brands. Country Road Group provides a platform to deliver a group of diverse, design-led, aspirational brands. We aim to cement CRG as 'an incubator of brands' as it explores growth opportunities and the expansion and diversification of its customer base.

> ***RATIONALISING OUR STORE FOOTPRINT AND REDUCING OUR RETAIL SPACE REMAINS A CRITICAL FOCUS AREA FOR THE BUSINESS.***

*CUSTOMERS ARE BECOMING MORE DISCERNING THAN EVER AND ARE DEMANDING THAT THE BRANDS THEY SUPPORT CREATE SHARED VALUE, CONTRIBUTE TOWARDS ECONOMIC DEVELOPMENT, AND SUPPORT THEIR COMMUNITIES AND THE ENVIRONMENT. THIS HAS BEEN FURTHER REINFORCED IN THE CURRENT YEAR WITH A HEIGHTENED AWARENESS OF PROVENANCE, THE WAY PRODUCT IS MADE, THE SAFETY OF STORES AND THE BROADER SHOPPING ENVIRONMENT.*

### IN SOUTHERN AFRICA

A key focus for the South African business is the repositioning and strengthening of our Fashion business. The further consolidation of the South African apparel retail sector creates opportunities for us to capture market share. For us to do this, we must comprehensively address the inconsistencies in our performance over the past several seasons, while simultaneously pursuing future growth opportunities. We need to, in particular, restore our customers' faith in womenswear, the cornerstone of our FBH business, by making our propositions more desirable, appealing and relevant. I am confident that the FBH team, under the leadership of the recently appointed MD, Manie Maritz, will make a significant, step-change impact on the performance of this important business.

We will continue to invest in our Food business in order to maintain our leadership position, intensifying our focus on fresh food. We will also exploit market share growth opportunities through ongoing product innovation and category development.

We further aim to meet our customers' evolving wants and needs by providing them with easy and accessible convenience through a variety of formats, channels, and inspiring meal solutions. Our relationships with our suppliers – many of which are exclusive - are one of our key competitive advantages, and we will continue to protect, grow and nurture these.

A further important opportunity we aim to address in both the Woolworths FBH and Food businesses, relates to affordability and pricing perceptions of our propositions. To this end, we are planning to make significant investments in making our products more accessible to more customers, and in so doing, bolster our competitiveness across all major categories.

Customers are becoming more discerning than ever and are demanding that the brands they support create shared value, contribute towards economic development, and support their communities and the environment. This has been further reinforced in the current year with a heightened awareness of provenance, the way product is made, the safety of stores and the broader shopping environment. This in our view, won't simply be a short-lived impact of COVID-19. Consumers will continue to support and value the businesses and brands that are more sustainable and genuinely show care for the broader community and environment. Our well-established, group-wide Good Business Journey stands us in good stead to meet these demands and it is embedded in all that we do. We will continue to use this programme to identify areas that will make a meaningful difference to our people, our communities, and the planet, while also strengthening our customers' loyalty and value perception.

## ACKNOWLEDGEMENTS

I would like to sincerely thank our customers and suppliers for their continued loyalty and support during these challenging times. I would also like to thank our almost 45 000 employees in 14 countries who work tirelessly and passionately every day to serve our millions of customers, despite the substantial challenges they face in doing so. I am constantly inspired by the many incredible examples of determination, passion and commitment from teams and individuals across the organisation. In addition, I would like to acknowledge each of my colleagues for their willingness to face our current challenges head on, and to the Board for their ongoing support and guidance. It is only through working together that we will emerge from this crisis as a more agile, dynamic and successful business.

Effectively addressing the challenges ahead presents us with the opportunity to restore profitable growth to our business and deliver against our potential. This, in turn, will enable us to deliver against our aspiration of becoming one of the world's most responsible, respected and admired retailers. We not only need to protect the legacy of this remarkable organisation, but to take it confidently into the future by working together in new and different ways, with a single-minded purpose of becoming a truly connected world-class retailer.

# OUR GROUP FINANCE DIRECTOR'S REPORT

*As extracted from the 2020 Annual Financial Statements*

## OVERVIEW

This report is presented during a period that is unprecedented and most extraordinary in recent memory and indeed in the history of our Group. It has been a very unusual and challenging year, characterised by two distinct halves and significantly distorted by the unexpected and disruptive impact of COVID-19 in the second half (H2). Our primary focus during this time, has been that of the health and safety of our people and our customers. At the same time, we have undertaken numerous initiatives to stabilise our operations and cash flow and to strengthen our balance sheet.

The extremely challenging trading conditions brought about by the pandemic placed significant pressure on the performance of our discretionary businesses across the Group. However, the exceptional performance of our Food business in South Africa and the growth in our online channels underpinned the Group result for the year.

In the first half (H1), we delivered profit before tax of R2.2 billion, with earnings per share ('EPS') of 164.1 cps and headline EPS of 164.9 cps and we distributed dividends of 89.0 cps. Excluding the impact of IFRS 16 (which is discussed later in this report), adjusted profit before tax (aPBT) was R2.4 billion and adjusted diluted headline earnings per share (HEPS) was 179.1 cps. While it was a disappointing first half, the third quarter started off reasonably well across the Group, with Australia trade more affected by the bushfires and the loss of the Asian tourist from February onwards.

As the pandemic began to spread, we started to see a more significant impact (Food positively, by stockpiling) with lockdowns in South Africa and restrictions on movement in Australia, which caused significant disruptions to our businesses resulting from store closures, loss of footfall and margin dilution due to promotions and clearance to avoid inventory build-up, particularly in the fourth quarter. The effects of lower disposable income and consumer confidence also affected sales in our discretionary businesses, which was partially offset by an acceleration in online growth.

The Group's focus shifted to generating and preserving cash, by driving trade through promotions and clearance, strengthening our online offer and capacity, managing working capital by reducing inventory intake and extending supplier payment terms, cost containment through seeking rent concessions and deferrals and reducing discretionary spend, cutting non-critical capex and securing government relief in the form of TERS UIF in South Africa and JobKeeper subsidy in Australia. Cost reduction was and continues to be a key focus area and we achieved substantial cost savings across the Group in the second half.

We also focused our efforts on securing liquidity and covenant waivers through proactive engagement with our lenders in South Africa and Australia. We achieved the relaxation and suspension of covenant testing for two measurement periods (June and December 2020) and supported the Australian businesses with an A$75 million WHL loan facility, in the form of a second lien loan. From a liquidity and net gearing perspective, we exceeded our forecasts in South Africa and Australia at the end of June 2020, and were particularly pleased with the Australian result with net gearing at year-end of A$366 million, well within the A$744 million facility, without the need to draw down on the WHL facility.



We also initiated and accelerated key projects to build a more resilient business and to strengthen the Group balance sheet through a review of our long-term capital structure. In South Africa, the underpin of the Food business places us in a strong position. Post year end we received the proceeds of A$121 million from the disposal of the Bourke Street Menswear building and are exploring other options in further strengthening the Australian balance sheet including the sale and leaseback of our Elizabeth and Bourke Street Womenswear stores, for which we have recently received non-binding indicative offers from interested parties.

COVID-19 reduced expected cash flows which necessitated an assessment of the carrying values of assets including the IFRS 16 Right-of-use assets relating to store leases. This resulted in post-tax impairments of R305 million and onerous lease charges of R267 million.

Furthermore, we did not raise deferred tax assets on assessed losses in respect of certain entities within the Group. Accounting convention requires that we consider the recoverability of assessed losses using no longer than a certain projected period. In light of the uncertainty and potential volatility emanating from COVID-19, both in quantum and timing, we elected to take a prudent approach in not recognising the deferred tax assets as they relate to assessed losses, bearing in mind that the assessed losses would also have been impacted by previous impairments. These assessed losses remain available for set off against future taxable income. This increased our Group effective tax rate significantly to 53.5%. The Group's adjusted effective tax rate is marginally below that of 2019.

This was also the first year of implementation of IFRS 16. We adopted the modified retrospective approach to implementation, which requires an adjustment to opening reserves rather than restating comparative information. The application of the standard has had a material impact on the Group's financial statements, and results in changes to the statement of financial position, whereby Right-of-use (ROU) assets and Lease liabilities are recognised. Changes to the statement of comprehensive income include current operating lease costs being replaced by an amortisation of the ROU assets and associated finance costs. The impact on the opening balance sheet is an increase in liabilities of R26.5 billion and a net increase in ROU assets of R19.8 billion. The net adjustment to opening equity amounted to R3.2 billion. The impact on the PBT and aPBT for the year is R302 million and R318 million respectively.

The impact of IFRS 16 results in a current year profit before tax of R1.4 billion, compared to a R1.8 billion loss in the prior year, with EPS and HEPS at 58.2 cps and 119.8 cps, compared to -113.4 cps and 342.9 cps in the prior year respectively.

## COMPARABLE REPORTING

The adoption of IFRS 16, as mentioned earlier, impacted this year's reported results which is discussed later on in this report. Furthermore, the current year had 52 trading weeks compared to 53 for the year ended 30 June 2019, which also resulted in a shift in trading weeks between the respective halves. This should also be taken into account when comparing the year-on-year performance. **To facilitate comparison, the commentary that follows excludes the impact of IFRS 16 on the current year and references a pro forma 52-week prior year, unless specified otherwise.**

Some key metrics in respect of 2020 are reflected below, clearly reflecting the challenges faced in the second half:

| GROUP PERFORMANCE SUMMARY | H1 | H2 | FULL YEAR |
|---|---|---|---|
| TURNOVER AND CONCESSION SALES | +3.8% to R40.9 billion | -4.0% to R37.4 billion | -0.1% to R78.3 billion |
| ADJUSTED EBITDA | -7.6% to R3.9 billion | -47.5% to R1.8 billion | -25.4% to R5.7 billion |
| ADJUSTED PROFIT BEFORE TAX | -12.3% to R2.4 billion | -94.1% to R0.1 billion | -46.0% to R2.5 billion |
| ADJUSTED DILUTED HEPS | -11.7% to 179.1 cps | -90.5% to 14.5 cps | -45.7% to 193.6 cps |

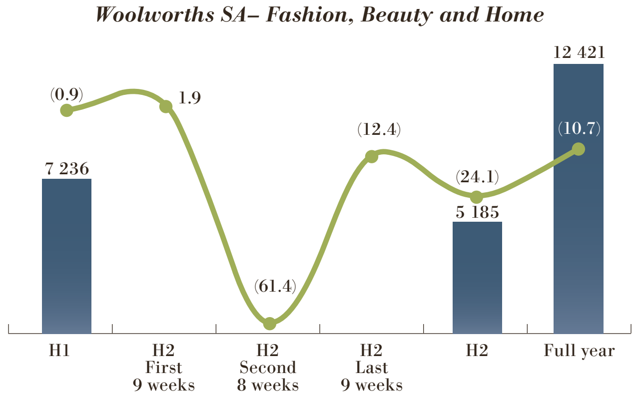
# OUR GROUP FINANCE DIRECTOR'S REPORT (CONTINUED)

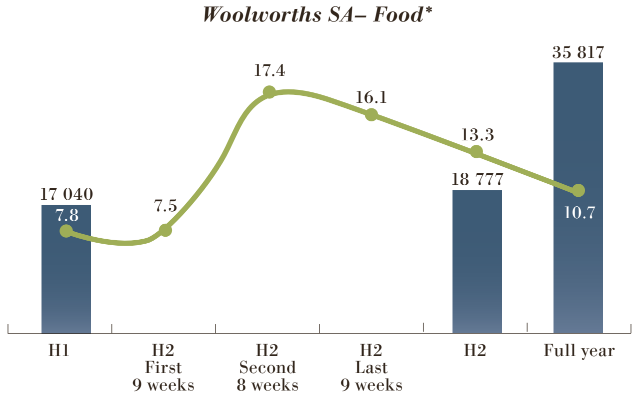
## GROUP INCOME STATEMENT

| | Pre IFRS 16 52 weeks 2020 Rm | IFRS 16 adjustment Rm | Post IFRS 16 52 weeks 2020 Rm | 52 weeks 2019 Rm | Pre IFRS 16 % change |
|---|---|---|---|---|---|
| **Turnover and concession sales** | 78 262 | – | 78 262 | 78 335 | (0.1) |
| **Turnover** | 72 208 | – | 72 208 | 71 757 | 0.6 |
| Cost of sales | 46 872 | (13) | 46 859 | 44 284 | 5.8 |
| **Gross profit** | 25 336 | 13 | 25 349 | 27 473 | (7.8) |
| Other revenue | 1 788 | – | 1 788 | 1 956 | (8.6) |
| Expenses | 23 668 | (1 224) | 22 444 | 24 079 | (1.7) |
| **Adjusted operating profit** | 3 456 | 1 237 | 4 693 | 5 350 | (35.4) |
| Net finance costs | 1 071 | 1 555 | 2 626 | 1 044 | 2.6 |
| Earnings from joint ventures | 101 | – | 101 | 295 | (65.8) |
| **Adjusted profit before tax** | 2 486 | (318) | 2 168 | 4 601 | (46.0) |

## TURNOVER AND CONCESSION SALES

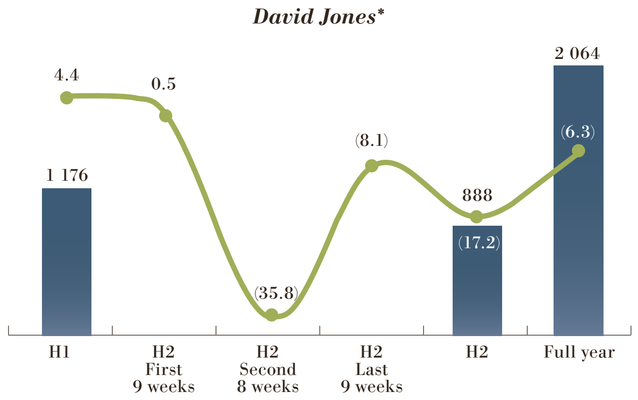
Group sales for the current year was 0.6% up on the 52-week prior year and 1.2% down on the statutory 53-week prior year. Group turnover and concession sales declined by 0.1% (-1.1% in constant currency), and by 4.0% in the second half. The following graphs are a representation of the trade for the year, with particular emphasis on before, during and post the trading restrictions in H2. This illustrates the consequential negative effect on trade on our apparel businesses in the second half. However, online sales growth accelerated during this period.

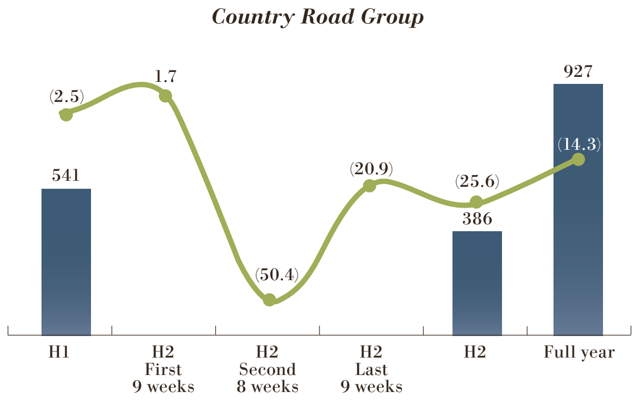



* Including concession sales

Sales (Rm) % on LY




* Including concession sales

Sales (A$m) % on LY

In South Africa, FBH sales declined by 10.7% for the year, with second-half sales declining by 24.1%, as stores were closed for April and certain restrictions applied in May. Price movement for the year was 0.7%. Space growth was curtailed as we focused on productivity and operating efficiencies, with net retail space growth of 1.0%.

Woolworths Food turnover and concession sales increased by 10.7% for the year, with second-half growth of 13.3%. Food benefited from the changes in customer buying behaviour in the second half, enhanced by further investment in price, innovation and convenience. We experienced good volume growth and continued to gain market share.

David Jones turnover and concession sales declined by 6.4% for the year and by 17.2% in the second half. The decline in store sales was partly mitigated by the significant shift to online, which saw the channel growing by 100% in H2, and contributing 18.4% to sales. The Elizabeth Street store redevelopment was completed, with all floors trading from 4 April 2020.

Country Road Group (CRG) began a phased re-opening of stores from 21 May 2020, following the two-month closure, resulting in a moderate improvement in trade in the last nine weeks, despite sales in CBD and airport store locations continuing to be negatively impacted. Sales for the year declined by 14.3%, and by 25.6% in the second half. Growth was also negatively impacted by the exit from the concession arrangement with Myer in August 2019. Online sales remained strong, growing by 28.1% in H2, contributing 33.5% of total sales.

# OUR GROUP FINANCE DIRECTOR'S REPORT (CONTINUED)

## GROSS PROFIT

Gross profit was down 7.8% and gross profit margin, excluding concessions, reduced by 3.2%. While this reduction is due to a combination of factors, the primary driver in the second half was the additional promotional and markdown activity aimed at reducing inventory levels and generating cash.

## EXPENSES

Expenses for the year, including store and other support costs, reduced by 1.7%, notwithstanding the additional COVID-19 related costs that were incurred to comply with health and safety protocols. As a consequence of the drop in sales, we embarked on various programmes to reduce costs across the Group, which resulted in substantial savings.

While we continued to pay our FBH staff during the lockdown in South Africa and stood-down some of our staff in Australia, we secured the government relief programme payments, viz. the UIF TERS in South Africa and JobKeeper subsidy in Australia. We also negotiated rent concessions from landlords, particularly for the period when our stores were closed. During this period, discretionary costs were cut and the filling of vacancies put on hold.

## EARNINGS FROM JOINT VENTURE

Our share of profit after tax from Woolworths Financial Services (WFS), our joint venture with ABSA Group Limited, was 65.8% down on last year, at R101 million. The result was significantly impacted by the higher impairment charge for the year (as a consequence of lower collections), together with lower interest and transactional revenue. The book reflected positive year-on-year growth of 2.0%, while the impairment rate for the 12 months ended 28 June 2020 was 7.9%, which was more than double that of the prior year at 3.7%.

## NET FINANCE COSTS

Net finance costs of R1 071 million were 2.6% higher than last year. We had lower debt levels and base rates in South Africa and Australia, but this was offset by the additional costs arising from the refinancing of debt in Australia, as well as translation effects. We continue to manage our interest rate risk through effective hedging. Net interest cover declined to 5.4 times from last year's 7.3 times.

## ADJUSTMENTS (Pre IFRS 16)

Adjustments to profit before tax include:

- R419 million pre-tax impairment of assets across the Group
- R380 million pre-tax onerous leases
- R13 million restructure costs provision reversed
- R4 million unrealised foreign exchange gains recognised

As explained earlier, the impairment relates primarily to store assets, and onerous lease provisions under IAS 17, which are reclassified as ROU assets impairment arising from the IFRS 16 implementation. The non-recognition of R506 million of deferred tax assets, which has been explained earlier, is also taken into account in the calculation of adjusted headline earnings.

## TAX

The Group's adjusted effective tax rate (pre IFRS 16) is 25.2%, which is marginally lower than the 25.8% in the prior year, primarily due to the lower contribution of the Australian operating entities to Group profit. The Group effective tax rate before adjusting for the non-recognition of the deferred tax asset referred to earlier, is 53.5% (60.2% on a post IFRS 16 basis).

## HEADLINE EARNINGS (HEPS)

Headline earnings and adjusted headline earnings per share, which exclude the impairment as well as other adjustments referred to above, declined by 64.8% and 45.5% respectively, reflecting the impact of COVID-19 on the results for the year.

### EARNINGS PER SHARE (EPS)

The various earnings per share, HEPS and adjusted HEPS on a diluted and adjusted diluted and on a pre and post IFRS basis are presented in the table below. The impact of impairments is 31.5 cps and the impact of adjustments, mainly in respect of onerous leases and the non-recognition of deferred tax on assessed losses, is 78.7 cps.

| | Pre IFRS 16 52 weeks to 28 Jun 2020 cents | Post IFRS 16 52 weeks to 28 Jun 2020 cents | 52 weeks to 23 Jun 2019 cents | 53 weeks to 30 Jun 2019 cents | Change on prior period Pre IFRS 16 52 weeks % | Change on prior period Post IFRS 16 53 weeks % |
|---|---|---|---|---|---|---|
| EPS | 82.6 | 58.2 | (126.0) | (113.4) | >100 | >100 |
| Diluted EPS | 81.6 | 57.6 | (126.0) | (113.4) | >100 | >100 |
| HEPS | 116.2 | 119.8 | 330.4 | 342.9 | (64.8) | (65.1) |
| Diluted HEPS | 114.9 | 118.4 | 327.7 | 340.1 | (64.9) | (65.2) |
| Adjusted HEPS | 195.8 | 170.3 | 359.2 | 371.7 | (45.5) | (54.2) |
| Adjusted diluted HEPS | 193.6 | 168.4 | 356.3 | 368.7 | (45.7) | (54.3) |
| DPS | 89.0 | 89.0 | 190.5 | 190.5 | (53.3) | (53.3) |
| WANOS (millions) | 956.9 | 956.9 | 957.4 | 957.5 | (0.1) | (0.1) |

# OUR GROUP FINANCE DIRECTOR'S REPORT (CONTINUED)

## DIVIDEND PER SHARE (DPS)

An interim dividend of 89.0 cps was declared in respect of the first half earnings. The Board believes that it is in the best interest of the Group for distributions to WHL shareholders to be suspended until such time as the situation arising from COVID-19 stabilises. The Board has consequently decided not to declare a final FY20 dividend and will consider dividends thereafter in the context of the conditions prevailing at the time.

## NEW STANDARDS

### IFRS 16: LEASES

IFRS 16 was adopted by the Group from 1 July 2019, which requires leases to be recognised in the statement of financial position, with the current distinction between operating and finance leases removed. We adopted the modified retrospective basis to implementation which did not require a restatement of prior years, but recognised the cumulative effect as a Day 1 adjustment of R3 210 million debit to the opening equity balance at 1 July 2019. Lease provisions, under IAS 17 of R2.2 billion were offset either against the ROU assets or equity.

IFRS 16 has a significant impact on the statement of financial position as illustrated in the table below. Total assets increased by R22.1 billion, with the recognition of ROU assets and deferred tax on the lease liabilities, offset by the reversal of fair value lease adjustments and lease prepayments under IAS 17. Total liabilities increased by R26.4 billion, with the recognition of lease liabilities and deferred tax on ROU assets, offset by the reversal of fair value lease adjustments and operating lease accruals under IAS 17. While this has added significant lease liabilities and ROU assets on our balance sheet, this is expected to reduce over time as leases expire and space is reduced, as we rationalise our store portfolio.

The following table reflects the shift in key performance measures post adoption:

| | | Pre IFRS 16 Jun 2020 | Change | Post IFRS 16 Jun 2020 |
|---|---|---|---|---|
| **BALANCE SHEET** | | | | |
| Net debt* | Rbn | 11.6 | 19.9 | 31.5 |
| Net debt to EBITDA* | times | 2.0 | 1.3 | 3.3 |
| Net debt to Equity | times | 1.1 | 3.7 | 4.8 |
| ROCE* & ** | % | 7.7 | (0.6) | 7.1 |
| **INCOME STATEMENT** | | | | |
| Segmental contribution before interest and tax | Rbn | 3.6 | 1.2 | 4.8 |
| Operating profit margin | % | 4.8 | 1.7 | 6.5 |
| Adjusted profit before tax | Rbn | 2.5 | (0.3) | 2.2 |
| Adjusted diluted HEPS | cents | 193.6 | (25.2) | 168.4 |
| Interest cover | times | 5.4 | (1.7) | 3.7 |

* Post IFRS 16 on Lease liabilities net of deferred tax
** Excluding abnormal asset impairments

### SUMMARISED STATEMENT OF FINANCIAL POSITION (52:53 WEEKS)

| | Pre IFRS 16 2020 Rm | IFRS 16 adjustment Rm | Post IFRS 16 2020 Rm | 2019 Rm | Constant currency % change |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| Property, plant and equipment | 16 280 | (34) | 16 246 | 14 295 | (0.4) |
| Intangible assets | 8 228 | – | 8 228 | 7 283 | 1.4 |
| Right-of-use assets | – | 20 519 | 20 519 | – | – |
| Investment in joint ventures | 742 | – | 742 | 810 | (8.4) |
| Inventories | 8 054 | – | 8 054 | 8 325 | (11.3) |
| Trade and other receivables and loans | 2 414 | (170) | 2 244 | 1 518 | 34.2 |
| Derivative financial instruments | 283 | – | 283 | 185 | 42.2 |
| Deferred tax and tax assets | 1 411 | 1 805 | 3 216 | 1 600 | 73.4 |
| Cash and cash equivalents | 5 534 | – | 5 534 | 1 913 | >100 |
| **Total assets** | 42 946 | 22 120 | 65 066 | 35 929 | 60.7 |
| **Equity and liabilities** | | | | | |
| Shareholders' funds | 10 790 | (4 280) | 6 510 | 9 443 | (45.0) |
| Interest-bearing borrowings and overdrafts | 17 158 | (38) | 17 120 | 14 393 | 9.4 |
| Lease liabilities | – | 28 599 | 28 599 | – | – |
| Operating lease accrual and fair value lease adjustment | 1 770 | (1 770) | – | 1 761 | (100.0) |
| Other non-current liabilities | 890 | (155) | 735 | 805 | (13.5) |
| Derivative financial instruments | 341 | – | 341 | 178 | 87.1 |
| Deferred tax and tax liabilities | 242 | (91) | 151 | 138 | (6.5) |
| Trade and other payables and provisions | 11 755 | (145) | 11 610 | 9 211 | 15.1 |
| **Total equity and liabilities** | 42 946 | 22 120 | 65 066 | 35 929 | 60.7 |
| **Net gearing** | 11 624 | 19 882 | 31 506 | 12 480 | >100 |

# OUR GROUP FINANCE DIRECTOR'S REPORT (CONTINUED)

*Woolworths, Summer 2020*

The assets and liabilities of the Australian subsidiaries contained within the Group Statement of Financial Position are impacted by the higher exchange rate at year-end, which was R11.8/A$ compared to R9.9/A$ last year. There has been significant focus on our balance sheet through the period, given the COVID-19 effects and potential impact on carrying values of assets.

Shareholders' funds are at R10.8 billion (pre IFRS 16) at the end of the period with a net debt to equity ratio of 1.1x (prior year 1.3x) and total gearing having reduced to R11.6 billion from R12.5 billion on a pre IFRS 16 basis (12.5% in constant currency). We remain committed to reducing net gearing across the Group.

Significant movements, in constant currency, since June 2019 are discussed below:

**Property, plant and equipment and intangible assets movement** include the impairment of assets, and capital expenditure (capex) in the period, including the Elizabeth Street store. The Bourke Street menswear property was reclassified as a non-current asset held for sale. The sale of the building is a material, non-adjusting event and has been disclosed as a subsequent event in the AFS.

**Investment in joint ventures** represents the 50% less 1 share of the net assets of WFS of R732 million. The investment decreased from last year due to the significant impact of COVID-19 on the impairment charge and the debtors' book.

**Inventory** decreased by 11.3% due to the deliberate efforts to reduce intake and clear stock in order to reduce working capital and generate cash.

**Shareholders' funds (pre IFRS 16)** increased due to retained earnings, an increase in the foreign currency translation reserve arising from translation of our foreign subsidiaries at a weaker rand at year-end, partially offset by the impairments.

**Lease liabilities** of R25.9 billion (non-current) and R2.7 billion (current) comprise the R26.5 billion recognised on Day 1, additions and R3.7 billion foreign exchange translation impacts, offset by R3.7 billion payments for the period (inclusive of finance costs).

**Trade and other payables and provisions** increased primarily due to the timing of creditor payments, rent and tax deferrals and extended terms negotiated with our trade suppliers.

**Right-of-use assets and Lease liabilities** arise from the implementation of IFRS 16 which capitalises leases, primarily from the lease agreements on our store network.

## NET GEARING (52:53 WEEKS AND PRE IFRS 16)

| | 2020 | 2019 |
|---|---|---|
| **WHL Net debt (R million)** | (11 624) | (12 480) |
| Interest-bearing debt | (17 061) | (13 522) |
| Net cash and cash equivalents | 5 437 | 1 042 |
| Unutilised committed facilities – Group | 6 340 | 8 147 |
| **SA Net debt (R million)** | **(7 299)** | **(8 327)** |
| Interest-bearing debt | (8 687) | (8 685) |
| Net cash and cash equivalents | 1 388 | 358 |
| Unutilised committed facilities – SA | 5 914 | 5 199 |
| **Australia Net debt (A$ million)** | **(366)** | **(420)** |
| Interest-bearing debt | (708) | (489) |
| Net cash and cash equivalents | 342 | 69 |
| Unutilised committed facilities – AUS | 36 | 298 |

The net gearing position reflects the focus on cash and liquidity during the period with both South Africa and Australia substantially below our expected position and last year, despite the negative impact of the pandemic. The net decrease in gearing for the period, after a R726 million negative impact of exchange rates, was R856 million, notwithstanding capex spent in respect of the Elizabeth Street redevelopment. Working capital was actively managed and reduced, contributing R1.6 billion to the improvement in H2.

In the first half, the Group's debt in Australia was refinanced, establishing an appropriate maturity profile. The liquidity profile continues to be actively managed, maintaining an adequate level of committed facilities. The Group follows internal capital allocation principles and has defined covenant measures that are more stringent than banking covenants.

There are a number of initiatives currently in progress across the Group with the aim of optimising our capital structure and ensuring financial flexibility. We have disposed of our men's store in Bourke Street, Melbourne and consideration is being given to the sale and leaseback of the remaining properties in Australia.

## LIQUIDITY AND COVENANTS

The negative effect of COVID-19 on trade impacted our expected liquidity and covenant position in both South Africa and Australia. Having implemented cash focus measures as previously mentioned, the liquidity positions of the businesses were closely monitored. The forecast positions required covenant suspension and relaxation from the banks and bondholders which was subsequently obtained.

The Australian liquidity position was expected to peak in March/April of 2020, with winter intake and on completion of the Elizabeth Street redevelopment. At that point, and based on a potential downside scenario, the WHL Board decided to make available a facility of A$75 million to the Australian businesses, in the form of a second lien secured loan, to cater for any potential liquidity shortfall in Australia. This was also done to facilitate the covenant waiver process with lenders.

Lenders were approached in Australia and a suspension of covenant measurement for June and December 2020 was agreed to by the banking syndicate and the bondholders before the financial year end. Lenders in South Africa were also approached, and covenants were amended for the June and December 2020 measurement periods, which took into account the potential A$75 million loan to Australia. Trading and liquidity in Australia were better than forecast and there has been no need to date to call on this funding from WHL. There remains significant unutilised committed facilities in South Africa.

# OUR GROUP FINANCE DIRECTOR'S REPORT (CONTINUED)

### CAPITAL MANAGEMENT AND SHAREHOLDER RETURNS (52:52 WEEKS AND PRE IFRS 16)

| | 2020 | 2019 |
|---|---|---|
| ROCE (%)* | 7.7 | 13.2 |
| ROE (%)* | 8.7 | 17.5 |
| Net debt: Equity (times) | 1.1 | 1.3 |
| Net debt: EBITDA (times) | 2.0 | 1.6 |
| Interest cover (times) | 5.4 | 7.3 |

* Excluding abnormal asset impairments

ROCE decreased to 7.7% and ROE declined to 8.7%, due to lower profitability and an increase in the capital base as a result of the higher exchange rate at year-end.

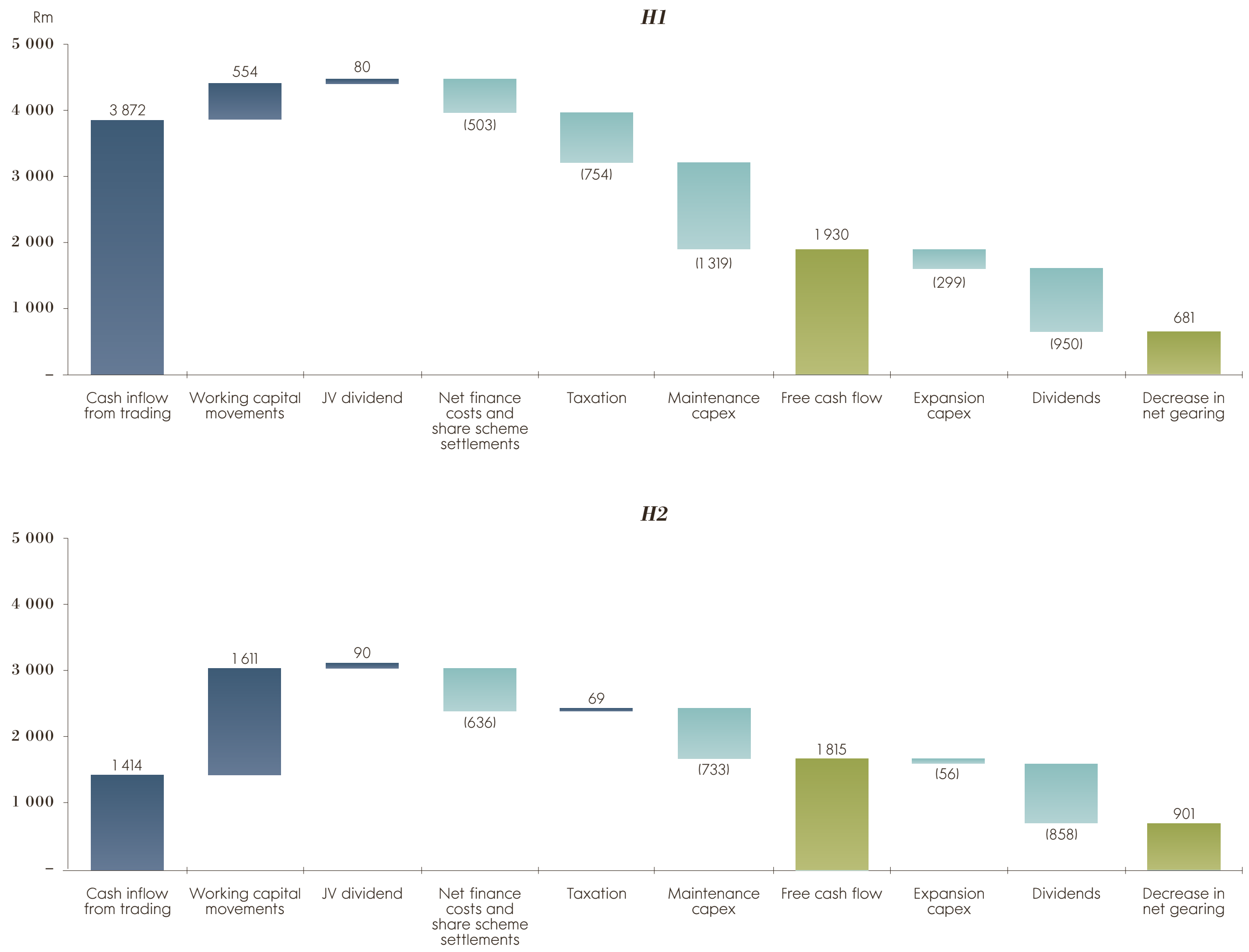
The Net Debt to Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA) ratio increased to 2.0 times, impacted by the second half results. We are targeting a long-term net debt to EBITDA ratio of 1.5x which we believe can be achieved in two years through a reduction in debt and an improvement in our trading performance.

## CAPITAL EXPENDITURE

Total capex for the year was R2.4 billion of which A$92.8 million was spent on the completion of the Elizabeth Street redevelopment. Given the focus on preserving cash, all non-critical capex was suspended. We pulled capex back by R450 million across the Group in the second half.

We continued to invest in an enhanced digital capability to support the growth in online and other opportunities, while space growth across the Group has been curtailed, as we focus on reducing space in our discretionary businesses.

### CASH GENERATION




**Net gearing** for the first half decreased by R681 million. The focus in H2 was on cash generation and preservation. Overall decrease in net gearing for the year was R1.6 billion (R856 million including foreign exchange translation effect), ending the year at R11.6 billion, notwithstanding the impact of COVID-19 and Elizabeth Street store spend, which ramped up in H2 as we completed the project.

**Working capital** contributed R2.2 billion of the positive movement for the year, through the focus on inventory and extending supplier and other payment terms, especially in H2.

**Capex** for the period was R464 million below that which was previously guided for the full year.

# OUR GROUP FINANCE DIRECTOR'S REPORT (CONTINUED)

**SUMMARISED STATEMENT OF CHANGES IN EQUITY (52:53 WEEKS)**

| | 2020 Rm | 2019 Rm |
|---|---|---|
| **Shareholders' interest at the beginning of the year** | 9 443 | 13 126 |
| Effect of IFRS 16 adoption (2019: IFRS 9 and IFRS 15 adoption) | (3 210) | (223) |
| **Shareholders' interest at the beginning of the year (restated)** | 6 233 | 12 903 |
| **Movements for the year:** | | |
| Total comprehensive income/(loss) for the year | 2 018 | (1 230) |
| Profit/(loss) for the year | 559 | (1 084) |
| Other comprehensive income | 1 459 | (146) |
| Share-based payments | 92 | 141 |
| Net acquisition of Treasury shares | (25) | (226) |
| Dividends to ordinary shareholders | (1 808) | (2 145) |
| **Shareholders' interest at the end of the year** | 6 510 | 9 443 |

The decline in equity is as a result of the impairment and the initial application of IFRS 16.

## EVENTS SUBSEQUENT TO YEAR-END

Subsequent to year end, the sale of the Bourke Street Menswear building was successfully concluded with proceeds of A$121 million (R1.5 billion) received.

## OUTLOOK

The macro environments in both South Africa and Australia will remain constrained for the foreseeable future with GDP growth, employment and consumer confidence under further pressure. This will have a negative effect on discretionary spend in both regions.

Whilst trade post year end has been encouraging with some level of recovery (and Food sales growth remaining strong), the trading environment will continue to be fluid and uncertain. The recently announced Victoria state and New Zealand lockdowns as a result of a second wave of infections is an example of this. The pandemic also continues to disrupt our local and international supply chains, store operations, and the availability of products, which are challenges we continue to manage proactively.

We are, however making steady progress on our key strategic projects. Whilst discretionary spend will be under pressure, FBH, under new leadership has identified significant opportunities for 'self-help'. We are also excited about fast tracking our online capabilities supported with appropriate levels of capital investment. We are making progress on reducing our store footprints across the Group and are encouraged by the progress in landlord negotiations in Australia. The review of the capital structure of the Australasian group, with the aim of unlocking shareholder value is also progressing. Our substantial property assets provide us with alternatives to achieving our objectives in this region.

Our focus on cash management, proactive engagement with lenders and other operational actions taken to reduce our cost base will continue, and the Board and management remain resolutely focused on positioning the business to deliver sustainable long-term shareholder value.

**MR Isaacs**
Group Finance Director
15 September 2020

*StudioW, Summer 2020*

# SEGMENTAL REVIEWS

*David Jones, Summer 2020*

## SEGMENTAL CONTRIBUTION

The segmental results and commentary are presented on a pre IFRS 16 and 52-week basis for comparability with the pro forma prior year.

| | 52 weeks 2020 Rm | 52 weeks 2019 Rm | % change | Constant currency % change |
|---|---|---|---|---|
| Woolworths Fashion, Beauty and Home | 683 | 1 686 | (59.5) | |
| Woolworths Food | 2 716 | 2 283 | 19.0 | |
| Woolworths Financial Services | 101 | 295 | (65.8) | |
| **Woolworths** | 3 500 | 4 264 | (17.9) | |
| David Jones | (331) | 380 | >(100) | >(100) |
| Country Road Group | 401 | 1 015 | (60.5) | (60.0) |
| **Segmental contribution before interest and tax** | 3 570 | 5 659 | (36.9) | (36.9) |
| Net finance and other costs | (1 084) | (1 058) | 2.5 | |
| **Adjusted profit before tax** | 2 486 | 4 601 | (46.0) | (45.8) |

The Group results were underpinned by the strong performance of Food, offset by the significant decline in second-half performance in the apparel businesses. The Group's segmental adjusted profit before tax declined by 45.8% on last year, in constant currency.

# SEGMENTAL REVIEWS (CONTINUED)

## WOOLWORTHS FASHION, BEAUTY AND HOME

| INCOME STATEMENT | 52 weeks 2020 Rm | 52 weeks 2019 Rm | % change |
|---|---|---|---|
| Turnover | 12 421 | 13 908 | (10.7) |
| Cost of sales | 6 953 | 7 298 | (4.7) |
| Gross profit | 5 468 | 6 610 | (17.3) |
| Other revenue | 17 | 17 | – |
| Expenses | 4 802 | 4 941 | (2.8) |
| Store costs | 3 287 | 3 373 | (2.5) |
| Other operating costs | 1 515 | 1 568 | (3.4) |
| **Adjusted operating profit** | 683 | 1 686 | (59.5) |

FBH performance in H2 was negatively impacted by the closure of stores and the restrictions on trade, including online, during the period of the lockdown in South Africa and in the other Southern African countries that we operate in. Since the re-opening of stores in May, trade was focussed on promotional activity to drive sales and reduce inventory levels. This achieved its purpose, with stock levels down on last year by 18%. Sales in the second half declined by 24.1%, ending the year 10.7% down on LY. Space growth was limited as we focused on productivity and operating efficiencies with net retail space increasing by 1.0%.

Gross profit margin decreased by 3.5% to 44.0%, as a result of the promotional and clearance activity undertaken. Expenses were well controlled and decreased by 2.8%, due to the focus on cost reduction. We continued to pay our staff during the lockdown period, assisted by the UIF TERS subsidy. Operating profit decreased by 59.5% to R683 million, with an operating margin of 5.5%.

## WOOLWORTHS FOOD

| INCOME STATEMENT | 52 weeks 2020 Rm | 52 weeks 2019 Rm | % change |
|---|---|---|---|
| Turnover and concession sales | 35 817 | 32 342 | 10.7 |
| Concession sales | (676) | (746) | (9.4) |
| Turnover – own buy | 35 141 | 31 596 | 11.2 |
| Cost of sales | 26 397 | 23 763 | 11.1 |
| Gross profit – own buy | 8 744 | 7 833 | 11.6 |
| Concession and other revenue | 117 | 135 | (13.3) |
| Expenses | 6 145 | 5 685 | 8.1 |
| Store costs | 4 484 | 4 110 | 9.1 |
| Other operating costs | 1 661 | 1 575 | 5.5 |
| **Adjusted operating profit** | 2 716 | 2 283 | 19.0 |

The resilience of our Food business together with the shifts in customer shopping behaviour and the trust in our brand, resulted in an exceptional Food performance. Food sales peaked in March and April, with above-market growth continuing into May and June. Turnover and concession sales grew by 13.3% in H2, with full year growth at 10.7%, continuing to grow ahead of the market. This was achieved notwithstanding the constrained environment, restrictions on trade and the intermittent closure of specific stores in instances of COVID-19. Online food sales grew by 87.8% in H2 and by 57.2% for the year, notwithstanding the need for further improvements to our fulfilment capability in this area.

Gross profit margin of 24.9% was marginally higher than the prior year, notwithstanding further price investment, primarily due to supply chain efficiencies, lower waste and higher volume rebates. Expenses grew by 8.1%, which includes additional COVID-19 related store costs including additional incentives paid to frontline staff. Operating profit increased by 19.0% to R2 716 million, returning an operating margin of 7.7%.

## WOOLWORTHS FINANCIAL SERVICES

| | 2020 Rm | | 2019 Rm | | % change |
|---|---|---|---|---|---|
| Average total financial services assets | 13 185 | | 12 295 | | 7.2 |
| **INCOME STATEMENT** | | % to book | | % to book | |
| Interest income | 2 135 | 16.2 | 2 142 | 17.4 | (0.3) |
| Interest paid | 638 | 4.8 | 663 | 5.4 | (3.8) |
| Net interest income | 1 497 | 11.4 | 1 479 | 12.0 | 1.2 |
| Impairment charge | 1 043 | 7.9 | 461 | 3.7 | >100 |
| Risk-adjusted margin | 454 | 3.4 | 1 018 | 8.3 | (55.4) |
| Non-interest revenue | 880 | 6.7 | 847 | 6.9 | 3.9 |
| Operating costs | 1 053 | 8.0 | 1 045 | 8.5 | 0.8 |
| Profit before tax | 281 | 2.1 | 820 | 6.7 | (65.7) |
| Tax | 80 | 0.6 | 230 | 1.9 | (65.2) |
| **Profit after tax** | 201 | 1.5 | 590 | 4.8 | (65.9) |
| **50% equity accounted** | 101 | | 295 | | |
| Return on equity | 11.3% | | 33.2% | | |

The Woolworths Financial Services ('WFS') book grew by 2.0% year-on-year and by 9.0% at 31 March 2020, highlighting the significant growth pre COVID-19. The results for the year also reflected the negative impact of lower interest rates, which affected net interest income; the closure of stores affecting transactional revenue and collections; and by a higher impairment charge arising from lower collections and a significant macro-economic adjustment to the impairment charge for the year. The impairment rate for the 12 months ended 28 June 2020 was 7.9%, compared to a rate of 4.2% for the 9 months ended 31 March 2020 and 3.7% for the 12 months ended 30 June 2019.

# SEGMENTAL REVIEWS (CONTINUED)

## DAVID JONES

| INCOME STATEMENT | 52 weeks 2020 A$m | 52 weeks 2019 A$m | % change |
|---|---|---|---|
| Turnover and concession sales | 2 064 | 2 204 | (6.4) |
| Concession sales | (677) | (747) | (9.4) |
| Turnover – own buy | 1 387 | 1 457 | (4.8) |
| Cost of sales | 881 | 867 | 1.6 |
| Gross profit – own buy | 506 | 590 | (14.2) |
| Concession and other revenue | 176 | 197 | (10.7) |
| Gross profit | 682 | 787 | (13.3) |
| Expenses | 739 | 775 | (4.6) |
| Store costs | 641 | 633 | 1.3 |
| Other operating costs | 98 | 142 | (31.0) |
| **Department store adjusted operating (loss)/profit** | (57) | 12 | >(100) |
| Financial services operating profit | 24 | 25 | (4.0) |
| **Adjusted operating (loss)/profit** | (33) | 37 | >(100) |

While most David Jones stores continued trading during the second half, there was a significant decline in footfall, which began earlier in the half when the first signs of the pandemic affected Asian tourism during the Lunar New Year trading period. Footfall was down across the chain, but more pronounced in CBD and tourist locations. Turnover and concession sales declined by 17.2% in the second half, ending the year 6.4% below the prior year. The decline in store sales was partly mitigated by the shift to online, which grew by 100.7% in H2, contributing 18.4% to sales. The completion of the Elizabeth Street store redevelopment in April contributed positively to the uplift in sales in the latter part of the half; however, it has not yet reached its potential due to the more pronounced effect of the pandemic on CBD locations.

Gross profit margin was 2.7% lower than the prior year, due to the significance of clearance activity in the last quarter to generate cash and reduce inventory levels and further markdowns. Costs reduced by 4.6%, as non-essential expenditure was curtailed to mitigate the impact of the loss of trade.


*David Jones, Summer 2020*

## COUNTRY ROAD GROUP

| INCOME STATEMENT | 52 weeks 2020 A$m | 52 weeks 2019 A$m | % change |
|---|---|---|---|
| Turnover | 927 | 1 082 | (14.3) |
| Cost of sales | 384 | 414 | (7.2) |
| Gross profit | 543 | 668 | (18.7) |
| Other revenue | 6 | 6 | – |
| Expenses | 509 | 574 | (11.3) |
| Store costs | 359 | 404 | (11.1) |
| Other operating costs | 150 | 170 | (11.8) |
| **Adjusted operating profit** | 40 | 100 | (60.0) |

Country Road Group stores were closed for most of the fourth quarter with a phased re-opening of stores from 21 May 2020 in which the recovery of CBD and airport stores were subdued. This resulted in sales in the second half declining by 25.6% and ending the year down 14.3% on the prior year, also affected by the exit from Myer in August 2019. During the period, online sales remained strong, growing by 28.1% in H2, and contributing 33.5% of total sales.

Gross profit margin declined by 3.1% to 58.6% due to heightened promotions to clear excess inventory. Expenses for the year, including costs incurred on the Myer exit, reduced by 11.3%. Operating profit decreased by 60.0% to A$40 million, resulting in an operating margin of 4.3%.

# OUR APPROACH

QUICK ACCESS TO SECTIONS



*Country Road, Autumn 2020*

# ENTERPRISE RISK MANAGEMENT

*The Board sets the direction for the manner in which risk management is approached and addressed in the Group. The Risk and Compliance Committee oversees and directs management's implementation of an effective framework and plan for risk management. Risk management is fully aligned to the Group's strategy. As such, the process involves a formalised and well-embedded system to identify and assess both risks and opportunities at both strategic and operational levels.*

## APPROACH TO RISK MANAGEMENT

The Group's approach to risk management is pragmatic and retail relevant. This approach has been robustly tested during the COVID-19 crisis as certain Group risks accelerated and new risks entered the Group's risk universe. The agility built into the Group's risk management processes and the maturity of the risk systems embedded throughout the Group translated into decisive and informed decision-making in the midst of much uncertainty.

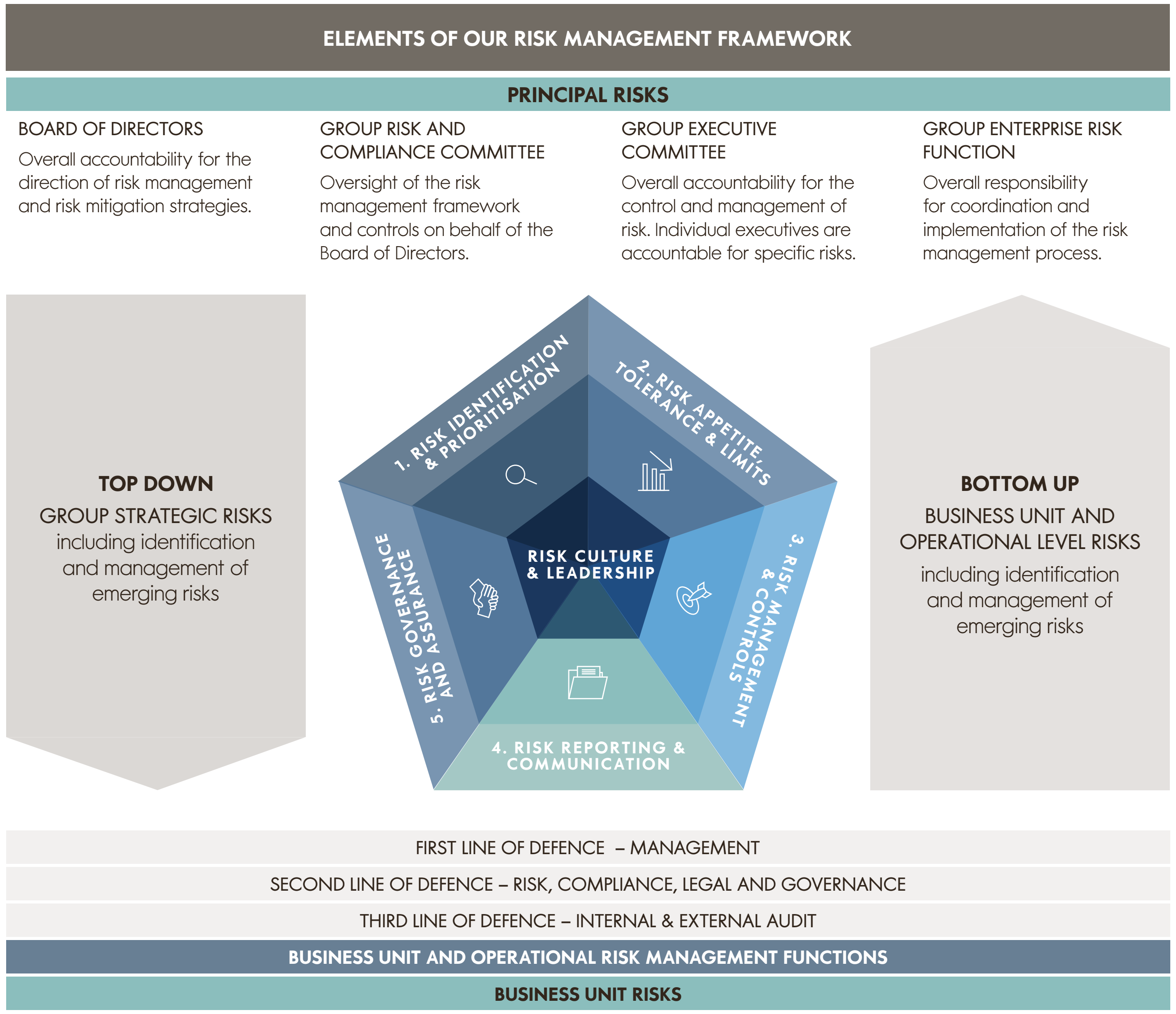
The Group applies an integrated risk management approach that is aligned to international best practice frameworks. Our risk approach has a dedicated focus on trending risks and opportunities in the radically changing world of retail. Sound management of risks enables us to anticipate and respond to changes in the operating context, as well as make well-considered decisions under conditions of uncertainty. The Group Risk Framework is annually reviewed to ensure it remains fully aligned with evolving business needs and our governance responsibilities. The Group risk function facilitates an annual 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. The Group's Risk and Compliance Committee receives regular feedback from management on all risk-related activities.

## RISK APPETITE AND TOLERANCE

Risk appetite and tolerance are a core consideration of our enterprise risk management approach. The Group's risk appetite and tolerance framework set out the levels of risk that the Group is prepared to assume in pursuit of its business objectives. The approach is expressed primarily as the Group's risk appetite in the context of capital constraints and shareholders' expectations. Risk appetite acts as a mechanism to support the execution of the Group 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 the Group will tolerate in order to achieve its value creation and preservation opportunities.

## 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 at each of the Group Risk and Compliance and Audit Committees on an annual basis. In addition, the combined assurance model for each business is tabled with its 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.



# OUR RISK RESPONSE TO COVID-19

*COVID-19 is a once in a 100-year event and, consequently, has had a profound impact on the world at large, including our business. It required each of our businesses to pressure test their current business strategies and to re-prioritise and accelerate certain strategic initiatives. The impact of the pandemic and the speed and magnitude of the subsequent economic slowdown has been unprecedented and it is expected that we will continue to operate in a period of extreme uncertainty for the short- to medium-term.*

While this pandemic presents material risks, it also presents opportunities and acceleration of business priorities which, if seized, would ensure that we emerge stronger and better positioned as a value-creating, sustainable business. Our people have been our strength – they have gone into our stores, distribution centres and head offices to ensure that we were able to continue to serve our customers as always.

From the initial reports of the outbreak in China, our Risk Management teams actively monitored the situation, assessing the risk exposure and appropriate business response.As the pandemic progressed, the crisis management and business continuity protocols for the business were effectively invoked and have, since January, provided a framework to support our response.

***THROUGHOUT THIS REPORT REFERENCE IS MADE TO THE IMPACT OF COVID-19 ON THE BUSINESS. CONSEQUENTLY, THE NARRATIVE INCLUDED IN THE BUSINESS UPDATES SHOULD BE READ IN CONJUNCTION WITH THIS CONTENT ALONGSIDE.***

### THE FOLLOWING KEY ACTIONS HAVE BEEN UNDERTAKEN TO MANAGE THE IMPACT OF THE PANDEMIC ON OUR BUSINESS:

- Immediate response to the guidance as provided by respective governments and implementing travel restrictions, social distancing measures, temporary closure of WSA Fashion, Beauty and Home stores and departments, coffee carts and WCafés, and CRG stores as well as working from home for all non-essential employees
- Operational activities have been adapted and continue to be updated to comply with guidance provided by respective governments to prioritise the safety of our people and our customers
- Development of robust protocols to deal with a myriad of events such as store closures
- Introduced social distancing and hygiene measures in stores, distribution centres, and head offices to keep our people and our customers safe
- Daily meetings of the Crisis Management team are held with representatives from across every business unit
- The Board and Management Committees have met at an increased frequency throughout the crisis, with management monitoring and responses to events on a daily basis
- Continuous engagement with all relevant external stakeholders, including the governments, retail industry bodies, and specialist advisory services

### WE HAVE SUCCESSFULLY IMPLEMENTED THE FOLLOWING:

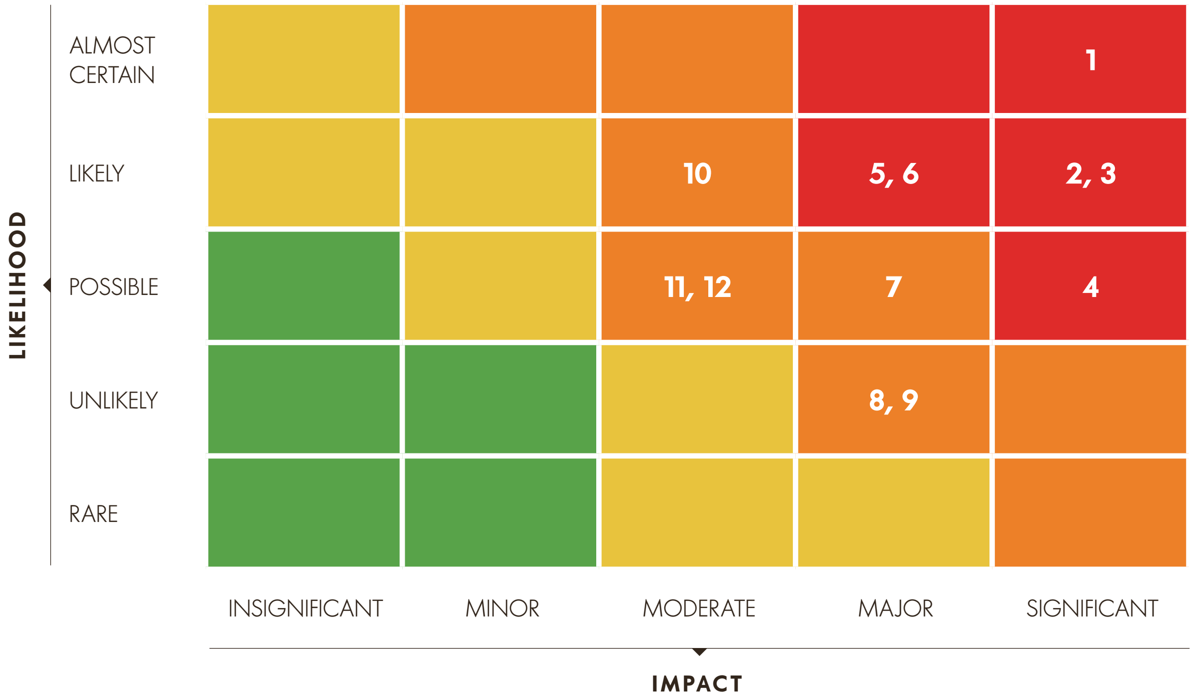
- A work from home solution for all office-based workers which was implemented at an unprecedented scale in a short period of time
- Robust supplier engagement process across the whole business to maintain continuity of supply and, where needed, to cancel or defer orders. Also, the review of payment terms and supplier support solutions where needed
- Immediate action to reduce our cost base, capital expenditure and cash commitments. This included:
  - All discretionary spend was stopped
  - Capital expenditure for the financial year was significantly reduced
  - Dividends were not paid
- Engaged with banks and lenders to proactively address the implications on our facilities and covenant compliance, obtaining formal agreement with the lending syndicate of banks
- Engaged with landlords to manage rent obligations and property costs linked to non-trading stores
- Improved capacity and fulfilment approach through expansion of resources and introduction of the new WSA Click & Collect channel

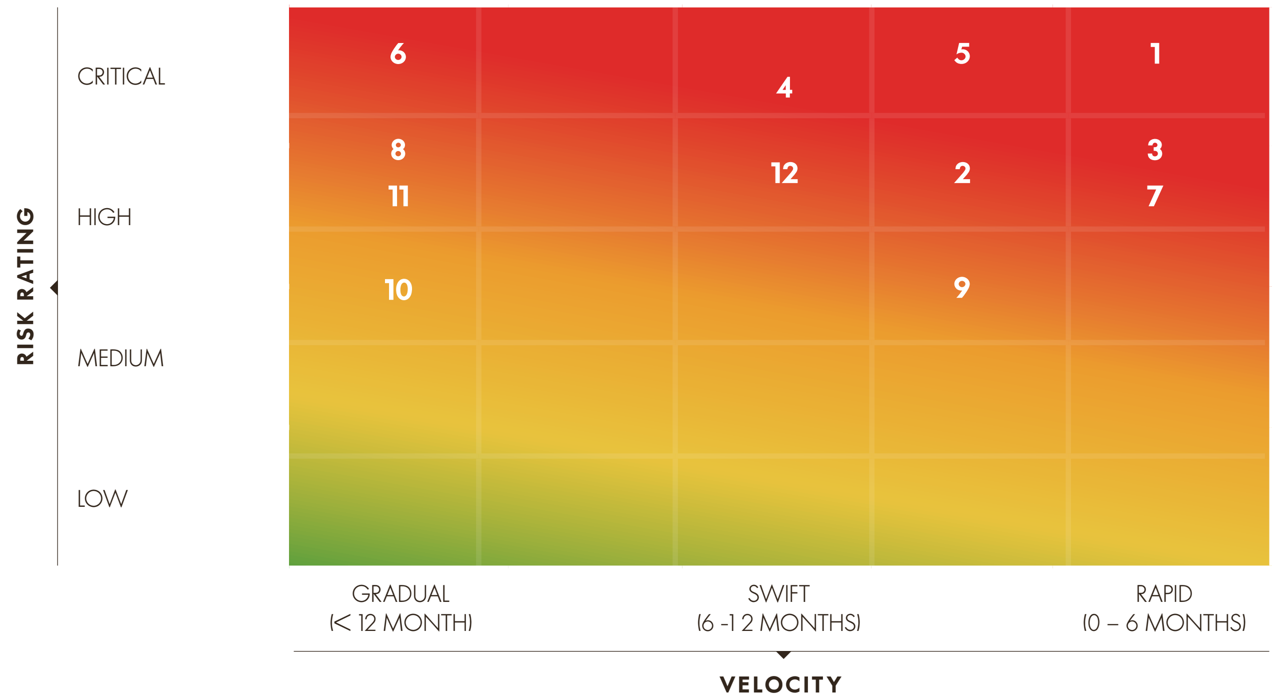
In many respects, the impact of COVID-19 has the characteristics of a high velocity and multi-dimensional evolving risk. This significantly changes the Group's principal risk profile in the short-term. We will, therefore, continue to monitor and respond to further changes as needed in the months ahead. As a consequence, the nature and magnitude of unfolding events will continue to change the risk profile in currently unknown ways. However, we believe we are well placed to respond with agility and resilience.

**USEFUL LINKS** FOR MORE DETAIL | OUR STRATEGY | CASE STUDY ON OUR RESPONSE TO THE COVID-19 PANDEMIC | 2020 GOOD BUSINESS JOURNEY REPORT

# OUR PRINCIPAL RISKS

*The heat maps below depict the top residual risks for the Group, the extent of the potential risk impact, and the rate (velocity) at which the risks could impact value creation. The residual risk rating is the remaining exposure after all mitigating measures have been applied. External factors beyond management's control such as the COVID-19 impact and the macroeconomic environment are key contributors to the current high residual risk ratings.*




**RISK DESCRIPTION**

1. DETERIORATING MACROECONOMIC CONDITIONS
2. CONTINUED UNDERPERFORMANCE OF DAVID JONES
3. BALANCE SHEET AND DEBT MANAGEMENT
4. FAILURE TO TURN AROUND SA FASHION, BEAUTY AND HOME (FBH) PERFORMANCE
5. INADEQUATE REPSONSE TO THE ACCELERATED SHIFT TO E-COMMERCE AND DIGITAL DISRUPTION
6. FAILURE TO REDUCE UNPROFITABLE SPACE
7. CYBER RISK
8. INABILITY TO MANAGE COST PRESSURE ON OUR OPERATING MODEL
9. BUSINESS DISRUPTION AND RESILIENCE
10. ONEROUS REGULATORY ENVIRONMENT
11. FAILURE TO ATTRACT AND RETAIN KEY TALENT
12. BRAND REPUTATON

## 1 DETERIORATING MACROECONOMIC CONDITIONS

### INFLUENCED BY

- Structural economic recession influencing business and consumer confidence in Southern Africa and Australasia
- Impact of financial downgrade of South Africa
- Australian economy has remained depressed by high levels of consumer indebtedness
- Muted consumer sentiment in Australia
- Muted credit extension and higher costs of living
- Record high unemployment
- The impact of the unpredictable political landscape

### COVID-19 IMPACT

COVID-19 economic impact has weakened consumer and enterprise spending, negatively affecting demand. This has also increased operational costs and capital expenditure needed to implement controls to limit the spread of the virus.

### MITIGATIONS

- Extensive work being done with relevant economic experts, which is a key input into strategy and business plans
- Prioritising key strategic projects and capex investment to protect the core business and 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 plan

## 2 CONTINUED DAVID JONES UNDER-PERFORMANCE

### INFLUENCED BY

- Long-term viability of traditional department store model
- Weakening broader economic environment and consumer confidence
- Inability to exit or downsize selected stores with unprofitable space
- Disruption from the Elizabeth Street store refurbishment for majority of the year
- Poorly executed product in key segments of the business
- Shifts in retail spending including increased promotional activity
- Consumer preference to shop online rather than in store
- Attraction and retention of key talent

### COVID-19 IMPACT

Border restrictions and government-imposed lockdowns in Australasia significantly impacted tourism, footfall and sales, and also necessitated the temporary closure of some stores. COVID-19 has also perpetuated reduced consumer confidence and spending.

### MITIGATIONS

- Investment in the digital strategy to enable a future-proof, data-driven business with a world-class online offering and improved user experience
- Real estate optimisation, including right-sizing the store portfolio
- Continued refresh and improvement of store design concepts
- Provide accessible luxury and exclusive, differentiated products and brands, amazing experiences and great service in our stores
- Continue to focus on brand exclusivity
- Enhance centralised supply chain efficiencies and an improved sales mix
- Continue to embed the new loyalty programme with new member reward benefits

## 3 BALANCE SHEET AND DEBT MANAGEMENT

### INFLUENCED BY

- Failure to restructure the Australasian business to achieve the desired end state
- WHL trade performance
- Liquidity and cash flow risk
- Ability to refinance what is due and payable, particularly large bullet payments (refinancing 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

### COVID-19 IMPACT

The strain on cash flow as driven by COVID-19 places additional pressure on debt facility head room and financial covenants. Relationships with banks will also remain challenging post-COVID-19, with financial institutions expected to become increasingly risk averse.

### MITIGATIONS

- A review of the capital and debt structure of the Australasian entities has been initiated to ensure a more sustainable funding model
- Proactive engagement with banks and bondholders to present impacts of COVID-19, and to outline the actions to manage this risk
- Suspension of covenant testing for the Australasian funding
- Management has intensified its focus on liquidity, minimising operating and capital expenditure and managing working capital across the Group
- 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 (liquidity)
- Keeping sufficient committed facilities in place at all times – unutilised facilities are measured and monitored (liquidity)

## 4 FAILURE TO TURN AROUND THE SA FASHION, BEAUTY AND HOME BUSINESS

### INFLUENCED BY

- Poorly executed product in key segments of the business
- Consistency of trend, design, and product development capabilities across the clothing groups
- Differentiated and relevant product and brand position
- Price and value perception
- Increased promotional activity
- Attraction and retention of key talent
- Weakening broader economic environment and consumer confidence
- Shift in customer shopping behaviour

### COVID-19 IMPACT

Africa, Australia and New Zealand restricted the sale of apparel in stores for an extended period. This has had a significant negative impact on turnaround. Although trade restrictions have been lifted, the prevailing macroeconomic conditions will have a negative impact on consumer spending.

### MITIGATIONS

- Embed leadership changes implemented in order to support the fixing and repositioning of the business
- Product Lifecycle Management system implemented which will provide improved visibility of the entire product development process
- Entrench strong 'on the ground' leadership, processes, and disciplines
- Strengthen our value perception by focusing on great price points, key value lines and more strategic promotions and investment in price
- Position Woolworths as the destination for key categories, anchored in beautiful basics
- Edit and reinvent our private brands to provide modern wearable fashion and timeless classics
- Leverage supplier relationships to improve pricing and quality
- Continue to build Beauty as a destination category
- Elevated focus on service and experience

## 5 INADEQUATE REPONSE TO THE ACCELERATED SHIFT TO E-COMMERCE AND DIGITAL DISRUPTION

### INFLUENCED BY

- Rapidly changing digital landscape
- Balancing Real Estate plans with online
- Deliver seamless retail experience across all channels and brands
- Delivery of Digital Strategies across the Group
- Competition from new entrants is intensifying
- Attraction and retention of key talent

### COVID-19 IMPACT

COVID-19 is driving an accelerated shift to e-commerce as more customers embrace online shopping. The new-world customer will be more comfortable with online transactions, further emphasising the importance of online capability and investment.

### 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
- Focus on enhancing customer experience by improving the customer journey through online, streamlining the supply chain, and improving product fulfillment

## 6 FAILURE TO REDUCE UNPROFITABLE SPACE

### INFLUENCED BY

- Inability to exit or downsize selected stores with unprofitable space
- Achieving optimal lease terms (tenure, rental cost) to provide flexibility
- Impact of online on real estate
- Ongoing management of key landlord relationships and cost
- Enabling new profitable store opportunities

### COVID-19 IMPACT

The dramatic shift to e-commerce will likely extend beyond the pandemic. We may also see a permanent shift in sentiment relating to social distancing, resulting in a further reduction in footfall well after restrictions have been lifted. These factors will warrant a necessary acceleration in the downsizing of our physical store footprint. Landlord relationships will present both a risk and an opportunity in this context, particularly as landlords feel the pressure of falling physical footprints across the industry.

### MITIGATIONS

- Landlord portfolio review process and landlord management plan
- Ongoing review of store profitability and annual analysis of the portfolio
- Close all under-profitable or loss-making stores
- Continue to reduce store occupancy costs
- Ongoing focus on channel mix to reflect changes in online vs. physical
- Maximising return on investment by only committing capex where a return is realistic
- Continued refresh and improvement of store design concepts
- Emphasis on top stores with better brand representation, more profit-focused space allocation and greater depth of stock

## 7 CYBER THREATS

### 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

### COVID-19 IMPACT

During the pandemic, we have seen an increase in cyber threats globally. Remote working has also introduced a rise in potential cyber threats and pressure on internal security network resources has intensified.

### MITIGATIONS

- 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
- Ongoing focus on improving controls in line with our environment and threat landscape
- Ongoing security campaign with regular communications to raise awareness of evolving cyber threats
- Information management framework and policies to guide user behaviour
- Internal audit review of cyber risk control measures

## 8 INABILITY TO MANAGE COST PRESSURE ON OUR OPERATING MODEL

### INFLUENCED BY

- Incremental costs to execute the ability to remain 'cost neutral'
- Failure to realise Group efficiency strategies
- Failure to mitigate/offset standard inflation/contractual cost increases
- Inability to drive required levels of sales

### COVID-19 IMPACT

With footfall and sales negatively impacted by COVID-19, there is heightened cost sensitivity in the wake of sustained market uncertainty. This has required a targeted reduction in discretionary opex expenditure, and the stand-down of non-essential projects and capex. In addition, there are increased operational costs and capex investment required to implement controls to reduce the spread of the virus and protect our employees.

### MITIGATIONS

- Balance sheet remodeling to absorb future business disruptions
- Ongoing targeted cost reviews across the Group
- Ongoing review of performance through the budget and forecast processes to manage margins and costs
- Clearer reporting and action tracking on underperforming stores together with a longer-term review of space requirements
- Continuing to reduce store occupancy costs and reduce space
- Diligent prioritisation of capex projects to ensure that our investment in projects will deliver optimal returns
- Renewed focus on managing underperforming stores. Focusing on fixing the offer in stores, stock management, optimising space and considering potential closures where applicable
- Leverage Group scale to drive synergies/efficiencies

## 9 BUSINESS RESILIENCE

### INFLUENCED BY

- Increased period of volatility due to global pandemic
- Impact of government response to national crises (e.g. lockdowns)
- Increased threat landscape including national catastrophes (e.g. bushfires, earthquakes), political unrest, and cyber risks
- Rising influence of climate change and associated impacts
- Third party stability coupled with the complexity of a global, geographically dispersed supply chain

### COVID-19 IMPACT

COVID-19 demanded a structured and coordinated crisis management approach, ensuring the safety and wellbeing of our people while minimising business disruption. Emergency response planning and business continuity capabilities were rapidly mobilised during this period.

### MITIGATIONS

- Group Business Continuity and Disaster Recovery frameworks in place, ensuring that the business can continue to operate under identified conditions of volatility, and to recover from disruptive events such as COVID-19
- Established and proven Crisis Management capability in both Southern Africa and Australasia, providing central oversight and coordination of critical response actions
- Flexible workplace capability enabling rapid deployment of work from home (WFH) requirements for head office workforce

## 10 ONEROUS REGULATORY ENVIRONMENT

### INFLUENCED BY

- Impact of greater uncertainty of onerous regulations
- Regulatory measures by government to bolster economy focusing on local manufacturing and procurement
- Shifting regulatory environment, with growing legislative and regulatory pressure and increased regulatory scrutiny impacts cost to serve and sell
- Indigenisation legislation, e.g. Retail Sector Scorecards and local sourcing requirements in rest of Africa

### COVID-19 IMPACT

The government's response to COVID-19 has resulted in intensified regulatory and legislative requirements impacting ability to trade and to do so profitably.

### MITIGATIONS

- Established specialist legal, regulatory and stakeholder relations teams
- Engage/participate with governments, regulatory and public bodies to communicate key messages on how decisions positively and negatively will impact retail
- The constantly changing regulatory landscapes are carefully monitored to ensure that key regulatory changes and any other significant compliance matters are identified and managed accordingly
- Continuous review of the Training and Awareness programme including E-learning capability
- Dedicated focus on monitoring to test compliance with critical and high-risk legislation

## 11 FAILURE TO ATTRACT AND RETAIN KEY TALENT

### INFLUENCED BY

- Loss of key talent and IP
- Identification, attraction and retention of key roles
- Impact on delivery of strategy
- Employee Value Proposition

### COVID-19 IMPACT

COVID-19 has presented a dramatic shift in the way our teams work and connect. In line with the growing shift to digital disruption, we are also likely to see a sustained impact on our talent and structures, requiring skills that place us in strong stead for future growth.

### MITIGATIONS

- Review People structure and capability to ensure optimal resourcing and skills required for the future needs of the business
- Reimagine office workspace and ways of working
- Maintaining a blended model of remote and on-site work
- Leadership development programmes to enhance leadership capability
- Revised salary management and retention frameworks across the Group are being revisited following talent review discussions
- Continued leadership development in both Southern Africa and Australasia businesses remain a key focus

## 12 BRAND REPUTATION

### INFLUENCED BY

- Effective management of our brand presence on public platforms, responding to issues timeously, effectively, and with understanding and empathy
- Non-compliance to key legislation and governance principles
- Increased customer awareness of environmental and social issues, and the enhanced visibility and voice of external and internal advocacy groups
- Impact on delivery of strategy

### COVID-19 IMPACT

The prevailing instability, accompanied by the impact of the crisis on society and the economy in our respective markets, has led to increased negative sentiment and concern. Business has had to emphatically embrace their role as responsible corporate citizens. This responsibility reaches beyond a duty of care for employees but also within the communities in which we trade. It is clear that society's expectations for companies have been set very high during this period.

### MITIGATIONS

- Shareholder engagement conducted by WHL Chairman and the Lead Independent Director
- Media Crisis Communications plan and process in place
- Increased focus on responding to customer and social media complaints

# MATERIAL ISSUES

***Material issues** are identified as those items with 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 those 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 TRADING ENVIRONMENT

Even before the impact of COVID-19 devastated global economies, South Africa was already in a vulnerable position. Unreliable electricity supply, persistently weak business confidence and investment, ailing state-owned enterprises and long-standing structural labour market constraints led to Moody's downgrading the country to 'junk status'. They were the last investment bank to do so, leaving the country with a below-investment-grade rating for the first time in 25 years. Economic activity was then effectively brought to a standstill for almost three months by the measures imposed by the government to contain the spread of the Coronavirus, further exacerbating already-weak consumer spend.

The measures undertaken by the Australian government to contain the virus were less severe than those imposed in South Africa, but the economy struggled nonetheless, impacted by the bushfire crisis in early 2020, followed by COVID-19. Despite historically low interest rates and government stimulus measures and income support, the consumer is still highly indebted and elevated levels of unemployment will continue to drag on discretionary spending. Additionally, Australasian economies have benefitted from strong population growth, particularly overseas migration, which has now ceased due to border closures.

The acceleration in e-commerce, along with store and business closures as a direct result of the COVID-19 crisis, will have a significant impact on the landscape as retailers consolidate, shift towards digital channels and optimise their real estate portfolios.

While economic and consumer recovery is still uncertain, it is expected to be slow and muted in the short- to medium-term. However, there are clear opportunities available to act swiftly and decisively to profitably capture share of the changing market.

## 2 OUR BUSINESS TRANSFORMATION

While Woolworths Food has remained resilient, the Fashion, Beauty and Home business has been struggling for some time due to weak and inconsistent product execution and merchandising. In Australasia, while Country Road Group's performance has remained relatively steady (pre-COVID-19), David Jones has failed to deliver on the envisaged synergies and benefits, despite significant investment in numerous transformational initiatives. The disappointing performances were further exacerbated by the bushfire crisis in Australia and the significant impact of COVID-19 in both geographies.

In these unprecedented times, several key strategic projects have been initiated across the Group to protect the Group's financial position and to optimise its liquidity and capital structure. It is essential that we successfully execute these in order to protect and strengthen the balance sheet and establish a platform which enables us to position the Group for sustainable, long-term growth.

> ***IN THESE UNPRECEDENTED TIMES, SEVERAL KEY STRATEGIC PROJECTS HAVE BEEN INITIATED ACROSS THE GROUP TO PROTECT THE GROUP'S FINANCIAL POSITION AND TO OPTIMISE ITS LIQUIDITY AND CAPITAL STRUCTURE.***

**USEFUL LINKS** FOR MORE DETAIL | COVID-19 PANDEMIC CASE STUDY | OUR STRATEGY | 2020 GOOD BUSINESS JOURNEY REPORT

## 3 CONSUMER SPENDING AND BEHAVIOUR

The global face of retail has evolved rapidly over recent years, with footfall in malls declining and online shopping, particularly via mobile devices, experiencing significantly 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.

Customers are engaging even more via mobile and related technologies which are enabling them to interact with each other and with global retailers directly. This affects every part of the customer journey – from researching products and prices before purchasing to post-purchase feedback.

This evolution was fast-tracked by the COVID-19 crisis which has driven one of the biggest shifts in retail channels in history across the globe, with significant growth in digital channels and a noted change in physical, in-store experiences.

Customers' lifestyles, wants and needs also evolved rapidly during the pandemic as more of them work remotely and increasingly value home nesting, wellbeing, and comfort.

## 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 more than ever, 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 mitigating risks, reducing costs, increasing flexibility, and driving efficiency and productivity.

## 5 TALENT AND CHANGE MANAGEMENT

Attracting and retaining skilled employees is critical to delivering upon our strategic objectives, and remains a challenge as competition for skilled human resources 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 working conditions and environments 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 while giving back to communities and the environment. Being a responsible retailer has become an expectation.

Our current priority is the health and safety of our stakeholders, especially our customers and our people as they navigate a new retail landscape as a result of the COVID-19 crisis. Climate change remains a concern for both the Group and our stakeholders, particularly our suppliers and customers. Consumers are also increasingly concerned about food safety, food security, packaging, and ethical sourcing.

# OUR STRATEGIC THINKING & KEY PERFORMANCE INDICATORS

***We aim to restore and reinvigorate our Group*** *to deliver future-fit, customer-centric businesses that return long-term profit growth and create sustainable value for all our stakeholders. We have a new chairman, new CEO and a refreshed Board, which, in conjunction with the Group's leadership teams, are undertaking a comprehensive strategic review of our Group and businesses. Our strategic thinking will be informed by feedback from stakeholder engagements, the material issues identified, and the associated risks and opportunities.*

The COVID-19 crisis has accelerated the rate of change emanating across the global retail landscape, impacting every aspect of our Group – from how our customers shop to how our employees work. At the same time, we have a new Chairman, a new CEO, and a refreshed Board. It is against this backdrop that we are undertaking a comprehensive strategic review of our Group and its businesses. While some aspects of our strategy are working well, others have become less relevant in a post-COVID environment. As a business, we need to evolve if we are to remain relevant and purposeful; our thinking must take into account not only the lessons we have learnt by trading through the pandemic but also how we must adapt in an evolving consumer ecosystem to position ourselves for long-term, sustainable growth to the benefit of all stakeholders.

Our immediate priority is to stabilise our businesses, protect liquidity, and strengthen our balance sheet. We have undertaken numerous initiatives to address this objective and will continue to do so as we seek to unlock value in our Australasian businesses and return capital to the WHL Group.

*Woolworths. Autumn 2020*

We are clear that in order to protect and grow our core businesses, our customers must remain the absolute focus of everything we do. In Southern Africa, this means turning around our Woolworths Fashion, Beauty and Home (FBH) business while maintaining the leadership position of our Food business in quality and innovation. In Australasia, more work needs to be done to define the brand positioning within both David Jones and CRG, while simultaneously accelerating efforts to optimise our network of stores.

While protecting and growing our existing businesses is important, we also need to expand far more if we are to become a leading and truly connected retailer. Integral to this is enhancing the data-analytics capabilities across the organisation and accelerating the investment in our online platforms, systems and processes. This will support the opportunities we see for category expansion in multiple areas of our product offering. While we will focus on diligently allocating our resources to drive sustainable financial performance, we also need to establish a modern People model, embedding our Group-wide shared purpose, vision, and goals to drive a values-based, high-performance culture.

*Our strategy is discussed in more detail in the* ***CEO's Report and the individual company reviews.***

**USEFUL LINKS** | CEO'S REPORT | WOOLWORTHS SA | DAVID JONES | COUNTRY ROAD GROUP

WHL RATING

### NUMBER OF ACTIVE CUSTOMERS

**Why is this important and how do we measure it?**

Demonstrates our ability to grow our customer base and create value for them through the execution of a customer-led strategy.

The number of loyalty customers who have had at least one transaction with us in the current year and for whom we have contact information.

David Jones started tracking the number of active customers through their loyalty programme in the current year.


WHL RATING

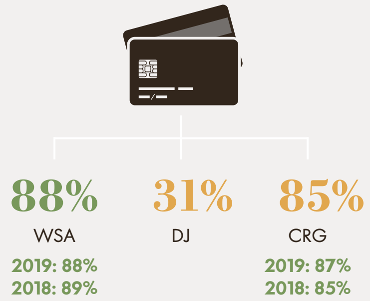
### % REVENUE TRACKED ON LOYALTY CARDS

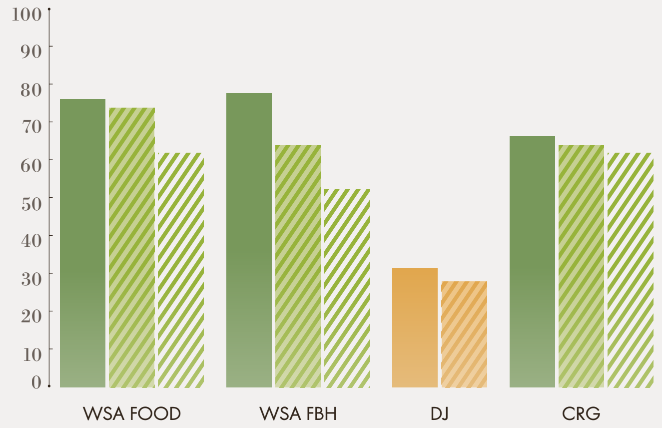
**Why is this important and how do we measure it?**

Reflects whether we create value for our customers by increasing their loyalty through growing and enhancing our programmes.

% sales transactions where a loyalty card is used.

David Jones started tracking % revenue on loyalty cards in the current year.




WHL RATING

### NET PROMOTER SCORE

**Why is this important and how do we measure it?**

Indicates the overall perception of our businesses which is a key measure of customer experience, loyalty, and future growth potential.

Calculated through a survey where customers are asked to use a scale of 0-10 to rate "How likely is it that you would recommend the business/brand to a friend or colleague?"

Respondents are grouped as Promoters (loyal enthusiasts who will keep buying and refer others, fuelling growth), Passives (satisfied but unenthusiastic customers who are vulnerable to competitive offerings) and Detractors (unhappy customers who can damage brand perception and impede growth through negative word-of-mouth).

Subtracting the percentage of Detractors from the percentage of Promoters yields the Net Promoter Score, which can range from a low of -100 (if every customer is a Detractor) to a high of 100 (if every customer is a Promoter).

Comparable 2018 score is unavailable for David Jones.

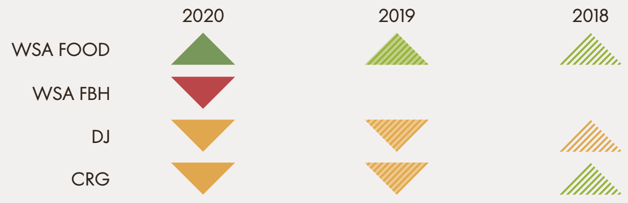
WHL RATING

### MARKET SHARE

**Why is this important and how do we measure it?**

Reflects our relative performance against our competitors.

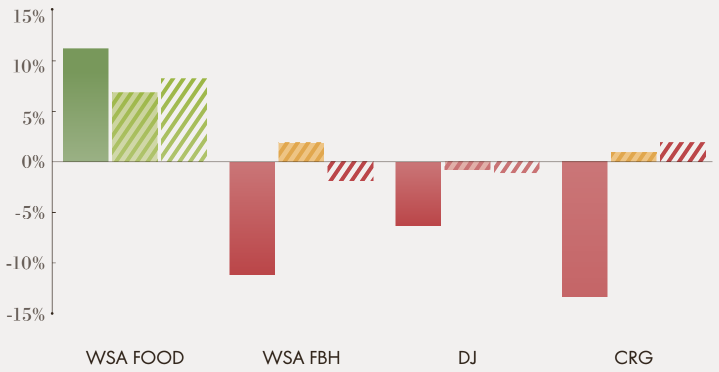
Share of the relative market as per Nielsen for WSA Food, RLC for WSA FBH, and Quantium for DJ and CRG respectively. Reliable market share information for WSA was not available in 2018 and 2019.




***WE MEASURE THE SUCCESS OF OUR STRATEGIC EXECUTION AGAINST CLEARLY DEFINED KEY PERFORMANCE INDICATORS.***

**KEY:**

- ACHIEVED
- PARTIALLY ACHIEVED
- MISSED
- 2020 2019 2018




WHL RATING

### TURNOVER AND CONCESSION SALES GROWTH %

**Why is this important and how do we measure it?**

Reflects our ability to meet our customers' wants and needs by providing them with their desired merchandise which, in turn, creates additional opportunities for our suppliers and employees, and creates value for all stakeholders.

Total turnover and concession sales growth over the past 52-week period, measuring the growth of our business.

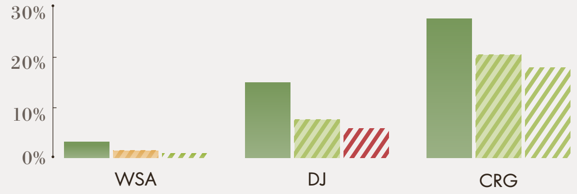
WHL RATING

### % ONLINE SALES

**Why is this important and how do we measure it?**

Indicates whether we are adapting to changing customer shopping behaviours by driving online sales relative to physical store sales by enhancing the digital experience.

% sales contribution of online sales to total sales.



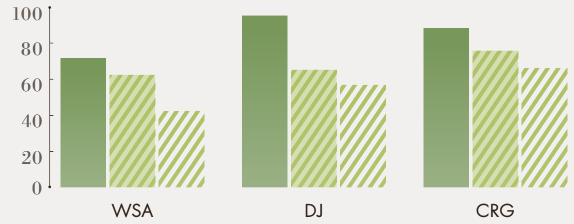

WHL RATING

### ONLINE TRAFFIC

**Why is this important and how do we measure it?**

Measures whether we are growing our online customer base by providing them with a rewarding digital shopping experience.

Also known as sessions as measured by Google Analytics. A session is a group of interactions that take place on the site within a given period. A single session contains multiple page views, events, social interactions and e-commerce transactions. A single user can open multiple sessions. Those sessions can occur on the same day, or over several days, weeks, or months. As soon as one session ends, there is an opportunity to start a new session. There are two methods by which a session ends: at midnight after minutes of inactivity, and if a user arrives via one campaign, leaves and then comes back via a different campaign.



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***WE MEASURE THE SUCCESS OF OUR STRATEGIC EXECUTION AGAINST CLEARLY DEFINED KEY PERFORMANCE INDICATORS.***

**KEY:**

- ACHIEVED
- PARTIALLY ACHIEVED
- MISSED
- 2020 / 2019 / 2018

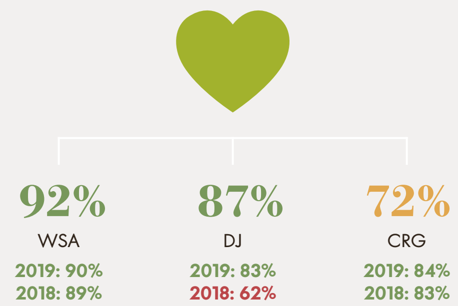
WHL RATING

## % TARGET ACHIEVED ON SUSTAINABILITY SCORECARD

**Why is this important and how do we measure it?**

Demonstrates our commitment to sustainability and the effective execution of our Good Business Journey strategy.

The weighted average of all the sustainability targets tracked in each business.



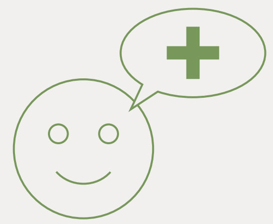

WHL RATING

## EMPLOYEE SATISFACTION

**Why is this important and how do we measure it?**

Regular employee surveys are a key tool for employees to give input and feedback and voice their concerns and expectations. In the current year, we actively engaged with our people, particularly to support them through the COVID-19 pandemic. In light of the current circumstances, we did not undertake the usual employee engagement surveys.

However, the feedback we have received from our people has been largely positive.



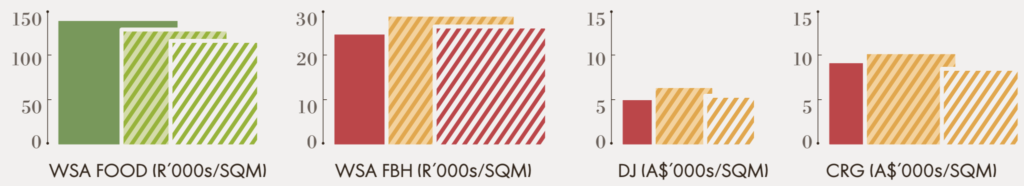
WHL RATING

## TRADING DENSITY

**Why is this important and how do we measure it?**

Indicates how efficiently we are using our store space to drive sales.

Annualised sales per square metre.



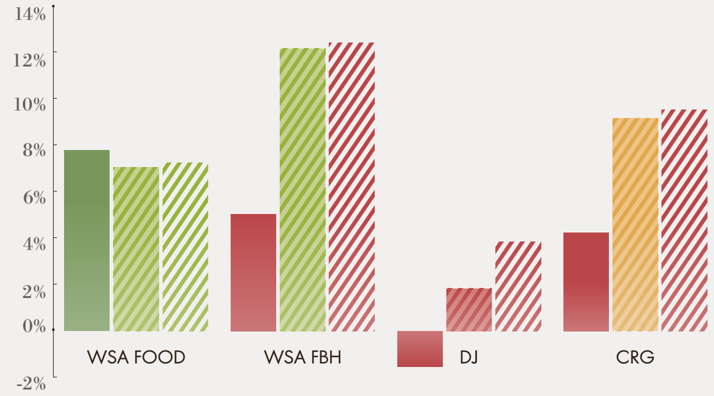

WHL RATING

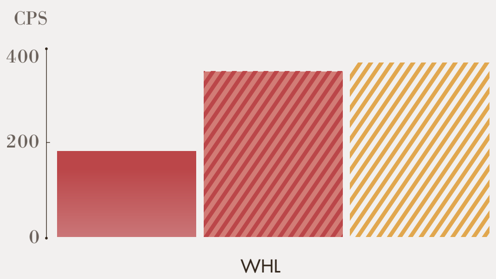
## RETURN ON SALES %

**Why is this important and how do we measure it?**

Assesses how efficiently we convert sales into profit by managing margins and costs.

Adjusted earnings before interest and tax as a percentage of turnover.




WHL RATING

## ADJUSTED DILUTED HEADLINE EARNINGS PER SHARE

**Why is this important and how do we measure it?**

Indicates the quality of earnings by reflecting earnings shareholders can expect in a 'worst case' scenario.

Earnings per share, excluding accounting adjustments, assuming all possible shares are converted and exercised.

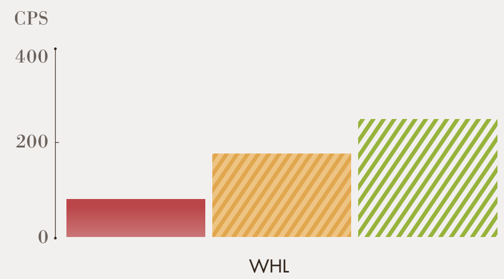
WHL RATING

## DIVIDEND PER SHARE

**Why is this important and how do we measure it?**

Reflects the value we create for shareholders through the direct income we pay to them.

Total dividend paid in the current year divided by number of shares in issue.



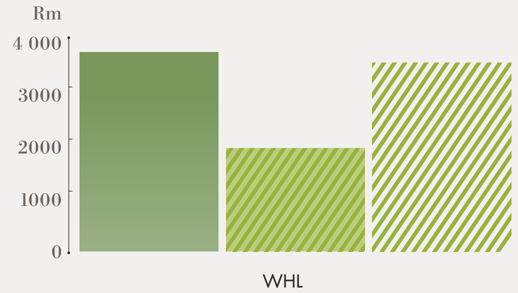

WHL RATING

## FREE CASH FLOW

**Why is this important and how do we measure it?**

Assesses our ability to distribute funds to our stakeholders and to further pursue opportunities that enhance their value.

Cash generated from normal business operations after subtracting funds spent on capital expenditure.



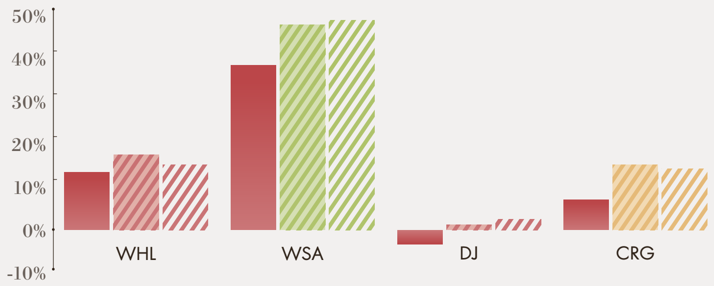

WHL RATING

## RETURN ON CAPITAL EMPLOYED

**Why is this important and how do we measure it?**

Demonstrates how efficiently we use our capital to generate returns for our shareholders.

Adjusted earnings before interest and tax as a percentage of average capital employed (total assets less current liabilities) for the 12-month period to June 2020.



# COMPANY REVIEWS



*David Jones, Summer 2020*

# WOOLWORTHS SA

## AN OVERVIEW OF OUR BUSINESS

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

*Woolworths South Africa (WSA) is a leading Southern African retailer, trading in South Africa and a further 11 countries in Africa, offering a wide range of quality clothing, beauty, home and food products. Woolworths Financial Services, a joint venture between Woolworths South Africa and Absa Group Limited, provides Woolworths customers with focused financial products and services.*

Our target market consists of mid- to upper-income customers who appreciate quality, innovation, value, and sustainability. 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. Our WRewards programme provides our customers with compelling loyalty benefits and offers, and is key to building customer loyalty and driving customer acquisition, frequency, and spend.

We seek to provide our Fashion, Beauty and Home (FBH) target market with modern, wearable fashion, timeless classics, and beautiful basics. Our private brands are separated across customer lifestyles and price tiers to ensure that each customer segment has the right brand and the right offer. Our Woolworths brand is the anchor of our FBH offer. Woolworths Edition and Woolworths Classic Collection service our heartland modern and classic customers respectively. Our RE:, Studio.W, and JT One brands appeal to our modern customer, while Woolies Babes and (&US) for tweens have 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.

Our customers increasingly associate beauty with fashion. We have a strong Beauty business which provides our customers with both private label merchandise and market-leading brands, including Chanel, La Mer, Bobbi Brown, Estée Lauder and Clinique.

Our Food business provides our target market with a curated product offer, the majority of which is private label. Third-party brands sold in Woolworths are selectively chosen to represent our customers' most-wanted brands, encouraging them to complete their shop at Woolworths. 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. We aim to maintain our leadership positioning in fresh product, innovation, and quality, while ensuring competitively priced products that deliver value to our customers.

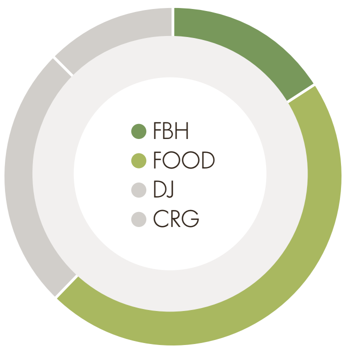
We deliver convenience across all formats and channels. Our products are available through a variety of store formats,

**FASHION, BEAUTY AND HOME (FBH)**

**15.9%**
*Contribution to Group turnover**

**19.1%**
*Contribution to Group adjusted EBIT*

*Contribution to Group turnover**




**FOOD**

**46.4%**
*Contribution to Group turnover**

**76.1%**
*Contribution to Group adjusted EBIT*

| FBH | | Food |
|---|---|---|
| **2.0%** | **% ONLINE CONTRIBUTION** | **1.2%** |
| **279** | **STORE LOCATIONS** | **452** |

**FINANCIAL SERVICES**

| | ROE | |
|---|---|---|
| **1.7M** | **11.3%** | **2.8%** |
| *Number of accounts* | | *Contribution to Group adjusted EBIT* |

including full-line stores where both FBH and Food products can be found, as well as FBH and Food standalone stores. We have 79 Engen forecourts as well as 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 recognise that the digital experience is a key enabler to meeting our customers' evolving wants and needs. The majority of our offering is also available through our digital platforms. Our Food online orders are fulfilled from physical stores (home delivery or click and collect), and on demand via third-party service providers, while our FBH orders are fulfilled from a dedicated online distribution facility.

Along with the FBH online fulfilment warehouse, Woolworths has three further distribution centres across South Africa, including a dedicated long-life food distribution centre in Cape Town. We continue to optimise our distribution centres by investing in end-to-end supply chain efficiencies and in our systems and processes that provide for growth.

Our supplier base is a key competitive advantage, and we integrate closely with them in both FBH and Food. We focus on long-term relationships and remain committed to our strategic partnerships. This allows us to unlock efficiencies 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.

We have a diverse team of extraordinary and talented people, with approximately 32 371 people employed across our Southern African stores, distribution centres, financial services business, and head office in Cape Town, South Africa.

Our Good Business Journey (GBJ) sustainability programme is embedded in everything we do. It influences our risk assessment and forms part of our daily decision-making. We use our GBJ to identify areas that will make a difference for our people, our communities and the planet, as well as to strengthen our customers' loyalty and value perception.

*On a comparable 52-week basis*
*As at 28 June 2020*
** Including concession sales*

*On a comparable 52-week basis*
*As at 28 June 2020*
** Including concession sales*

# PERFORMANCE IN THE CURRENT YEAR

We continued to focus on increasing our penetration of the upper-income market in Southern Africa. We have a customer base of 3.2 million WRewards customers with whom we can actively engage. Our customer insights and single view of the customer enable us to drive incremental sales by providing more personalised engagements with our customers with tailored marketing and promotional offers.

## FASHION, BEAUTY AND HOME

Our Fashion, Beauty and Home (FBH) performance was disappointing, showing a decrease in sales of 10.7% and comparable store sales down by 10.9% on a 52-week basis.

First-half performance failed to meet expectations, with total sales and comparable store sales both up 2.2% on LY (both up 0.9% adjusting for the shift in trading weeks). Constrained economic conditions, further exacerbated by load shedding, Black Friday impact, and unseasonal weather conditions, resulted in particularly poor trading in the second quarter, most notably in Womenswear.

The performance of our FBH business deteriorated further in the second half, materially impacted by the extended national lockdown to contain the spread of COVID-19, which saw the temporary closure of our trade from 27 March to 1 May 2020, with the exception of baby essentials, which could trade from mid-April.

While sales in the first nine weeks of the second half grew by 1.9%, the ensuing eight weeks to end-April delivered a decline in sales of 61.4%. FBH trade reopened to sell essential items only (which comprised winter clothing, footwear, personal care and bedding) from the beginning of May 2020, with all categories permitted to trade from mid-May 2020. Our teams were well prepared to react swiftly and decisively when the lockdown restrictions were lifted. This saw the pace of sales decline slowing to 12.4% in the last nine weeks of the second half. Inventory was well-managed, with a series of focused promotional and clearance initiatives. While this negatively impacted gross profit margin, it has resulted in better inventory levels and an improved working capital and net gearing position at year-end.

## FOOD

Our Food business, on the other hand, performed very strongly, with turnover and concession sales growth of 10.7% and comparable sales 8.0% higher on a 52-week basis. In the first half, we grew volumes and gained market share as turnover and concession sales increased by 8.1%, and by 7.8% after adjusting for the shift in trading weeks, with comparable store sales up 5.4%. Momentum accelerated into the second half, demonstrating the strength and resilience of our Food business, notwithstanding the constraints of lockdown restrictions, social distancing, and the temporary closure of our hot food counters, wine alcoves and WCafé business.

While sales in the first nine weeks of the second half grew by 7.5%, growth accelerated to 17.4% in the subsequent eight weeks to end-April 2020 due to panic buying which saw significant spikes in trade in the weeks immediately preceding the lockdown.

**FBH**

| -10.7% | +35.4% | 5.5% |
|---|---|---|
| *Decrease in total sales* | *Online sales growth* | *ROS* |

*Studio.W, Autumn 2020*

**FOOD**

**+10.7%**
*Total turnover and concession sales growth*

**+57.2%**
*Online sales growth*

**7.7%**
*ROS*

Although demand subsequently moderated, with shopping patterns reflecting reduced footfall but increased average basket size, the business continued its positive momentum into the last nine weeks of the second half, with sales growing by 16.1%, as the easing of regulations allowed trade in categories that had been previously restricted.

There was a significant focus on improving Woolworths' online fulfilment capability. Our initial response strategies included contactless delivery from the first day of the lockdown, limiting items per customer to temper panic buying, increasing delivery capacity by 50%, and introducing curb-side 'click and collect' in just seven days which is now available from over 60 stores. Consequently, online sales during the second half grew by 87.8% and 41.3% in our Food and FBH businesses respectively.

Net new space increased by 1.0% and 2.6% in FBH and Food, respectively. We actively limited space growth as we continue to focus on productivity and efficiencies in our physical stores, particularly in FBH, as well as driving growth through our digital channels.

## WOOLWORTHS FINANCIAL SERVICES

Woolworths Financial Services (WFS) was negatively impacted by the closure of stores, lower non-essential spend and lower prevailing interest rates, all of which placed pressure on book and revenue growth, resulting in book growth of 2.0% (9.0% at 31 March 2020). In addition, a deterioration in customer collections increased impairments for the second half of the financial year, with the impairment rate for the 12 months at 7.9%, versus only 3.7% for the 12 months to 30 June 2019 (12 months ended 30 June 2019: 3.7%; 9 months ended 31 March 2020: 4.2%). We continue to take proactive steps to increase collections capacity, review credit risk strategies, and implement customer relief programmes.

Our main priority during the COVID-19 crisis has been the health and safety of our employees and customers. We supported our employees' safety and wellbeing by enabling them to work from home where possible, putting in place strict hygiene and safety protocols at all our operations, managing payroll, and ensuring ongoing communication and engagement. We consider our people to be our greatest asset. The recent COVID-19 crisis has been testament to this, as they faced it with passion, commitment, and courage.

Given the continued impact of the adverse trading environment across the Southern African operations, notably in FBH, we proactively engaged with our South African funders and had positive discussions with our South African banks with regard to any potential covenant impacts. The business has significant liquidity headroom in terms of its forecast cash flows and existing facilities. We have also successfully renewed our South African Revolving Credit Facility funding lines.

Our Good Business Journey 2020 Group goals, set in 2016, culminated at the end of this reporting cycle. We have made significant progress in meeting these goals but acknowledge that, in certain instances, we still have a way to go to achieve them.

Last year, we celebrated the 10th anniversary of our flagship Farming for the Future programme, and through our Fishing for the Future programme remained at the forefront of the South African retail industry in terms of the percentage of third-party certified seafood sold. We continued to focus on the responsible sourcing of key commodities, including cotton, palm oil and others, and driving energy and water efficiency in our direct operations and supply chain. We continued the roll-out of lightweight, frameless acrylic fridge doors and the installation of LED lighting in stores, both of which significantly improve our energy productivity as a business.

During the year, we made significant packaging improvements, increasingly replacing non-recyclable packaging with recyclable or reusable options where possible. We continued to roll out a low-cost reusable bag in Food and a recyclable paper bag in FBH. We also started incorporating more recycled content into our fashion and homeware products, while also contributing towards the circular economy.

Significant work was undertaken to address the impact of the COVID-19 pandemic in our operations and local communities, with over R34 million allocated to our response to the pandemic.

**USEFUL LINKS** FOR MORE DETAIL

CASE STUDY ON OUR RESPONSE TO THE COVID-19 PANDEMIC

2020 GOOD BUSINESS JOURNEY REPORT

# STRATEGY FOR 2021 & BEYOND

*We are on a journey to reimagine and reshape our business for the future. Our strategic framework, however, remains relevant as we aim to be our customers' preferred shopping destination due to our exceptional quality, value, and innovative, trusted products. We are guided by our purpose and values, with our people and customers at the heart of our strategy, as we aim to offer solutions in both the physical and digital worlds to deliver a connected retail experience that makes every moment memorable and delivers long-term, sustainable value for all our stakeholders.*

Our customers are at the heart of all that we do. We will continue to use our customer database to further leverage data to inform all our business decisions, including our product, service, and format strategies.

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 who shop more frequently and acquiring new customers, with a focus on growing our black customer base. We will manage our relationships with all our customers by tailoring our products, offers, and services to best meet their wants and needs. We continue to focus on providing a differentiated loyalty experience that is more personalised. This is enabled by our loyalty value proposition, which is simple, easy to use, meaningful, and convenient across all channels.

We remain focused on driving a 'quality first' mindset through an integrated quality approach, which includes how we work with our suppliers to develop best-in-class products. We continue to enforce strict governance and compliance requirements to ensure that we deliver safe, quality products to our customers.

Price has been a key strategic focus area in both FBH and Food as we focus on making the brand more accessible. The impact of COVID-19 has amplified the need for us to invest in price more boldly and quicker. Our goal is to invest R1 billion in price over the next two years, funded through value chain savings, supplier contributions, and margin reinvestment. We will continue to use data analytics to inform and tailor our price and promotions decisions and will also continue to conduct basket checks against our competitors to ensure that our prices remain competitive. While we invest in price, we will not compromise on quality as the value we provide to our customers is dependent on both the price they pay and the quality they receive.

*Woolworths, Autumn 2020*

We aim to provide our customers with innovative products that have a unique Woolworths point of view, through an offering that suits their changing lifestyle wants and needs. This will be enabled by focusing on all elements of our products across all areas of our business through the seamless collaboration (in partnership with our suppliers) in design, buying, planning, sourcing, and technology.

## FASHION, BEAUTY AND HOME

One of our critical priorities remains increasing our share of the Fashion, Beauty and Home market by focusing on fixing and repositioning the business, while simultaneously driving future growth. We are placing particular emphasis on rebuilding our customers' faith in Womenswear, which is the cornerstone of our business.
With the expected increased FBH retailer consolidation, there is an opportunity to drive this even more aggressively. We will do this by being clear on the categories we want to own, introducing new categories, expanding existing ones, and introducing selected brands that will enhance our credentials. This will be supported by an aggressive trade plan and enhanced service in targeted areas.

The existing trend towards wellbeing and comfort has accelerated in the current year as our customers' lifestyles rapidly evolve, with more of them working remotely and increasingly valuing home nesting and comfort. We will respond to this by increasing our focus on active and lounge wear, with a longer-term view of this being a key part of a wellbeing offer.

We aim to dominate the market in key FBH categories – the products that customers expect to find at Woolworths. We will anchor our key categories in beautiful basics, which will be carefully curated by season, 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.

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 will continue to build on the momentum in our Home business, particularly via the online channel.

## FOOD

Globally and in South Africa, there are significant shifts in the way customers are shopping for, cooking, and eating food, ranging from those who want to shop in-store and cook from scratch to those who prefer to shop online and have pre-packaged or ready-to-eat meals delivered. This demand for a variety of at-home food solutions was further heightened by the COVID-19 pandemic. We will keep innovating products and ranges that will continue to lead and inspire our customers, providing them with a curated offer of their desired food and cooking solutions.

In addition, we continue to focus on how we deliver these inspiring solutions to our customers through easy and accessible convenience – be it in our stores, in their workplaces or homes, at recreational activities, events or online.

## WOOLWORTHS FINANCIAL SERVICES

Woolworths Financial Services will continue to drive sustainable portfolio growth strategies and robust collections and impairment performance, while simultaneously transforming the WFS customer experience to one that is consistent with

*Studio.W, Summer 2020*

> ***THE EXISTING TREND TOWARDS WELLBEING AND COMFORT HAS ACCELERATED IN THE CURRENT YEAR AS OUR CUSTOMERS' LIFESTYLES RAPIDLY EVOLVE, WITH MORE OF THEM WORKING REMOTELY AND INCREASINGLY VALUING HOME NESTING AND COMFORT.***

and aligned to the Woolworths brand. Our WFS digital roadmap remains a strategic focus as we future-fit our card offerings to make them more relevant to our customers and to Woolworths.

While we have steadily grown our digital platform over the past few years, the significant shift towards digital channels as a result of COVID-19 has amplified our need to further invest in our digital experience, capacity, and capabilities. In the short-term, we will focus on optimising and future-proofing our online journey, introducing multiple delivery options while at the same time investing in hygiene factors, including fraud and loss prevention, to further improve the digital experience.

The accelerated adoption of e-commerce, along with resultant store closures, will have a significant impact on the South African real estate market. While we are currently well positioned regarding lease renewal periods, exposure in sought-after nodes, and favourable rental agreements, 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 will modernise our physical stores to deliver unique, in-store experiences. Over the next three years, we plan to add approximately 4.0% net new space to our Food business while reducing our FBH footprint by approximately 1.5%. We remain cognisant of the significant work required to optimise space in FBH and to improve the profitability of smaller Food stores. We are also exploring options to pilot new store formats and to increase the size of some of our small- and medium-sized Food 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 will 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 also continue to drive local sourcing, as appropriate, to mitigate import restrictions.

We are investing in our supply chain and plan 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 also improve availability of products and profitability in both FBH and Food.

Evolving our IT platform will provide flexibility and scale to support the delivery of innovative, cost-effective, and sustainable solutions. This will further allow us to make decisions informed by actionable insights derived from deep and rich data analysis across many sources.

Our people are critical to the successful execution of our strategy. We are clear that we need to reshape our people model in its entirety to prepare for a world where flexible working, remote communication, increased collaboration, rapid decision-making, learning at scale and employee relationships built on trust become the 'new normal'. At the same time, optimising productivity remains an imperative. Our commitment to progress the journey towards a living wage for our people was amplified by the COVID-19 crisis and remains a key strategic focus.

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

We will refresh our GBJ strategy to align with the new overall Group ambitions and goals. We will continue on our Group's journey to achieve the commitment of having zero packaging waste to landfill by 2022 by further phasing out of single-use plastic bags across our store network and working to replace all our packaging with reusable or recyclable options.

In addition, we are acutely aware of our responsibility to play our role in inclusive growth in South Africa, even more so as we help to rebuild our country and our economy in a post-COVID world.

**USEFUL LINK** | 2020 GOOD BUSINESS JOURNEY REPORT

# DAVID JONES

## AN OVERVIEW OF OUR BUSINESS

### *OUR VISION IS TO BE AUSTRALASIA'S MOST LOVED CURATOR OF THE WORLD'S BEST FASHION, BEAUTY, FOOD AND LIFESTYLES, BRINGING JOY TO PEOPLE'S LIVES*

*David Jones (DJ) is an iconic Australian department store that has been trading for over 180 years. It operates in Australia and New Zealand, offering customers superior products and services from leading national and international brands in fashion, beauty, food, and homeware. A financial services offering is provided to customers in partnership with Amex.*

We operate at the top- and upper-middle tiers of customers within our markets, with a focus on those who seek on-trend products and stylish, exclusive brands complimented by impeccable service. Customer relationships are enabled through our digital David Jones Rewards programme, which allows us to communicate with them in a meaningful manner and improve our customer engagement and personalisation. We now have an active membership base of 1.6 million members with whom we can communicate directly.

We purchase our merchandise on a wholesale basis and also offer concession agreements to a number of brands.

Our merchandise strategy is to curate a compelling assortment of desirable and exclusive Australian and international brands, creating a differentiated customer experience. We leverage customer insights to build brand assortments based on customer segmentation and store catchment data, ensuring the product mix offered to customers is highly relevant.

We prioritise newness and growing and protecting the exclusivity of desired brands to build credibility within our ranges.

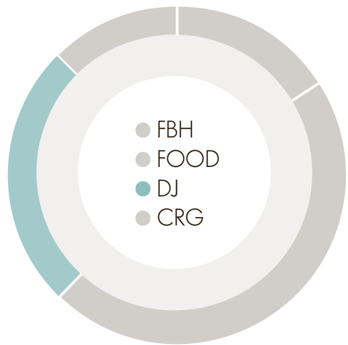
We also provide our customers with private label food products and edited, curated food ranges with Food Halls in our flagship stores in Sydney and Melbourne as well as convenience offers in our Malvern and Capitol Grand stores in Melbourne. Our successful trial with BP allows us to provide our customers with David Jones Food products in a growing number of BP forecourt shops.

We have a contemporary website platform and have grown a material online sales base on which to build, as we look to be the premium online platform and marketplace in Australasia. As we shift our focus to digitally engaging with our customers, we have commenced a phased right-sizing of trading space in line with our store network strategy. We currently have 47 stores in Australia and New Zealand, and we own our flagship stores, the newly refurbished Elizabeth Street store in Sydney and Bourke St Womenswear store in Melbourne.

We employ a dedicated team of 7 012 people across our operations. Our head office staff share a purpose-built head office facility with their Country Road colleagues in Melbourne, Australia, allowing us to leverage synergies and efficiencies.

We are aligned with the Group's focus areas and sustainability commitments and contribute towards these by implementing sustainable practices and embedding our Good Business Journey in everything we do.

*Contribution to Group turnover**




**25.4%**
*Contribution to Group turnover**

**-9.2%**
*Contribution to Group adjusted EBIT*

**% ONLINE SALES**
**14.2%**

**STORE LOCATIONS**
**47**


*David Jones, Summer 2020*

*On a comparable 52-week basis*
*As at 28 June 2020*
** Including concession sales*

# PERFORMANCE IN THE CURRENT YEAR

**-6.4%**
*Decrease in total turnover and concession sales*

**+74.1%**
*Online sales growth*

**-1.6%**
*ROS*

In the first half, turnover and concession sales increased by 4.9%, but were disappointingly 0.5% lower after adjusting for the shift of the Christmas week, as we still experienced significant disruption from the Elizabeth Street store refurbishment coupled with the bushfires which impacted footfall and sales towards the end of the period. Comparable store sales (including online) were 0.4% lower versus that of the prior year.

Second half trade was severely impacted by the government measures taken on social distancing to contain the outbreak of COVID-19. Our main priority throughout the COVID-19 pandemic has been ensuring the health and safety of our team and safeguarding the future of our business.

While Australia did not implement a full-scale lockdown like New Zealand, the government implemented significant restrictions on the movement and gathering of people and limited business operations across many sectors. Although retail stores were not obliged to close, many discretionary retailers announced the closure of stores as a precautionary measure.

During this time, apart from two small-format stores, we continued to trade in all Australian stores, adhering to strict social distancing protocols. This strong commitment from store teams was well received by our customers. Nonetheless, there was a significant impact on foot traffic and store sales. Total sales for the first nine weeks of the second half were up 0.5% but declined by 35.8% in the subsequent eight weeks to the end of April. Sales in the last nine weeks of the second half declined by 8.1% as restrictions began to ease in most parts of the country, resulting in a gradual improvement in foot traffic. The decline in store sales was partly mitigated by the significant shift to online, which saw the channel growing by 100.7% in the second half and contributing 18.4% to sales.

A key highlight of the year was the completion of the two-year redevelopment of our Elizabeth Street flagship in Sydney, with the much-anticipated luxury Beauty and Accessories ground floor opening in December 2019 in time for Christmas trade, followed by the opening of the Menswear, Home and Food floors in March and April 2020 respectively. While the impact of lower foot traffic and the decline in tourism from COVID-19 has been more pronounced in the CBD locations, the store is trading ahead of the remaining DJ store portfolio, and we are confident that its performance will be a key building block in the future success of our business.

The silver lining during this time was the performance of our online store, with a material channel shift seen as customers adhered to social distancing measures and remained at home. We proactively responded by revising our digital trading plan and order fulfilment capacity through extra shifts in our distribution centre, third parties, and expanded in-store fulfilment facilities. This drove significant online sales growth of 74.1% on last year, with online sales contribution not expected to fall below 20% of turnover going forward.

In order to stimulate trade and generate and preserve cash over this period, we aggressively cleared seasonal stock through promotional activity, significantly reduced our inventory intake, extended payment terms with suppliers, ceased all non-essential capital and operating expenditure and sought rent relief from landlords. We also reduced the working week for our support centre team members, actioned


*David Jones, Summer 2020*

significant remuneration reductions for our executive management team, reduced hours in our store teams and successfully completed the large body of work to apply for the Government Jobkeeper wage subsidy programme.

The Board and management team also initiated several key strategic projects to underpin the strength of our balance sheet and establish a platform which enables long-term growth.

A review of the capital structure of the Australasian entities by UBS was initiated to ensure a more sustainable funding structure, including options pertaining to our Australian property portfolio. Any proceeds generated as a result of our capital management initiatives will be applied to the repayment and cancellation of debt facilities. As a first measure, we have sold the Bourke Street Menswear building and received the final settlement of A$121 million in July 2020.

We proactively sought the suspension of covenant testing for the Australian funding as the COVID-19 impact and the challenging trading environment is expected to reduce the headroom for the June and December 2020 covenant periods. Both the lending banks and bondholders granted the requisite suspension of covenant testing.

WHL provided funding support of A$75 million to the Australasian businesses in the form of a loan secured by a second lien, conditional upon securing the suspension of covenant testing from the Australian funders. Provision has also been

> ***AS GOVERNMENT RESTRICTIONS HAVE EASED IN AUSTRALIA AND NEW ZEALAND, WE HAVE SEEN A POSITIVE UPLIFT IN FOOTFALL AND A COMMENSURATE, ENCOURAGING SALES PERFORMANCE ACROSS OUR NETWORK OF STORES.***

*David Jones, Summer 2020*

***THE DEVASTATING AUSTRALIAN BUSHFIRES FROM SEPTEMBER 2019, FOLLOWED BY THE COVID-19 PANDEMIC, BROUGHT INTO SHARP FOCUS THE NEED TO OPERATE IN AN ETHICAL AND RESPONSIBLE WAY AND HAS EMPHASISED THE NEED FOR US TO DO MORE.***

made for further in-principle support to the business to the value of A$25 million to the extent that it may be required. At year-end, these funds had not flowed to the Australasian businesses, given improved liquidity as a result of management's deliberate cash generation and preservation initiatives.

We are also undertaking discussions with Australasian landlords to accelerate the restructuring of our store networks and the right-sizing of our floor space by leveraging our regional scale and our anchor tenant status in shopping malls.

Throughout this turbulent year, we continued to focus on brand exclusivity with over 60 new, exclusive brands launched in the current year. Most notably, the Country Road Group brands became exclusive to David Jones in September 2019. We also used our enhanced view of brand profitability to negotiate improved vendor trading terms. Additionally, we trialled our Food offer in 10 BP forecourts, and both the sales results and customer feedback indicates that our pilot stores have been well received.

The devastating Australian bushfires from September 2019, followed by the COVID-19 pandemic, brought into sharp focus the need to operate in an ethical and responsible way and has emphasised the need for us to do more. Increasingly, we seek to engage with our customers through our Good Business Journey (GBJ) programme, from highlighting brand partners that offer more sustainably and ethically made goods to involving them in supporting our key community partners. The Reconciliation Action Plan, reinforced by the #blacklivesmatter campaign, raised cultural awareness about indigenous experiences and presented an opportunity for reflection and learning.

Together with Country Road Group, we aimed to increase transparency and ethical standards in the supply chain, including making Living Wage milestone commitments, signing the Turkmenistan Cotton Pledge, and launching the Responsible Wool Strategy for private label products.

We continually strive to reduce our impact on climate change and the environment more broadly. In the current year, we implemented a new monitoring tool to provide accurate measurement of operational energy usage across our operations and conducted an independent analysis to determine where to focus our efforts to reduce carbon emissions in our value chain. In line with the Group's vision of zero packaging waste to landfill, Capitol Grand became our first store to be single-use plastic bag free.

**USEFUL LINKS** FOR MORE DETAIL

CASE STUDY ON OUR RESPONSE TO THE AUSTRALIAN BUSHFIRE CRISIS

CASE STUDY ON OUR RESPONSE TO THE COVID-19 PANDEMIC

2020 GOOD BUSINESS JOURNEY REPORT

# STRATEGY FOR 2021 & BEYOND

*We aim to be Australasia's most-loved curator of the world's best fashion, beauty, food, and lifestyle, bringing joy to people's lives. In order to do so, we need to ensure that we have a sustainable, value-accretive business model. The Board and management team will continue to act swiftly and decisively to protect our financial position, to optimise our liquidity and capital structure, and to reposition the business to deliver long-term shareholder value.*

Our customer data and analytics allow us to define clear customer segments, each with specific wants and needs, which inform our customer strategy. We will further entrench this data-led approach across our organisation, enabling us to continually make customer-centric decisions throughout our business.

We will continue to build an exclusive and differentiated product assortment with the most desired and iconic Australian and international brands.

Our data-driven decision-making will see us continually improve brand mix by store, expand more successful brands and product categories, increase wholesale mix in key categories, and rationalise underperforming brands in order to optimise profitability. Our improved vendor trading terms will enhance our buying margins, and we will also continue to leverage and optimise our merchandising and planning systems to enable better stock management, improve stock-turn, and decrease markdowns.

In our Food business, we will continue to expand our footprint in BP forecourts as part of our focus on driving convenience.

We will further enhance our loyalty programme with new member reward benefits and exclusive offers. The enriched customer data gained will drive up-selling and cross-selling opportunities, allow us to optimise marketing expenditure, and improve promotional effectiveness as we shift from broad offers to digitally communicated, personalised offers available to loyalty members.

Our digital channels will underpin the future of our business, and we have ambitious growth targets. To achieve these, we will shift our capital expenditure and operating model to the digital space and improve onsite experience and sales conversion with product recommendations, ratings and reviews, improved search and filter capability, increased customer personalisation, and expanded call centre support. Range expansion will occur through new online categories and increased concession participation, including improved drop-ship functionality, which will allow for concession partners to directly fulfil online orders from their own inventory supplies.

In light of online performance and the future projections for this channel, and anticipation of a permanent shift in customer buying habits, we have accelerated our network strategy to right-size our store footprint. Our focus is on the consolidation of space and closure of stores where a lower mix of our core customers shops. We will continue to work collaboratively with landlords to negotiate favourable lease terms. The successful execution of this strategy is vital to the future profitability of the business.

At the same time, we want to provide immersive, inspiring in-store experiences. Our stores will be differentiated by the quality of our offer, the level of in-store staff experience and interaction, and the quality of service and personal styling we provide. This includes providing our customers with unique experiences such as our fashion launches, flower shows, Christmas window displays, and other engaging in-store events. We will further improve our service proposition and in-store execution, enabling our staff to exceed customer expectations and improve their journeys as reflected by improved net promoter scores.


*David Jones, Summer 2020*

As part of our capital plan initiatives, we are seeking to significantly reduce the debt in David Jones to further enable a return of proceeds to WHL and the resumption of dividends from the Australasian entities. Future options relating to our Australian property portfolio are under review and proceeds will be applied to the repayment and cancellation of debt facilities.

We maintain an absolute focus on improving profitability and controlling costs. We will reduce the operating costs of David Jones by refining our operating model to improve organisational effectiveness and developing ways of working to promote efficiencies and speed of decision-making. Capital allocation will be subject to strict return on investment requirements as we focus on only the most accretive initiatives to the business.

To deliver on future online demand, we will increase our distribution centre capacity and optimise our supply chain processes to drive cost efficiencies and improve margins. This will speed up our online deliveries and enhance visibility, availability, and profitability in all channels.

We remain focused on attracting, developing, and retaining the best talent for our business to deliver exceptional customer experience and embedding a values-based culture that drives high performance.

As we refresh the Good Business Journey strategy, customers will be able to engage with a new sustainability microsite that will highlight brand partners with high ethical and sustainable standards. We will also focus on identifying new ways to operate within circular systems of production, and on implementing our carbon strategy. We remain committed to increasing ethics and transparency in the supply chain, the health and wellbeing of our people, supporting local communities, and improving cultural awareness and engagement with our Aboriginal and Torres Strait Islander peoples.

**USEFUL LINK** | 2020 GOOD BUSINESS JOURNEY REPORT

# COUNTRY ROAD GROUP

## AN OVERVIEW OF OUR BUSINESS

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

*Country Road Group is a group of aspirational, quality, design-led brands based in Australia and operating in Australia, New Zealand, and South Africa. We offer stylish, high-quality apparel, accessories, footwear, and homeware through our five brands: Country Road, Witchery, Trenery, Mimco, and Politix.*

The brands are positioned to appeal to the mid- to upper-tier consumer within our respective markets. We have clearly defined brand identities and customer-led strategies for each brand. We differentiate ourselves from our competitors by offering a premium proposition to each brand's specific target customers. Country Road is an iconic Australian lifestyle brand offering stylish, high-quality products for women, men, children, and home. Witchery is a feminine, modern brand, while Politix provides formal menswear. Trenery appeals to our slightly older, more classic customer and Mimco offers accessible, luxury accessories.

Country Road, Witchery, Trenery, and Mimco all have successful loyalty programmes through which they engage with customers and reward them for their loyalty.

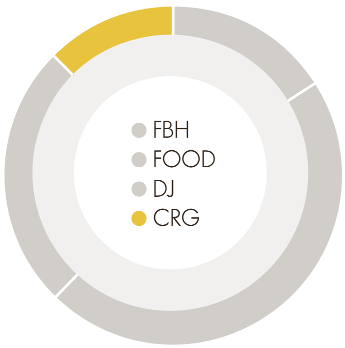
In Australia and New Zealand, CRG brands are sold in standalone stores and on an exclusive concession basis in David Jones stores. In South Africa, Country Road, Witchery, and Trenery brands are sold in a limited number of standalone stores and on a concession basis in select WSA stores. CRG brands can also be purchased online through their best-in-class digital platforms.

Our purpose-built, owned Omni-channel Fulfilment Centre in Melbourne services all Country Road Group stores and online fulfilment requirements. This centralised approach reduces 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 as it serves to support the increase in online sales.

We have more than 5 480 dedicated and passionate people employed across our business. Our Melbourne-based regional head office, which we share with David Jones, embeds a value-based culture across our Group.

The successful implementation of our Good Business Journey (GBJ) is critical in order to deliver long-term sustainable value for all our stakeholders. GBJ targets are integrated into CRG's balanced scorecard and performance management processes to entrench the sustainability practices and principles across our brands.

*Contribution to Group turnover**




**12.3%**
*Contribution to Group turnover**

**11.2%**
*Contribution to Group adjusted EBIT*

**% ONLINE SALES**
**25.5%**

**STORE LOCATIONS**
**714**

*Trenery, Spring 2020*

*On a comparable 52-week basis*
*As at 28 June 2020*
** Including concession sales*

# PERFORMANCE IN THE CURRENT YEAR

**-14.3%**
*Decrease in total sales*

**+15.4%**
*Online sales growth*

**4.3%**
*ROS*

We continued to focus on increasing our penetration in our target markets. We now have a customer base of 2.1 million loyalty customers with whom we can actively engage and track over 85% of sales on loyalty cards.

We completed the exit of Country Road Group brands from Myer stores and, from the end of September 2019, these brands were only available in standalone, David Jones and Woolworths SA stores as well as through the online channels of each business. This allows us to better control the customer experience around our brands, drive extensive growth in online channels, and further optimise our footprint and profitability.

Country Road Group sales declined by 14.3%, and comparable store sales (which include online) decreased by 8.7% for the year.

In the first half, the impact of the Australian bushfires and the exit from Myer saw sales decline by 2.5%. When excluding the impact of the Myer exit, sales increased by 3.3%. Comparable store sales grew by 0.1% after adjusting for the shift in trading weeks, as the Myer transfer to other channels was better than expected.

As discussed under David Jones, the bushfires continued to hamper trade in the beginning of the third quarter. Second-half trade was also severely impacted by precautionary measures taken to contain the outbreak of COVID-19 with mandatory store closures in New Zealand and significant restrictions on movements and gatherings of people, and limited business operations in Australia. The smaller format of our CRG stores made it difficult to implement social distancing protocols. Accordingly, we decided to close all stores for eight weeks, commencing 28 March 2020, while online channels remained available. This saw sales decline by 50.4% in the second eight weeks of the second half, having achieved 1.7% growth in the preceding nine-week period. CRG began a phased re-opening of stores from 21 May 2020, resulting in a moderate improvement in trade, with sales in the last nine weeks declining by 20.9%.

We continued to focus on driving trade through our online channel, particularly during the period when our stores were closed, growing online sales by 28.1% in the second half, which contributed 33.5% of total sales during this period.

As the contribution from online sales increases, the reduction of unproductive space remains a priority. The exit from Myer, coupled with the closure of selected stores at lease expiry, resulted in a 5.3% reduction in CRG's retail space.

The closure of stores meant that our retail employees were be stood down during this period, in line with Australian workplace laws. However, the Federal Government 'JobKeeper' wage subsidy programme provided some relief. Our core support centre team worked remotely throughout the critical period, and supporting teams worked on reduced hours, returning full-time from July 2020. As discussed under David Jones, we were in constant communication with customers, suppliers, the Australian Retail Association, federal and state governments, and in-store and support centre team members.

As discussed under David Jones, management has intensified its focus on liquidity, minimising operating and capital expenditure and managing working capital across our operations. There are several key strategic projects and underpinning initiatives which directly impact CRG. These include the provision of funding support of A$75 million from WHL to the Australasian businesses as a loan facility if required, proactively seeking the suspension of covenant testing for the Australian funding, and reviewing the capital structure of the Australasian entities and restructuring of its borrowings to ensure a more sustainable funding structure.


*Witchery, Autumn 2020*

The devastating bushfires and the COVID-19 pandemic heightened the importance of sustainability, and we continually challenge ourselves to find better ways of doing business.

The CRG brands contributed meaningfully to community partners this year, with customers and employees providing both financial and practical support through various initiatives, including those in response to the bushfire crisis.

We commenced a modern slavery risk assessment and made further progress in enhancing the ethical standards and transparency of our supply chain. Country Road partnered with Oritain to develop traceable wool and cotton programmes. Mimco increased the number of tanneries in their supply chain that are Leather Working Group certified, and Trenery increased its use of recycled material options.

We also made considerable effort to reduce our climate change impacts and move towards more circular systems of production. Country Road launched the first fashion retail store in Australia to achieve a 5-Star Green Star rating. Customer clothing takeback schemes were also enhanced across the brands through various existing and new programmes. In addition, Country Road launched a new partnership with clothing retail business Glam Corner, offering customers the opportunity to rent, rather than buy, their desired items.

**USEFUL LINKS** FOR MORE DETAIL

CASE STUDY ON OUR RESPONSE TO THE AUSTRALIAN BUSHFIRE CRISIS

CASE STUDY ON OUR RESPONSE TO THE COVID-19 PANDEMIC

2020 GOOD BUSINESS JOURNEY REPORT

# STRATEGY FOR 2021 & BEYOND

*Our vision is to be a next-generational group of aspirational, quality, design-led Australian brands. We will achieve this by creating delightful experiences and brand value for our people and customers. The personalised, inspiring and seamless customer experience we provide unlocks customer growth opportunities both in Australasia and globally. Underpinning the brands is a common platform of capabilities delivered by an agile operating model that, along with our Good Business Journey, will see us deliver long-term, sustainable value to the Group and all our stakeholders.*

We keep our customers at the heart of everything we do. 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.

We will continue to establish a customer connection unique to each Country Road Group brand and simultaneously use the combined customer databases across all our brands to drive revenue synergies through cross-shopping opportunities. While will not lose sight of our core customer, we will also embrace the opportunity to target a broader customer demographic by more effectively using data and insights.

We will continue 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 as we continue to enhance our programmes and drive customer engagement by leveraging our digital and mobile platforms to modernise their experience. We will also introduce a loyalty programme for Politix.

In order to satisfy our customers' wants and needs, we must ensure that we provide them with beautiful merchandise. We remain focused 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. As we strive to deliver style with authority across all our brands, we will take a design-led approach in our decision-making and a bold stance on trend design and product direction. We will further refine our product mix to encapsulate the changes in our customers' purchasing behaviour, such as meeting the growing demand for more casual attire.

*Trenery, Spring 2020*

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.

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.

***WE WILL MAXIMISE OUR SALES AND PROFITABILITY BY DRIVING MORE PERSONALISED, TARGETED MARKETING TO OUR LOYAL CUSTOMERS.***

> ***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.***

*Country Road, Spring 2020*

We will improve our gross profit margins through the continual development of a world-class supply base which will facilitate the delivery of aspirational product at competitive prices. We will enable this through leveraging our sourcing capability and by building closer relationships with our suppliers, reducing the number of agents we use and establishing new direct sources.

As customers continue to shift their shopping behaviours towards digital channels, we aim to grow our online sales even more aggressively to over 25% by 2023, while improving store profitability and delivering a seamless shopping experience across all channels. We will drive online sales by continuing to increase the speed and functionality of mobile and desktop sites, as well as introducing strong tactical initiatives such as increased personalisation, enhanced delivery choices, exciting product launch pages, and improved digital marketing and social media strategies. 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.

A key focus is the right-sizing of our store portfolio and managing costs to improve our profitability. We aim to reduce our trading space by at least 10% over the next three years. This will be achieved by rationalising our store portfolio and reducing our retail store footprint by closing unprofitable stores, negotiating better rental terms with landlords and embedding a more efficient staffing model. At the same time, we will also invest in highly engaging and digitally integrated in-store flagship experiences.

While we continue to invest in more agile and innovative technologies and capabilities to provide seamless customer experiences, we will also apply even more focus to cost optimisation across our brands.

We will continue to improve planning and stock management principles and 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.

We aim to conclude the review of the capital structure of the Australasian entities and restructuring of its borrowings to ensure a more sustainable funding structure.

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

With our heightened focus on striving for high standards of ethics and sustainability, we believes our Good Business Journey programme will be a clear differentiator for our brands going forward. We will continue to drive high ethical standards and sustainable raw material strategies in the supply chain, and will seek to further engage transparently with our customers. We will make greater efforts to further reduce our climate change impacts, and we will continue to evolve our transition to more circular systems of production. Supporting the health and wellbeing of our people and communities will remain of paramount importance, and we will take greater steps towards Reconciliation with our Aboriginal and Torres Strait Islander peoples.

**USEFUL LINK** | 2020 GOOD BUSINESS JOURNEY REPORT

# OUR GOVERNANCE

QUICK ACCESS TO SECTIONS



*Studio.W, Summer 2020*

# OUR LEADERSHIP & GOVERNANCE

***Inherent in our vision to be one of the world's most responsible retailers*** *is the responsibility to ensure that the ethical culture and good governance practices in the Group remain as strong as ever, continue to be evolved to counter challenges, and remain relevant in a rapidly changing world.*

As the custodian of ethical governance with collective responsibility for setting an ethical tone at the top, the Board steers this evolution of culture and governance, ensuring that high ethical standards and governance practices are channelled into all levels of the organisation to enhance our reputation, build trust, and, ultimately, lead to the creation and protection of value for all stakeholders.

The culture and values embedded in our business have enabled the Board to focus on steering the Group through the initial tough trading conditions affecting the retail sector during the last half of 2019 and, subsequently a Black Swan event in the form of the COVID-19 pandemic in early 2020, in the knowledge that the ethical culture, high standards of governance, and integrity across the Group would hold firm. In addition, our governance framework contributed to the efficient functioning of our governance structures, allowing the Board and senior management to focus on the significant challenges and agile decision-making required to respond appropriately to the COVID-19 pandemic.

As governments across the world implemented strict measures and lockdown regulations to slow the spread of the virus, swift action was required to mitigate the impacts across our value chain. The governance framework, which provides role clarity and clearly delineated roles and areas of accountability, facilitated a well-coordinated response to COVID-19, ensuring strategic alignment across the Group and efficient and informed decision-making at the appropriate levels.

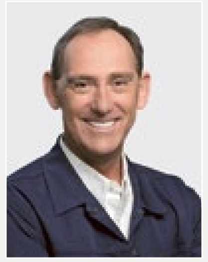
***Further details*** *on the governance framework and the supporting processes and policies, such as the Board Charter, committee terms of reference, and our governance policies, are available on our website,* ***www.woolworthsholdings.co.za***.

**THE BOARD STEERS THE EVOLUTION OF CULTURE AND GOVERNANCE, ENSURING THAT HIGH ETHICAL STANDARDS AND GOVERNANCE PRACTICES ARE CHANNELLED INTO ALL LEVELS OF THE ORGANISATION.**

# DIRECTORATE

## BOARD OF DIRECTORS

**HUBERT BRODY (56)**
SOUTH AFRICAN
Chairman
Independent Non-executive Director
*Joined the Board in 2014*



**ROY BAGATTINI (57)**
SOUTH AFRICAN
Executive Director and
Group Chief Executive Officer
*Joined the Board in 2020*

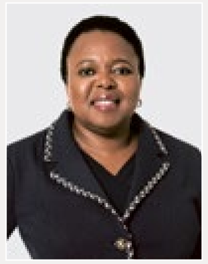
**ZARINA BASSA (56)**
SOUTH AFRICAN
Lead Independent Director and
Independent Non-executive Director
*Joined the Board in 2011*

**CHRISTOPHER COLFER (51)**
CANADIAN
Independent Non-executive Director
*Joined the Board in 2019*

**BELINDA EARL (58)**
BRITISH
Independent Non-executive Director
*Joined the Board in 2019*

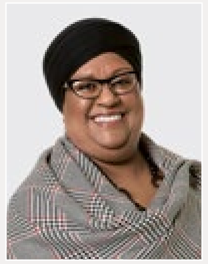
**REEZA ISAACS (51)**
SOUTH AFRICAN
Executive Director and
Group Finance Director
*Joined the Board in 2013*

**DAVID KNEALE (66)**
BRITISH
Independent Non-executive Director
*Joined the Board in 2019*



**NOMBULELO MOHOLI (60)**
SOUTH AFRICAN
Independent Non-executive Director
*Joined the Board in 2014*

**SAM NGUMENI (52)**
SOUTH AFRICAN
Executive Director and
Group Chief Operating Officer
*Joined the Board in 2014*



**ZYDA RYLANDS (55)**
SOUTH AFRICAN
Executive Director and Chief
Executive Officer: Woolworths
*Joined the Board in 2006*

**THEMBISA SKWEYIYA (47)**
SOUTH AFRICAN
Independent Non-executive Director
*Joined the Board in 2019*

**CLIVE THOMSON (54)**
SOUTH AFRICAN
Independent Non-executive Director
*Joined the Board in 2019*

**SKILLS AND EXPERIENCE**

GLOBAL RETAIL | FINANCE | BUSINESS LEADERSHIP | STRATEGIC CAPABILITY | RISK MANAGEMENT | REMUNERATION AND PERFORMANCE MANAGEMENT | GOVERNANCE | SUSTAINABILITY, HEALTH AND SAFETY

**BOARD ATTENDANCE FOR THE FINANCIAL YEAR** 100% 80% BELOW 80%

**CHANTEL REDDIAR (44)**
SOUTH AFRICAN
Group Company Secretary
and Director: Governance, Legal,
Risk and Compliance

**USEFUL LINK** BOARD MEMBERS' BIOGRAPHIES

## BOARD COMPOSITION

We commenced the financial year having implemented a number of Board changes aimed at enabling a seamless transition of the key leadership roles when Simon Susman and Tom Boardman stepped down at the 2019 Annual General Meeting. We also supplemented the existing skills on the Board with a diverse range of fresh perspectives, skills, and experience with the appointment of five new independent non-executive directors, namely, David Kneale, Thembisa Skweyiya, Belinda Earl, Christopher Colfer, and Clive Thomson, between March and August 2019.

At the 2019 Annual General Meeting, Hubert Brody was appointed as Chairman of the Board and Zarina Bassa assumed the role of Lead Independent Director. Although Hubert is an independent non-executive director, the Board elected to retain the role of Lead Independent Director as it considers this role to be instrumental in supporting the Chairman and the Board in the delivery of effective leadership to the Group.

During the year we also announced the resignation of Andy Higginson with effect from 31 March 2020. Andy was a highly valued member of the Board and his contribution over the eight years he served on the Board, was significant.

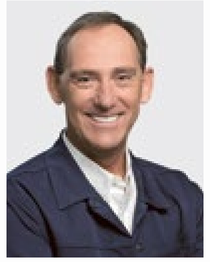
The Board, under the leadership of Hubert Brody, has worked diligently to find the appropriate expertise and skills to refresh its composition and is comfortable that the current composition comprises the right balance of skills, experience, and independence to make a meaningful contribution to the business of the Company. The Board will nevertheless continue to monitor the structural changes in the retail industry and the challenges and opportunities facing the business, to ensure that the collective experience and skills on the Board remain appropriate for sustainable value creation.

**NON-EXECUTIVE** DIRECTORS

**EXECUTIVE** DIRECTORS

The Board has a unitary structure, comprising an independent Chairman, a Lead Independent Director, the Chief Executive Officer, and an appropriate number of executive directors and non-executive directors, with a majority of non-executive directors. Our Board's diverse knowledge, skills, experience, and independence enable varied and objective perspectives to be brought into Board discussions and decision-making. All non-executive directors remain classified as independent following the independence assessment conducted this year. At the time of this report, the Board comprised eight independent non-executive directors and four executive directors.

## WHL EXECUTIVE COMMITTEE



**ROY BAGATTINI**
Executive Director and
Group Chief Executive Officer

**REEZA ISAACS**
Executive Director and
Group Finance Director

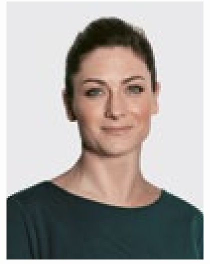
**SAM NGUMENI**
Executive Director and
Group Chief Operating Officer

**ZYDA RYLANDS**
Executive Director and Chief
Executive Officer: Woolworths

**SCOTT FYFE**
Chief Executive Officer:
Country Road Group

**IAN MOIR**
Acting Chief Executive Officer:
David Jones

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



**JEANINE WOMERSLEY**
Director: Strategy and Investor
Relations

**USEFUL LINK** | BOARD MEMBERS' BIOGRAPHIES

## DIVERSITY

Our Board and Exco currently comprise a comprehensive blend of skills, qualifications, and experience which we believe are appropriate for the nature and scale of our business and are aligned with the corporate culture of the Group. The Board recognises the importance of having an appropriate combination of skills to respond to the existing and, more specifically, the future retail landscape.

The current mix of skills and experience represented on the Board, is illustrated below:

**60%**

### GLOBAL RETAIL

Experience in the retail industry, including experience in or exposure to digital commerce and innovation, and the operation of supply chains and distribution models in large, complex organisations.

**60%**

### FINANCE

Senior executive experience in financial accounting and reporting, internal financial risks and controls, corporate finance and/or restructuring and corporate transactions.

**100%**

### BUSINESS LEADERSHIP

Experience serving on boards of publicly listed or large companies and senior leadership experience in a large, complex organisation or publicly listed company.

**100%**

### STRATEGIC CAPABILITY

Clear ability to identify and critically assess strategic opportunities and threats and to develop and implement successful strategies to create sustained, resilient business outcomes. Ability to question and challenge delivery against agreed strategic planning objectives.

**100%**

### RISK MANAGEMENT

Understanding of and experience in identifying and monitoring critical risks to an organisation and implementing appropriate risk management frameworks and procedures and controls.

**67%**

### REMUNERATION AND PERFORMANCE MANAGEMENT

Experience in developing and implementing remuneration policy with linkage between performance and value creation.

**100%**

### GOVERNANCE

Knowledge of governance practices and trends and global codes of governance. Experience in implementing and practising high standards of governance in a large organisation.

**83%**

### SUSTAINABILITY, HEALTH, AND SAFETY

Management of workplace and business health and safety. Experience in steering responsible environmental practices and social responsibility initiatives.

In addition to ensuring that its membership comprises the necessary depth of skills and expertise to lead a top publicly listed company, the Board recognises the value of having a diverse range of geographical backgrounds, age, gender, race, interests and varying tenures in its membership. The Board believes this facilitates richer debate and independent decision-making and promotes the entrenchment of good governance policies and practices.

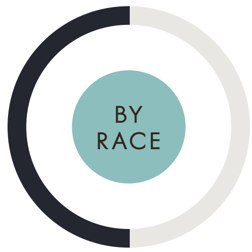
The Board's Diversity and Director Appointment policies were updated during the year to reflect the Board's current diversity target ambitions. In this regard, the Board had committed in 2017 to maintaining a minimum of 33% female and black director representation each, on the Board and set an aspirational goal to increase those levels of representation to 40% each in 2020. As the Board composition was fully aligned with the aspirational goal in early 2020, the Board has committed to increase this representation to 50% by 2023.

### BOARD OF DIRECTORS

DIVERSITY OF GENDER
7 MEN AND 5 WOMEN

TENURE - NON EXEC

1 TO 4 YRS | 5 TO 6 YRS | 7 TO 9 YRS




BOARD OF DIRECTORS
6 BLACK AND 6 WHITE

EXCO
4 BLACK AND 4 WHITE

### EXCO

DIVERSITY OF GENDER
5 MEN AND 3 WOMEN

TENURE - EXCO

< 1 YRS | 1 TO 4 YRS | 6 TO 8 YRS | 14 YEARS AND MORE

## BOARD EVALUATION

Last year, we reported on the work conducted by an external service provider to facilitate Board effectiveness. This year, the commencement of the external Board evaluation process in February 2020 was delayed as attention was then diverted to dealing with COVID-19 matters. We recommenced the process with Deloitte, our external service provider, in June 2020, given the need to establish the refreshed Board's view on Board effectiveness, areas that were working well and those that may require further improvement.

The findings from the 2020 external Board evaluation reflected that the Board was meeting all of the requirements expected of a listed entity and as set out in King IV™. The main areas identified for further improvement related to:

- Simplifying the Group's governance structure and reporting without compromising on the high levels of governance and compliance
- Redesigning the subsidiary board structures to facilitate further effectiveness
- Realignment of the Group's strategy and performance against strategy.

The Board have engaged on the ways in which these focus areas will be addressed and will continue to engage on additional steps to be implemented in order to further build on the Board effectiveness foundation.

The Board commissioned an independent investor perception survey in the year under review, to gauge perceptions of among other things, the effectiveness of the Board. The key findings of this survey are highlighted later in this report.

## DIRECTOR INDEPENDENCE

The Board considers the independence of non-executive directors and the demands of their other professional commitments when they are first appointed, and this is then assessed annually. The purpose of this assessment is to determine whether a director has sufficient time to discharge his or her duties effectively and is free from conflicts that cannot be managed satisfactorily. The Board requires a considerable time commitment from all of its members and hence their independence, together with their time availability, is of critical importance.

The Board, having conducted its annual assessment, is of the view that all non-executive directors are independent in accordance with the independence criteria recommended by King IV™ and the Company's Memorandum of Incorporation. The Board is satisfied that the non-executive directors have all demonstrated independent and objective judgement in decision-making, and do not have any interests or associations which, when considered from the perspective of a reasonable and informed third party, are likely to influence their judgement or cause bias in their decision-making.

In addition to the annual independence assessment, the Board deemed it prudent in the interests of continuity, to consider Zarina Bassa's tenure, given that she will have served on the Board for nine years in November 2020, one year after her appointment as Lead Independent Director. As there is no hard rule requiring a director to step down after serving a term of nine years, the Board considered the King IV™ recommendation which, while requiring a board to establish arrangements for periodic, staggered rotation of its members so as to invigorate its capabilities by introducing members with new expertise and perspectives, also envisages the retention of valuable knowledge, skills and experience to maintain continuity.

In addition, WHL's Memorandum of Incorporation provides that after an independent non-executive director has held office for a continuous period of nine years, the Board must robustly assess the continued independence of such director. This provision is supplemented by the Appointment of Directors policy, which includes a provision for the Board, on an exceptions basis and with good cause, to extend an independent non-executive director's tenure after three terms of three years.

Having considered all of the above, and the short tenure of the five newly appointed non-executive directors on the Board, the Board agreed that there was merit in retaining Zarina's experience and knowledge on the Board and, after robustly considering her independence, found there was good cause to extend her tenure on the Board for a further year after she reaches her nine-year term at the end of 2020. The Board will again consider Zarina's independence in accordance with our standing conventions in a year's time.

## POLICIES AND PRACTICES

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 the Company's funders and banks.

## ROTATION AND SUCCESSION

Directors are subject to staggered rotation after three years in terms of the Company's Memorandum of Incorporation. Furthermore, provided directors continue to be eligible, as 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 rotation provisions apply to both executive and non-executive directors.

Non-executive directors are subject to a nine-year term limit (i.e., three terms of three years); however, the Board may, on an exception basis, agree to extend a non-executive director's tenure beyond nine years, subject to the Board robustly assessing the continued independence of the director concerned, as applied in the case of Zarina Bassa, detailed above.

Executive directors retire at the age of 63 in terms of the Group's retirement policy.

With five newly appointed non-executive directors, there has been a comprehensive induction programme conducted over the year. This programme entails visits to all key operations (stores, distribution centres and head offices) across both South Africa and Australia; one-on-one meetings with key levels of management across both territories; and relevant governance and regulatory briefings. Directors have been immersed in Company, and more generally, retail-specific experiences, and have direct access to management and their teams at all times.

## CREATING AND PRESERVING VALUE THROUGH OUR GOVERNANCE STRUCTURES

Board and committee meetings take place quarterly over three to four days. The practice has been to hold two meetings each in South Africa and Australia to enable the Board to visit and experience operations globally and to meet with the broader leadership teams in both key territories. This pattern of meetings was, however, significantly disrupted this year with only one physical meeting being held in each of South Africa and Australia, and the remaining meetings held by way of digi-conference, given the travel restrictions as a result of COVID-19. The Group's secure and advanced technology mediums provided an efficient and practical way for the Board's ongoing communications as detailed below.

In addition to the quarterly Board meetings, the Board receives update reports from the Group Chief Executive on trading and general business performance and the key strategic initiatives under way. Board teleconferences are held between the quarterly Board meetings to discuss the Group Chief Executive's updates.

> **Given the travel restrictions and disruption as a result of COVID-19, the Board did not travel to Australia during the review period.**

The number of Board calls increased significantly following the Board and committee meetings in February 2020. The Board initially convened weekly to receive updates from the Group Chief Executive on the COVID-19 impacts, and then every two to three weeks to deliberate on the key strategic initiatives that had been launched to protect and strengthen our balance sheet and position the Group for sustainable, longer-term growth. In addition, the Board received weekly written updates from the Group Chief Executive on the trading performance of each of the businesses and considered a range of matters that had impacted operations as a result of the COVID-19-related lockdown restrictions, particularly the wellbeing of our people and customers, supply chain performance, inventory management, availability, and waste.

As at the date of this report, the Board has continued with its virtual meetings on a monthly basis, together with its scheduled meetings, and we contemplate that the frequency of meetings will continue until the Group has emerged from the unprecedented COVID-19 crisis.

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

## BOARD ATTENDANCE FOR THE YEAR UNDER REVIEW

| | DATE OF APPOINTMENT | BOARD | STRAT | AUDIT | NOM | R&C | REM | SEC | SUS | TC |
|---|---|---|---|---|---|---|---|---|---|---|
| Hubert Brody[1] | 01/07/2014 | 4/4 | 2/2 | 2/2 | 2/2 | 4/4 | 4/4 | 1/2 | 1/2 | 4/4 |
| Roy Bagattini[2] | 17/02/2020 | 2/2 | 1/1 | - | - | 2/2 | - | - | - | 1/1 |
| Zarina Bassa | 17/11/2011 | 4/4 | 2/2 | 4/4 | 2/2 | 4/4 | 4/4 | - | - | 4/4 |
| Tom Boardman[3] | 27/09/2010 | 2/2 | 1/1 | - | 1/1 | 2/2 | 2/2 | 1/1 | 1/1 | |
| Christopher Colfer | 01/07/2019 | 4/4 | 2/2 | 3/3 | 1/1 | 4/4 | 2/2 | - | - | |
| Belinda Earl | 01/07/2019 | 4/4 | 2/2 | - | - | 4/4 | - | - | 1/1 | |
| Andrew Higginson[4] | 01/06/2012 | 2/3 | 0/1 | 2/3 | 1/1 | 2/3 | 2/3 | - | - | |
| Reeza Isaacs | 26/11/2013 | 4/4 | 2/2 | - | - | 4/4 | - | - | - | 4/4 |
| David Kneale | 11/03/2019 | 4/4 | 2/2 | - | 2/2 | 4/4 | 4/4 | - | - | |
| Nombulelo Moholi[5] | 01/07/2014 | 4/4 | 2/2 | - | - | 4/4 | 4/4 | 2/2 | 2/2 | |
| Ian Moir[6] | 01/10/2010 | 2/2 | 2/2 | - | - | 2/2 | - | 1/1 | 1/1 | 2/3 |
| Simon Susman[7] | 18/11/2010 | 2/2 | 1/1 | - | 1/1 | 2/2 | 2/2 | 1/1 | 2/2 | |
| Sam Ngumeni | 12/02/2014 | 4/4 | 2/2 | | - | 3/3 | - | - | - | |
| Zyda Rylands | 22/08/2006 | 4/4 | 2/2 | | - | 3/3 | - | 2/2 | 2/2 | |
| Thembisa Skweyiya[8] | 11/03/2019 | 4/4 | 2/2 | 4/4 | - | 3/3 | - | - | 1/1 | |
| Clive Thomson[9] | 19/08/2019 | 4/4 | 2/2 | 4/4 | - | 3/3 | - | 1/1 | - | 3/3 |

*NOTES*

1. Chairman
2. Appointed to the Board and to the Treasury, Risk and Compliance, Sustainability, and Social and Ethics Committees on 17 February 2020.
3. Retired from the Board on 27 November 2019.
4. Resigned from the Board on 31 March 2020.
5. Appointed to the Nominations Committee on 26 August 2020.
6. Resigned from the Board on 16 February 2020.
7. Retired from the Board on 27 November 2019; however, continued to chair the Sustainability Committee.
8. Appointed to the Social and Ethics and Treasury Committees on 26 August 2020.
9. Appointed to the Treasury Committee on 19 August 2019.

STRAT STRATEGY | AUDIT AUDIT COMMITTEE | NOM NOMINATIONS COMMITTEE | R&C RISK & COMPLIANCE COMMITTEE | REM REMUNERATION COMMITTEE | SEC SOCIAL & ETHICS COMMITTEE | SUS SUSTAINABILITY COMMITTEE | TC TREASURY COMMITTEE

# BOARD & COMMITTEES

● INDEPENDENT NON-EXECS ● EXECS

## BOARD FOCUS AREAS

### KEY MATTERS IN 2020

- Considered progress and the recommendations by the Nominations Committee on the Group Chief Executive Officer selection process and approved the appointment of Roy Bagattini as the Group's new Chief Executive Officer
- Engaged with key stakeholders and considered advice and criticism as and when received, as well as through the results of an independent investor perception survey
- Reviewed David Jones' strategic leasing plan, and monitored progress with regard to the restructure of the David Jones network of stores/locations and reduction in floor space
- Monitored completion of the redevelopment of the Elizabeth Street store and subsequent trading and performance
- Closely monitored the impact of the COVID-19 pandemic on trade and the subsequent business response
- Elected to cease paying dividends over the short-term as a result of the uncertainty brought about by COVID-19
- Approved the sale of the Group's property at 299 Bourke Street, Melbourne, Australia ('Bourke Street Mens')
- Reviewed the growth strategy for Woolworths Food and monitored progress and challenges in relation to the execution of the Woolworths Fashion, Beauty and Home business turnaround
- Received regular updates with regard to the performance of the online channels and data analytics capability
- During the first part of the year, oversaw and approved the refinancing across the Australasian entities of all debt facilities, including an inaugural bond market issue
- Monitored engagements with funders in South Africa and Australasia relative to potential covenant impacts as a result of COVID-19 and the adverse trading environment in the geographies in which the Group operates, and to secure suspension of covenant testing due to reduced headroom over certain of the covenant periods
- Approved the provision of funding support of A$75 million to the Australasian businesses from WHL, in the form of a loan secured by a second lien, conditional on the suspension of covenant testing being secured from the Australasian funders, and the provision of an additional A$25 million of further in-principle support to the business, to the extent this is required
- Continued oversight to protect the Group's financial position, optimise its liquidity and capital structure, and to reposition the business to deliver sustainable long-term shareholder value

### FOCUS AREAS FOR 2021

- Oversee and monitor strategic planning with an emphasis on developing trends in retail and considering the economic outlook brought about by the COVID-19 pandemic
- Monitor the capital structure review of the Australasian entities and restructuring of their borrowings to ensure a more sustainable funding structure and a return of capital to WHL Group
- Oversee the turnaround of the Woolworths Fashion, Beauty and Home business
- Oversee the development of a more engaging digitally enabled business model, rationalised store footprint and an innovative in-store experience
- Oversee the transition towards an optimal, sustainable store network configuration for our Australasian businesses and an expedited commercial resolution of lease exits with landlords
- Monitor capital allocation and drive returns
- Consider the effects of climate change and long-term impacts on the Group's operations and oversee the related strategy implementation

## AUDIT COMMITTEE

**MEMBERS**
Clive Thomson (Chairman), Zarina Bassa, Christopher Colfer, and Thembisa Skweyiya

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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 2020

- Provided oversight over the Australasian entities' debt refinancing and the renegotiation of the debt covenants during the first half of the financial year, and agreed to proceed with the debt funding on a secured basis in the form of a General Security Arrangement and Real Property Mortgages as recommended by the Group Treasury Committee
- Reviewed management's proposals on the accounting policies for the implementation of IFRS 16: Leases for which management had elected to adopt the modified retrospective approach, and monitored the accounting implications arising from the implementation of IFRS 16
- Recommended to the Board that the interim dividend be based on the same rationale as the final dividend in 2019, i.e., excluding the Australasian entities, and that the dividend be applied on an IFRS 16 reported headline earnings basis
- Considered and recommended to the Board that funding support of A$75 million be provided to the Australasian businesses from WHL in the form of a loan secured by a second lien, conditional upon securing the suspension of covenant testing from the Australasian funders. In-principle support to the value of A$25 million was also approved to the extent this would be required
- Monitored the process with the lending groups in Australia and South Africa for suspension of the covenant testing at the June and December 2020 calculation dates and resultant amendments of the funding documents, given that the COVID-19 impacts and the challenging trading environment were expected to reduce headroom for the June and December covenant periods
- Considered management's proposed review of the capital structure of the Australasian entities, including the restructuring of their borrowings to ensure a more sustainable funding structure, with any proceeds arising from these initiatives being applied to the repayment and cancellation of debt facilities
- Proposed amendments to the Treasury Committee terms of reference to align them with those of the other Board committees, following the Board's decision to reconstitute the Treasury Committee as a committee of the Board
- Satisfied itself as to the independence, JSE accreditation, and performance of the external auditor based on Audit Quality Indicators
- Considered the rotation of lead signing partner of WHL and satisfied itself as to the independence and JSE accreditation of the incoming lead signing partner of WHL
- Considered the findings of the detailed impairment assessments of non-current assets, the carrying amount of inventories, the recoverable amount of financial assets, the recoverability of deferred tax assets, and the solvency, liquidity and going concern assessments

### FOCUS AREAS FOR 2021

- Conclude the capital restructure of the Australasian entities
- Continue to strengthen the Group's balance sheet
- Progress the tender project for mandatory audit firm rotation before the mandatory implementation date
- Review the dividend policy

**USEFUL LINK** FOR MORE DETAIL

2020 ANNUAL FINANCIAL STATEMENTS

INDEPENDENT NON-EXECS ● EXECS

## TREASURY COMMITTEE

**MEMBERS**
Clive Thomson (Chairman), Zarina Bassa, Hubert Brody, Roy Bagattini, Reeza Isaacs, Thembisa Skweyiya, and Ian Thompson.

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The Treasury Committee was reconstituted as a committee of the Board, having previously been a sub-committee appointed by the Audit Committee. The committee's purpose is to oversee all treasury risk management functions and policies and to proactively manage the Group's treasury exposures within acceptable risk limits and in compliance with the Group Treasury Policy guidelines as approved by the Board.

### KEY MATTERS IN 2020

- Reviewed various capital structure options relative to the Australasian entities' debt refinancing and the renegotiation of the debt covenants, and recommended that the funding be applied for on a secured basis in the form of a General Security Arrangement and Real Property Mortgages
- Monitored the liquidity position of the Group following the onset of COVID-19
- Reviewed the COVID-19 impacts on the Australian liquidity and covenants, and monitored the solvency and going concern status
- Deliberated on the rationale for a proposed investment of c.A$75m to the Australasian group by WHL in the form of a second lien secured loan, and subsequently recommended the proposal to the Audit Committee
- Reviewed the stress-testing methodology and the impacts on the fixed-charge cover ratio and changes to the EBITDA headroom
- Recommended the proposal to base the dividend on headline earnings as previously reported, on a post-IFRS 16 basis, to the Audit Committee

### FOCUS AREAS FOR 2021

- Monitor balance sheet management risks as well as stress and scenario testing
- Oversee the capital restructuring of the Australasian entities

## INFORMATION MANAGEMENT COMMITTEE

**MEMBERS**
Sam Ngumeni (Chairman), Reeza Isaacs, Chantel Reddiar, and senior leadership team members of operating subsidiaries.

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As a management committee, the committee's role 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.

## RISK AND COMPLIANCE COMMITTEE

**MEMBERS**
Zarina Bassa (Chairman), Roy Bagattini, Hubert Brody, Christopher Colfer, Belinda Earl, David Kneale, Reeza Isaacs, Nombulelo Moholi, Sam Ngumeni, Zyda Rylands, Thembisa Skweyiya, and Clive Thomson.

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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 2020

- Reviewed the Group risk report and risk trends, together with the key issues identified by management
- Conducted a strategic risk workshop, the inputs from which were aggregated and incorporated into the revised Group Risk Profile for 2020
- Reviewed the potential initial impacts of COVID-19 on product delivery, supply chain, people, and staff travel as well as the mitigation strategies identified by management
- Reviewed a deep dive risk analysis of the consequential effects of COVID-19, as well as consequential challenges that were likely to emerge over the medium- to long-term (six to 18 months)
- Considered the efficacy of the Group's business continuity plans and reviewed an update on the plans, taking into account the key learnings and experience gained during the COVID-19 pandemic
- Considered the adequacy of internal capability and agility to interpret and respond to the volume of regulations issued in Australia and South Africa as a result of the spread of COVID-19 and management's response to changes impacting regulatory compliance in the Group as a whole
- Reviewed IT governance reports, including the strategic alignment and execution of IT projects
- Received feedback from the Information Management Committee on its activities with regard to the management of the Group's information, as well as the IT strategy

### FOCUS AREAS FOR 2021

- Continue strengthening information management capability in the Group
- Ongoing review of the consequential effects and challenges of COVID-19 over the medium-to long-term (six to 18 months), focusing on potential risk scenarios and their likelihood; changing risk trends or new emerging risks; as well as the adequacy of management's implementation of mitigation strategies
- Monitor the continued effectiveness of the health and safety programme and the protocols to mitigate the spread of COVID-19 cases to ensure ongoing safety for our people and customers in the working and trading environments
- Monitor execution risk as the business evolves and innovates for the digital economy

**USEFUL LINKS** FOR MORE DETAIL

BOARD CHARTER AND COMMITTEES' TERMS OF REFERENCE

SOCIAL AND ETHICS COMMITTEE REPORT

INDEPENDENT NON-EXECS EXECS

## NOMINATIONS COMMITTEE

**MEMBERS**
Hubert Brody (Chairman), Zarina Bassa, Christopher Colfer, David Kneale, and Nombulelo Moholi.


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 2020

- Conducted the Group Chief Executive Officer succession process and identified the most appropriate candidate for Board consideration and appointment
- Determined an appropriate handover and succession from Ian Moir to Roy Bagattini and subsequent to the COVID-19 outbreak, agreed the extension of Ian Moir's tenure as acting CEO of David Jones in the interests of the Group
- Assessed the independence and performance of non-executive directors to ensure a balanced, independent Board
- Considered the tenure of the lead independent director (LID) who will have served on the Board for nine years in November 2020, a year after being appointed as LID, and deliberated on the benefit of retaining continuity in the role and her experience on the Board against the rationale for applying a nine-year term limit. Subsequently obtained the Board's support for the LID's term to continue until November 2021, after which she will be assessed annually on independence requirements in accordance with the provisions of the Company's Memorandum of Incorporation
- Reviewed the composition of the Board in relation to diversity as well as the voluntary targets (for race and gender) in terms of the Board Diversity Policy
- Proposed the increase of the voluntary race and gender Board targets, given that the 2020 targets of a minimum of 40% female and black member representation each on the Board had substantially been met as at February 2020, which was before the committed date
- Reviewed the compositions of Board committees, finalised the reconstitution of the Treasury Committee as a Board committee and recommended non-executive directors for appointment as Board committee members as well as key management for appointment to the Treasury Committee
- Agreed the 2020 key performance measures and subsequently evaluated the Group Chief Executive Officer's performance for the 2019 financial year
- Agreed the key performance measures for the incoming Group Chief Executive Officer and conducted the performance evaluation over the period under review
- Reviewed the succession of executive management
- Managed the external 2020 Board and committee evaluation process

### FOCUS AREAS FOR 2021

- Finalise the Group Chief Executive Officer's performance targets for the 2021 financial year
- Oversee the appointment of a new Chief Executive Officer for David Jones
- Ongoing review of the Board's composition with due regard to the structural changes in the retail industry and the challenges and opportunities facing the business, to ensure that the Board's collective skills contribute to future value creation



## REMUNERATION COMMITTEE

**MEMBERS**
Zarina Bassa (Chairman), Hubert Brody, Christopher Colfer, David Kneale, and Nombulelo Moholi.


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 2020

- Continued engagement with shareholders and reviewed input relative to the 2019 Remuneration Implementation Report received prior to the Annual General Meeting
- Invited shareholders who had participated at the Annual General Meeting to engage with the committee due to the Remuneration Implementation Report not receiving more than 75% shareholder support
- Conducted a comprehensive remuneration workshop to consider shareholder proposals relating to remuneration policy and additional prospective disclosures in the Remuneration Report with regard to short-term incentives (within JSE constraints)
- Concluded the remuneration package for the incoming Group Chief Executive Officer and the details in relation to the outgoing Group Chief Executive Officer
- Considered and endorsed Exco's proposal to not implement a general salary increase in 2021; approved the principle of not increasing executive remuneration in 2021; recommended no increases in non-executive director fees in 2021
- Reviewed the succession planning for direct reports to the CEO and other key leadership roles
- Reviewed the talent landscape and talent management strategies within the Group and the promotion of gender diversity generally; monitored potential risks and consequent mitigation actions
- Reviewed the Group's approach to fair pay and the measures already implemented and those being planned for future implementation; monitored inclusion of disclosures in this regard in the Remuneration Report

### FOCUS AREAS FOR 2021

- Continue to refine the Remuneration Policy to ensure alignment with the Group's strategic direction and adjustments arising from COVID-19 challenges

**USEFUL LINKS** FOR MORE DETAIL

BOARD CHARTER AND COMMITTEES' TERMS OF REFERENCE
REMUNERATION REPORT

INDEPENDENT NON-EXECS ● EXECS

## SOCIAL & ETHICS COMMITTEE

**MEMBERS**
Nombulelo Moholi (Chairman), Roy Bagattini, Hubert Brody, Zyda Rylands, Thembisa Skweyiya, and Clive Thomson.

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The committee assists the Board in setting the tone for an ethical organisational culture by overseeing the Group's conduct and approach, and ensuring that the manner in which the business is conducted supports the Group's intent to be a responsible corporate citizen. In addition, the committee carries out the statutory duties in terms of the Companies Act.

### KEY MATTERS IN 2020

- Reviewed updates on Group Social Development in relation to the Group's contribution to the development of communities, the extent to which the Group's contributions align with global and national development agendas, and progress made regarding the development of lead indicators to enable consistent measurement of the impact of the Group's Social Development initiatives
- Monitored progress on employment equity plans, barriers to the achievement of employment equity and disability targets in South Africa and the actions to overcome the barriers
- Reviewed the Group's talent succession plans, particularly with regard to diversity, inclusivity, and female representation at senior management levels
- Monitored the 2025 Transformation vision in Woolworths South Africa and the strategy to improve the Company's contributor status in terms of the BBBEE Codes
- Reviewed the community outreach projects implemented in Australasia following the Australian bush fires, and in both South Africa and Australasia as a result of COVID-19
- Reviewed a benchmark analysis of the Group's practices and initiatives as they relate to relationships with employees and connected parties, with regard to each of the principles supporting the protection of human rights, promotion of equality and prevention of unfair discrimination as provided in the International Labour Organisation's protocol and legal framework indicators on decent work and working conditions, international best practices (OECD Principles, UN Global Compact Principles, and ETI Base Code) as well as country-specific regulatory requirements
- Reviewed the stakeholder engagement strategy and the Group's self-assessment of stakeholder engagement
- Reviewed the Group Anti-Bribery and Corruption Policy for alignment with the OECD recommendations and current legislation and management's approach to the provision of awareness and refresher training
- Accepted responsibility for the role of Social and Ethics Committees of subsidiary companies

### FOCUS AREAS FOR 2021

- Continue to monitor the impact of the Group's Social Development initiatives
- Monitor performance in relation to achieving the Group's 2025 Transformation vision
- Continue to provide oversight of the Group's activities related to diversity and inclusion

## SUSTAINABILITY COMMITTEE

**MEMBERS**
Simon Susman* (Chairman), Roy Bagattini, Hubert Brody, Belinda Earl, Nombulelo Moholi, Zyda Rylands, and Thembisa Skweyiya.

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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 2020

- Reviewed the closing out of our 2020 Group sustainability goals and commitments, and oversaw the sustainability strategy refresh to 2025
- Reviewed the Group's sustainable development (Good Business Journey) strategy and performance
- Considered stakeholder feedback on sustainable development
- Monitored progress on the journey towards achieving our zero waste to landfill vision and the significant improvements that had been made in relation to the use of recyclable or reusable product packaging
- Monitored the combined assurance approach to sustainability reporting and approved the appointment of the Good Business Journey Report's external assurance provider and the related assurance scope
- Monitored international developments in climate change and sustainable development
- Monitored the ethical sourcing strategy, including sustainable fibres
- Reviewed and recommended the Sustainability Report (Good Business Journey Report) for 2020 for approval by the Board
- Reviewed and recommended the revised Code of Business Principles for Suppliers for approval by the Board

### FOCUS AREAS FOR 2021

- Evaluate the effects of climate change and its impacts on our value chain
- Continued focus on packaging and evolution of targets beyond 2020
- Continued focus on water in the value chain and development of a roadmap towards our 2050 target
- Monitor renewable energy sourcing across the Group
- Continue to monitor the ethical sourcing strategy, increasing the product range with sustainability attributes, including sustainable fibres, and expanding our approach to the circular fashion economy

* Simon continues to chair the committee for an interim period, given his expertise in this area.

**USEFUL LINKS** FOR MORE DETAIL

2020 GOOD BUSINESS JOURNEY REPORT
SOCIAL AND ETHICS COMMITTEE REPORT

## STAKEHOLDER ENGAGEMENT

Details of our extensive stakeholder universe and our approach to engagement planning are reported in the opening sections of this Integrated Report (on pages 19 to 30).

With the onset of COVID-19, we escalated the frequency of engagement with stakeholders to communicate the changes that were taking place in the workplace and at our stores as we realigned operations to help 'flatten the curve'. Management maintained communications with our people while our marketing teams engaged on all channels with our customers. In addition, the Board issued trading updates on the Stock Exchange News Service (SENS) to keep shareholders and investors informed of the impact the virus was having on the business in Southern Africa and Australasia, and to outline the key strategic initiatives that had been launched to protect and strengthen our balance sheet and position the Group for sustainable, longer-term growth.

This section of our report focuses on internal and external stakeholder engagements relating to governance matters. Our internal governance engagement process takes the form of an annual 'Governance Week' held over 14 days in South Africa and Australasia. This year, 'Governance Week' will take a different form, given the social distancing protocols as a result of COVID-19, and will be held over the period 29 September 2020 and 7 October 2020 in Australia and 5 to 9 October 2020 in South Africa. 'Governance Week' will primarily comprise a series of webinars, tutorials and video-enabled meetings with panel discussions on a range of topics that will include: dealing with ethical dilemmas; managing conflicts of interest; approaches to prevent bribery and corruption; whistle-blowing and protection afforded to whistle-blowers; insider trading and price sensitive information; protection of personal information; cyber security; intellectual property rights; and anti-competitive practices.

We engaged with our external stakeholders on Environmental, Social and Governance (ESG) matters by means of the following:

- Hubert Brody and Zarina Bassa, together with the Group Company Secretary, Chantel Reddiar, conducted face-to-face engagements with key stakeholders at the end of 2019, to gauge first-hand some of the key concerns held by shareholders
- Invitations to shareholders to engage with management in one-on-one meetings to discuss the resolutions to be tabled for approval at the Annual General Meeting, following the publication of the Notice of Annual General Meeting

We will conduct similar engagements relative to governance issues as well as the resolutions to be tabled at the 2020 Annual General Meeting once the Notice of Meeting has been published. In this regard, please refer to the notice published on our website, for the resolutions to be tabled at the 2020 Annual General Meeting. In addition, and in keeping with tradition, we encourage shareholders to attend the Annual General Meeting as this provides them with another opportunity to communicate with us. An open invitation to do so at the 2020 Annual General Meeting stands even though the meeting will be held electronically this year in the interests of protecting all stakeholders and in the spirit of responsible corporate citizenship. All shareholders will be able to join the meeting online to hear from the Chairman and Board, ask questions and vote on our resolutions. Information on how to participate electronically, both in advance and on the day, is included in the Notice of Meeting on our website.

We reported last year that an independent investor perception survey had been conducted (engaging existing key shareholders, potential shareholders and analysts) and that we would report on the findings this year. The survey was quantitative in nature and was conducted by an independent contractor specialising in investor relations. A total of 43 investors were selected, comprising both local and international institutions, with the survey being conducted both before and after the publication of our Annual Financial Results on 29 August 2019. Respondents provided their feedback on a non-attributable basis with the following themes emerging: execution of strategy; the future and turnaround of the David Jones business; 'Fashion failures' in the FBH division; extent of focus on the core customer; succession planning; staff turnover in some divisions; and the quality of guidance on performance across key divisions. The Board has taken these expressed sentiments seriously and an extensive amount of work has been conducted to realign the business to deliver on the strategy and create value for all stakeholders. The Chairman, Lead Independent Director and the Group Company Secretary conducted a shareholder engagement roadshow following the finalisation of the survey report and have undertaken to shareholders to demonstrate visible actions in response to these concerns.

> ***ALL SHAREHOLDERS WILL BE ABLE TO JOIN THE MEETING ONLINE TO HEAR FROM THE CHAIRMAN AND BOARD, ASK QUESTIONS AND VOTE ON OUR RESOLUTIONS. INFORMATION ON HOW TO PARTICIPATE ELECTRONICALLY, BOTH IN ADVANCE AND ON THE DAY, IS INCLUDED IN THE NOTICE OF MEETING ON OUR WEBSITE.***

**USEFUL LINKS** | BOARD CHARTER AND COMMITTEES' TERMS OF REFERENCE | 2020 ANNUAL FINANCIAL STATEMENTS

**USEFUL LINKS** | 2020 KING IV™ APPLICATION REPORT | ANTI-BRIBERY AND CORRUPTION POLICY | GLOBAL COMPACT LETTER OF COMMITMENT

## GROUP COMPANY SECRETARY

Our Group Company Secretary, Chantel Reddiar, continued to provide the Board and its committees with guidance and advice on governance matters. While not a member of the Board, the Group Company Secretary is responsible for engaging with the Board Chairman and committee chairs on meeting agendas, ensuring compliance with Board and committee procedures, terms of reference, and relevant legislation and regulations. The Board is satisfied that an arm's length relationship exists between it and the Group Company Secretary.

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.

In addition to the company secretarial functions, the Group Company Secretary is responsible for the Group's governance, risk, compliance and legal functions and is supported by a suitably qualified team.

## RISK AND COMPLIANCE

The Board sets the direction for the manner in which risk management is approached and addressed in the Group. The Risk and Compliance Committee, which comprises all WHL directors, oversees and directs the Group's implementation of an effective risk management and compliance framework and plan. The risk management process comprises a formalised system to identify and assess risk, both at a strategic and an operational level. Further details on the entire risk management process in the Group is provided in the Risk Management section of this report on page 69.

With regard to Group compliance, the Board is committed to conducting business in accordance with the legal and regulatory requirements applicable in the countries in which the Group operates and recognises its accountability and responsibilities to all stakeholders. The Board has, accordingly, approved an effective compliance programme as part of the risk management framework.

Management is responsible for the design, implementation and monitoring of compliance structures as well as for integrating regulatory compliance into business processes. Each business has its own unique regulatory universe which is assessed against defined risk criteria and informs the compliance monitoring plan for the relevant business. Compliance monitoring forms an essential component of the compliance process and is designed to examine business activities to enable management and the Board to ensure that business is conducted in compliance with relevant regulatory requirements. Key regulatory items are monitored more frequently and reported to the Risk and Compliance Committee every quarter.

Management continually strives to integrate compliance as a key component of organisational culture. This culture is further entrenched through ongoing training and awareness of regulatory modules which are designed and administered by the compliance team.

The compliance function forms part of the Group combined assurance model which covers the three lines of defence, namely, management control, risk control, and compliance oversight functions, as well as independent assurance.

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.

USEFUL LINKS | BOARD CHARTER AND COMMITTEES' TERMS OF REFERENCE | 2020 ANNUAL FINANCIAL STATEMENTS



## COMPLIANCE

The Board considers good corporate governance to be a significant contributor to value creation and ensures that the practices recommended in association with the King IV™ principles are incorporated into the Group's governance framework and related policies and practices.

The Board is of the opinion that the Group currently complies with all governance principles contained in King IV™, as well as with all requirements of the Company's Memorandum of Incorporation, the Companies Act and the JSE Listings Requirements.

*Trenery, Summer 2020*

USEFUL LINKS | 2020 KING IV™ APPLICATION REPORT | ANTI-BRIBERY AND CORRUPTION POLICY | GLOBAL COMPACT LETTER OF COMMITMENT

# OUR KING IV™ COMPLIANCE IN SUMMARY

*The following summary describes how the King IV™ principles have been applied in the Group. A more detailed application register is available on our website, **www.woolworthsholdings.co.za**.*

| PRACTICES | GOVERNANCE OUTCOMES |
|---|---|
| **LEADERSHIP, ETHICS AND GOOD CORPORATE CITIZENSHIP** | |
| • Set the tone of the Company's values, promoting ethical business practice, respect for human rights and dignity in the workplace and the supply chain<br>• Signatory to the UN Global Compact committing to operating in a way that promotes human rights, fair labour practices, minimises harm to the environment and is ethical<br>• Reviewed governance and ethics policies and received feedback on protected disclosure and whistle-blowing mechanisms<br>• Approved the revised whistle-blower policy and Code of Business Principles requiring our suppliers and connected parties to adopt fair labour and ethical practices<br>• Disclosed directors' dealings in accordance with JSE Listings Requirements<br>• Monitored conflicts of interest subject to legal provisions and ensured appropriate disclosures of any conflicts<br>• Promoted a culture of independent, informed and effective judgement on material decisions<br>• Updated the Group's Good Business Journey strategy to continue delivering on our vision of being one of the world's most responsible retailers | • Ethical and effective leadership, resulting in the achievement of strategic objectives and positive outcomes over time<br>• Sound, ethical foundation throughout the business, reflected in our interaction with stakeholders<br>• Responsible corporate citizenship status and leader in a number of sustainability initiatives as outlined in our Good Business Journey Report |
| **STRATEGY, PERFORMANCE AND REPORTING** | |
| • Received presentations on and debated strategically significant matters, constructively challenging strategic direction with regard to risks, opportunities, and resources<br>• Held an annual risk and two strategy workshops to debate, refine and approve strategy, critically evaluating product and the positioning of assets to meet future demands<br>• Reviewed strategy performance reports every quarter and considered related strategy execution risks<br>• Approved management's determination of relevant reporting frameworks and basis for determining materiality<br>• Approved the Integrated Annual Report, including the Remuneration Policy and Implementation Report<br>• Approved the Annual Financial Statements prepared on a going-concern basis<br>• Applied a combined assurance model to optimise the assurance obtained from management and internal and external assurance providers with certain specific disclosures in the Annual Financial Statements and Good Business Journey Report confirmed by external assurance providers | • Well-governed Company delivering on its purpose and in a manner that creates and protects stakeholder value<br>• Reliable external reports enabling informed assessments of the Company's performance by stakeholders<br>• Remuneration Policy and Implementation Reports included in the Integrated Annual Report<br>• Fair, responsible and transparent remuneration with alignment between executive director and stakeholder interests<br>• Provision for shareholders to vote on the Remuneration Policy and Implementation Report<br>• Consistently ranked in Excellent category of the EY Excellence in Integrated Reporting Awards since inception of the awards in 2011 |

| PRACTICES | GOVERNANCE OUTCOMES |
|---|---|
| **CORPORATE GOVERNANCE** | |
| • Strengthened experience and diversity on the Board to deliver on strategy<br>• Board composition aligns with the relevant King IV™ principles<br>• Board and committee compositions are reviewed annually and succession plans adjusted in line with requirements to ensure continuity when directors retire or resign<br>• Considered the independent Board evaluation report and implemented action plans<br>• Reviewed the governance policy suite comprising the Board Charter, committee terms of reference and Board policies relating to diversity, the appointment of directors, insider trading, price sensitive information, and conflicts of interest | • Continued improvement in the performance and effectiveness of the Board<br>• Achieved voluntary gender and race diversity targets at Board level and set new targets for achievement by 2023<br>• Substantially complied with the spirit and principles of King IV™<br>• Governance framework and practices enabled governance in action during the height of the COVID-19 challenges which called for swift action and decision-making |
| **RISK, OVERSIGHT AND COMPLIANCE** | |
| • Reviewed and evaluated strategic risks and associated opportunities<br>• Reviewed revised business continuity arrangements taking into account the key learnings and experience gained during the COVID-19 pandemic<br>• Considered the impact of the South African sovereign rating downgrade, COVID-19 and balance sheet risks<br>• Reviewed solvency, liquidity and going-concern status, and agreed the interim dividend payment and suspension of further dividend payments until the situation arising from COVID-19 stabilises<br>• Oversaw technology and information management<br>• Approved the Integrated Report, Annual Financial Statements, financial results and results announcements<br>• Received quarterly reports providing regulatory updates, compliance monitoring feedback, regulatory complaints and updates on special projects | • Appropriate governance structures and processes in place to ensure effective control of the Company<br>• Risk and compliance management practices that support the Company in setting and achieving its strategic objectives<br>• Ethical and responsible use of technology and information<br>• Submission of the annual compliance certificate, confirming the Company's compliance with the JSE Listings Requirements<br>• Assurance services enable an effective control environment to support internal decision-making and external reporting |
| **STAKEHOLDER RELATIONSHIPS** | |
| • Reviewed the stakeholder engagement strategy in relation to identified material stakeholders<br>• Conducted independent perception survey with investors and analysts<br>• Engaged with various institutional investors regarding remuneration and other governance matters, and considered feedback<br>• Monitored facilitation by management of regular, authentic, open and inclusive stakeholder engagements, the establishment of long-term relationships and appropriate communication with shareholders | • A stakeholder-inclusive approach adopted in the execution of the Board's governance roles and responsibilities<br>• Reasonable needs, interests and expectations of stakeholders taken into account and balanced against the best interests of the Company over time |

*This report should be read together with the Annual Financial Statements and Good Business Journey Report which make up the Group's year-end reporting suite.*

# SOCIAL & ETHICS COMMITTEE REPORT

*The Social and Ethics Committee (committee) is pleased to present its report on behalf of the WHL Group; however, this year, we do so against a backdrop of unexpected and unprecedented change. On reflection, it is clear that the year under report was one of two very distinct halves. The first was framed against a relatively familiar social context. Then we were stunned by the magnitude and impact of the Australian bushfires at the height of their summer. And then the second half saw society upended in ways that no one could have anticipated following the World Health Organisation's declaration of COVID-19 as a pandemic.*

As a consequence of this, the committee's focus was affected, and while we made headway with our work plan initially, the second half of the year was dominated by ensuring a socially balanced response to the COVID-19 impacts on our stakeholders. More details on this are provided later in this report.

As a statutory committee, some of our work is compliance-driven; however, in our quest to be an agent for positive change, particularly in the current social context, we will ensure that our policies and practices continue to add quality to life, insofar as we can, and protect the ethical and values-based culture of our Group so that the distractions of the current social crisis do not diminish the strong values on which our brand has been built.

The year has been an incredibly tough one, for all of our people, supply chains, stakeholders, and customers. The committee renews its commitment to all of our stakeholders to ensure that even through these tough times of unprecedented change and uncertainly, we will continue to do our best to fulfil our mandate as responsibly as we can. Events across the globe sparked by the Black Lives Matter campaign, and the inequality made starker by the COVID-19 pandemic, are matters that we have as top of mind concerns.

Both executives and the Board have, in response to the impact of COVID-19 on our staff, elected to forsake up to 30% of their respective salaries and fees for three months, as a contribution to our Employees for Employees Trust (E4E) which has been set up to help non-management employees in the Group who face hardships brought about as a result of the pandemic. Charity begins at home, and while the Group has made commendable efforts to contribute to the communities in which we operate, we are especially committed to ensuring the ongoing commitment of the Trust to help our employees through these tough times, as reported further on in this report.

## MANDATE AND DUTIES

The committee is an established Board committee with a statutory mandate to monitor the Group's ethical culture and social footprint as envisaged by the Companies Act. In addition, our remit requires us to monitor the Group's operations to ensure alignment with global best practice in relation to respecting human rights in our workplaces and our supply chains; embracing diversity in all forms; promoting ethical standards; and implementing measures to combat corruption and protect whistle-blowers.

Our mandate incorporates our South African operations, as well as our David Jones and Country Road Group operations in Australasia. We endeavour to impact positively on our workforce, customers, and broader society to the extent that 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 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 are 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.

## COMPOSITION AND MEETINGS

The committee comprises both executive and non-executive directors and, during the year under review, held two meetings, with the third meeting being cancelled as all resources were focused on managing the COVID-19 impacts. Details of the committee composition and attendance at meetings are included in the Governance Report on page 134, while the committee's terms of reference are available on our website, www.woolworthsholdings.co.za.

## CORPORATE CULTURE

Our corporate culture promotes diversity, inclusivity, personal development, and mutual respect, which we believe are critical to attracting and retaining the talent needed to deliver on our purpose. We want people to enjoy coming to work and to thrive in an environment that is free from discrimination, harassment, and victimisation. We believe that by maintaining such an environment, we will attract, retain, develop, and fully engage talent that will result in greater innovation and creativity and enhanced business performance.

The committee supports management's view that entrenching a human rights and values-based culture across the Group is critical for business performance and organisational sustainability. This philosophy has 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 that require our business partners to align with our human rights culture and values.

COVID-19 and recent geopolitical events have highlighted social, race, and gender-based inequality once more, and we are, therefore, determined to ensure that respect for human rights, diversity, and inclusion are more deeply entrenched in our corporate culture. To this end, and as a signatory to the UN Global Compact, we recommit to observing the ten principles advocated by the Universal Declaration of Human Rights and the International Labour Organisation and undertake to:

- Support the protection of internationally proclaimed human rights (principle 1)
- Ensure we are not complicit in human rights abuses (principle 2)
- Uphold freedom of association and the effective recognition of the right to collective bargaining (principle 3)
- Contribute to the elimination of all forms of forced and compulsory labour and to ensure that we and our suppliers are not party to slavery and human trafficking and that employees work of their own free will (principle 4)
- Contribute to the abolition of child labour and commit to ensuring that the minimum entry ages for employment are adhered to, and to support efforts to stop child trafficking, child prostitution, and the deprivation of children's rights (principle 5)
- Ensure we do not practise discrimination in respect of employment and occupation (principle 6)
- Support a precautionary approach to environmental challenges (principle 7)
- Undertake initiatives to promote greater environmental responsibility (principle 8)
- Encourage the development and diffusion of environmentally friendly technologies (principle 9)
- Work against corruption in all its forms, including extortion and bribery (principle 10)

> ***WE BELIEVE THAT ENTRENCHING A HUMAN RIGHTS AND VALUES-BASED CULTURE ACROSS THE GROUP IS CRITICAL FOR BUSINESS PERFORMANCE AND ORGANISATIONAL SUSTAINABILITY.***

### DIVERSITY AND INCLUSION

Diversity and inclusion remain key drivers of our transformation journey and are, we believe, integral to building a workforce that reflects our commitment to equal employment opportunities regardless of race, gender, age, disability, physical features, political belief or activity, pregnancy, religion, or sexual preference, and reflects the demographics of the countries in which we operate.

The Board's diversity sets the tone for broader workforce diversity. The Board comprises a broad diversity of geographical backgrounds, age, gender, race, interests, qualifications, skills, and experience appropriate for the nature and scale of our business. The Board composition is, furthermore, fully aligned with the Board's aspirational goals set in 2017 to achieve 40% female and black director representation each, on the Board by 2020. The goal was reached in February 2020, and the Board has committed to increasing female and black director representation to 50% each by 2023.

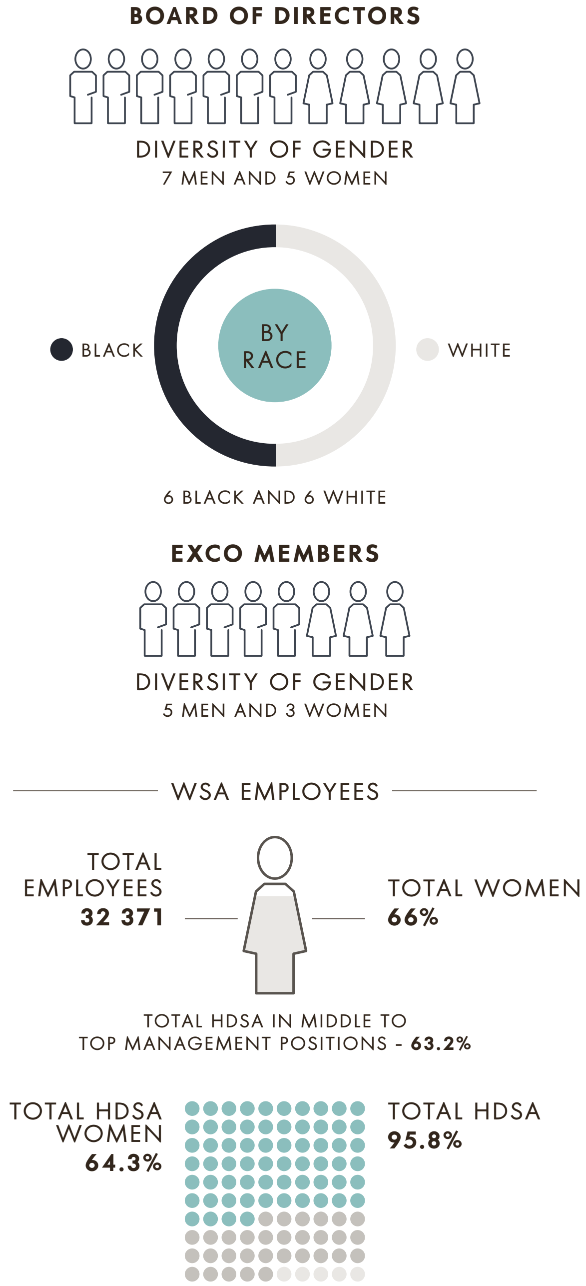
The composition of WHL Exco is similarly diverse, comprising diverse backgrounds, gender, skills, and experience.

In furtherance of our commitments to transformation, diversity, and inclusion, we encourage each region to develop transformation strategies that are aligned with the context and environment in which it operates. As a Group, we continue to support these region-specific strategies, with racial and gender parity remaining a key focus across the Group.

### SOUTH AFRICA

In South Africa, we are actively engaged in improving the quality of life for our employees, customers and other stakeholders. We do so by choice – to do the right thing – and not because we are obliged to in terms of legislation, such as the BBBEE Act and Codes of Practice, and the Employment Equity Act. Woolworths South Africa continues its work to address the concept of a Living Wage and to ensure that its employees are able to earn a salary that allows them a fair standard of living.

Our strategic approach to people with disabilities is aligned with our people and transformation strategies and the national skills development strategy. The implementation of this strategy is being carried out in partnership with the Wholesale and Retail SETA. We currently have 516 people with disabilities (2019: 569) working for WSA.

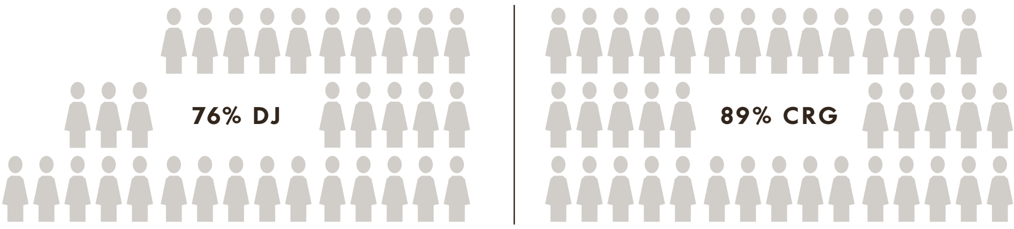


## AUSTRALASIA

Our Australasian businesses are actively building and cultivating an inclusive culture founded on dignity and respect and where differences are celebrated. Inclusivity crosses multiple dimensions of diversity including, but not limited to Aboriginal and Torres Strait Islander identification; gender; accessibility/disability; LGBTIQ+; religious and cultural affiliations; and generational.

In addition to their commitment to equal opportunity in the workplace, David Jones and Country Road Group adhere to the Workplace Gender Equality Act of Australia and have continued to submit annual reports to confirm female representation in the workplace.

THE PROPORTION OF WOMEN TO MEN IN THE TWO COMPANIES FOR FY2020




In 2018, David Jones launched its Reconciliation Action Plan comprising a two-year strategic and operational management framework approach to bridging actual and perceived gaps between Aboriginal and Torres Strait Islander peoples and non-indigenous employees, customers, and communities. More recently, Country Road Group has committed to developing a Reconciliation Action Plan as part of an increased focus on diversity and inclusion. Our vision for reconciliation is a society with equal access to education and employment opportunities for Aboriginal and Torres Strait Islander and non-indigenous peoples. Touchpoints in the business to further this vision range from driving more cultural awareness across the business to identifying ways in which to increase spend with Aboriginal and Torres Strait Islander businesses. Some of the Reconciliation Action Plan milestones that David Jones achieved over the past 12 months include:

- Internal and customer-facing activations during National Reconciliation Week which were well received from an awareness perspective
- Membership with Supply Nation, an entity that works with Aboriginal and Torres Strait Islander businesses and corporate procurement teams to help shape the emerging and evolving indigenous business sector
- approximately A$134 479 (A$175 520 in FY2019) spent with Aboriginal and Torres Strait Islander businesses
- donations to the value of A$135 000 made to the Australian Literacy and Numeracy Foundation (ALNF) which helps people in Australia's most marginalised communities gain literacy skills
- donations of A$30 000 on 12 scholarships for the Go Foundation, which creates opportunities for indigenous youth through education

The Australasian group has, in addition, committed to exploring future opportunities with a view to developing a Regional Diversity and Inclusion Policy by FY2021.

***OUR AUSTRALASIAN GROUP HAS COMMITTED TO DEVELOPING A RECONCILIATION ACTION PLAN AS PART OF AN INCREASED FOCUS ON DIVERSITY AND INCLUSION***

## TALENT MANAGEMENT AND DEVELOPMENT

We understand that attracting, developing, and retaining talented employees is critical to delivering our strategy and is vital to our success. To this end, our integrated and streamlined talent management and succession planning engagements and processes are designed to provide a broad view of our talent landscape and enable us to proactively identify and respond to talent risk. In addition, our continued focus on leadership development to build leaders now and into the future is part of creating an environment that attracts, develops and retains the best talent.

In South Africa, skills development is a key component of our talent management strategy and is fundamental to enabling transformation, as well as upskilling and advancing designated groups. To maximise the impact of our strategy, and to ensure the quality of our future talent pipeline, we adopt a dual approach, focusing on developing skills internally and enabling external education, capacity building and skills development to improve the employability of graduates from various institutions.

Our total training spend in South Africa during FY2020 amounted to R119.9 million (2019: R121.6 million).

Our internal Talent Pipeline programmes, which are delivered in partnership with institutions of higher learning, are offered across all levels of work to prepare our top talent for future career progression and enable them to operate at the next level of work. As part of our transformation agenda, we continued to offer development to unemployed graduates and students who required exposure in their chosen field as part of the graduation requirements (interns), with a focus on developing core/scarce skills, and to increase their employability. These students and graduates are offered workplace experience and internships/co-ops within our business units with a view to increasing their employability and developing a recruitment pool, while the co-op programme is successfully used as a feeder to our graduate development programme.

We are in the process of reviewing our current external talent pipeline programmes to respond to the changing skills requirements brought about by the COVID-19 pandemic.

Through the Woolworths' Inside Retail programme, we collaborate in developing Technical, Vocational Education & Training (TVET) college lecturers' capacity by providing them with industry-based workplace exposure. The programme, which was previously only available in the Western Cape, was extended nationally during the year. This year, we hosted a collaboration session with the Wholesale & Retail SETA CEO, leaders from TVET colleges nationally, MySchool as well as key representatives from the business to co-create a programme with a national footprint. Due to the COVID-19 pandemic, we agreed to put the programme on hold and review the implementation post lockdown.

We continued to offer funding for tertiary education to our top talent across all levels and, in addition, funded 66 employee dependant bursaries in 2020. Through our graduate programme, 53 graduates (52 in 2019) commenced a 12-month work experience programme in February 2020, enabling them to earn an income and contribute to the economy while gaining experience. We were obliged to suspend the programme in March 2020 following the imposition of the COVID-19 lockdown restrictions; however, the graduates continued to gain work experience in the call centre where they have been deployed to assist with call volumes.


*The Woolworths Graduate Development Programme won the South African Graduate Employer Association (SAGEA) Retail Employer of Choice Award for the 5th consecutive year.*

Woolworths Fashion, Beauty and Home (FBH) has partnered with the Design Academy of Fashion (DAF) to provide talented, historically disadvantaged youth studying fashion design or buying, with an exceptional quality education and support to enable their optimal development and integration into our industry.

In addition to these initiatives, we continued our participation in the State President's Youth Employment Service (YES) initiative to increase employability of youth and build a better South Africa. Since June 2019, a total of 512 unemployed youth have participated in our Woolworths YES Programme. We were able to provide permanent job opportunities to approximately 57% of the youth participating in the initiative and invested over R12 million towards youth salaries. Our aim is to continue absorbing from the pool and to extend the YES model to help us proactively develop our future pipeline.

We reported last year that we had been accredited 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 enables our aspiring chartered accountant graduates to complete their three years of articles with us to qualify as Chartered Accountants. We are pleased to report that our first two TOPP candidates have both successfully completed their first board exams, and we have recruited two additional trainees this year. In addition, we piloted the NQF 3 Accounting Technician South Africa certificate programme in 2019, and to date nine employees have completed their training and successfully graduated from SAICA. This training will remain open to other employees in the business.

Talent development needs and requirements in Australia are substantially different from those in South Africa. Regular talent discussions that are owned and prioritised by the leaders of the organisation have been embedded and remain central to the people strategy.

We have delivered an in-house leadership programme through Project Star to help develop leadership capabilities in stores.

Industry-based workplace exposure is offered through a collaboration between Witchery and the RMIT University in Melbourne which offers 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.

Total training spend in Australia for FY2020 was:

R8.4 million David Jones

R18.7 million Country Road Group

## CARING IN ACTION: SUPPORTING OUR EMPLOYEES THROUGH COVID-19

In line with our purpose to be the difference that inspires and cares, our focus as a result of COVID-19 and the resultant lockdowns in South Africa and Australasia, has been on protecting our employees' health and safety and providing support to those in extreme hardship as a result of the crisis. This was made possible by the generosity of our Board, the Group CEO, and senior executive team members who forewent up to 30% of their fees and salaries over the first three months of the lockdown restrictions to enable the savings to be applied where these were urgently needed.

Working closely with our health and safety partners, we implemented measures to ensure our stores, distribution centres and other operations are safe places to work and have issued frontline employees with appropriate personal protective equipment. In addition, a range of initiatives from alternative working hours to more flexible practices, including work-from-home, leveraging a full suite of technology tools, have been implemented.

In South Africa, while our Fashion, Beauty and Home stores were temporarily closed, we continued to remunerate all our staff, and those forming part of the essential workforce have received an additional monthly appreciation allowance. In Australasia, all our Country Road Group stores were closed due to space constraints which prevented social distancing protocols, and similarly, the smaller format David Jones stores were closed for trade. During this period, our retail employees were stood down in line with Australian workplace laws; however, we took steps to assist them through the Federal Government's 'JobKeeper' wage subsidy programme to provide them with a measure of relief.

Recognising that the lockdown scenario could be challenging for some, that being in self-isolation could make individuals feel disconnected and alone, and that working remotely or being an essential services employee created challenges in terms of a work/life balance, an employee assistance HELPLINE was made available to support and help employees struggling in these unusual circumstances. This confidential helpline, operated by an independent service provider using professional counsellors, is available to all our employees.

Employees who are asked to stay at home and self-isolate for 14 days are contacted regularly by our COVID-19 Helpline, which is managed by independent health services professionals, to closely monitor for any symptoms. Should any of our team members develop any symptoms during this period, our COVID-19 Helpline will make all the necessary arrangements for testing.

## ENTERPRISE AND SUPPLIER DEVELOPMENT

Woolworths South Africa has continued its purpose-led journey to contribute to the growth of sustainable, local, black businesses in the supply chain. To this end, our Enterprise and Supplier Development (ESD) programme in South Africa has continued with the aim of removing barriers for emerging black- and black-women-owned businesses to enter 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.

The 35 (2019:46) beneficiaries participating in our ESD programme accessed procurement opportunities to the value of R278.8 million (2019: R293 million) as a result of tailor-made support provided by Woolworths South Africa and its partners. During the financial year under review, we contributed the following:

**35**

*suppliers on the Enterprise and Supplier Development programme (2019: 46)*

**R278.8M**

*in revenues contributed to black and black women owned suppliers (2019: R293m)*

**R2.2BN+**

*towards revenues of participating SMEs (2019: R2.0bn)*

**R49.7M**

*Clothing donated to The Clothing Bank (2019: R60.6m)*

## SOCIAL DEVELOPMENT

At the heart of our social development strategy, lies our intent to be an active corporate citizen in the countries in which the Group operates and to improve the lives of the communities that help us deliver our business every day. Our approach to social development is based on meaningful collaboration with key partners as the complex challenges facing us require deep insights and a collective effort to make a difference. In addition, we leverage our operating footprint and our loyal customer base.

We focus on four pillars that are aligned to our overall business strategy and are relevant to the national development priorities in the markets in which we operate. These pillars are:

**Education:** Apart from being one of the national priorities of many countries, we can only grow and sustain long-term profit in an inclusive, equitable, growing economy that has a sufficiently skilled society and educated workforce.

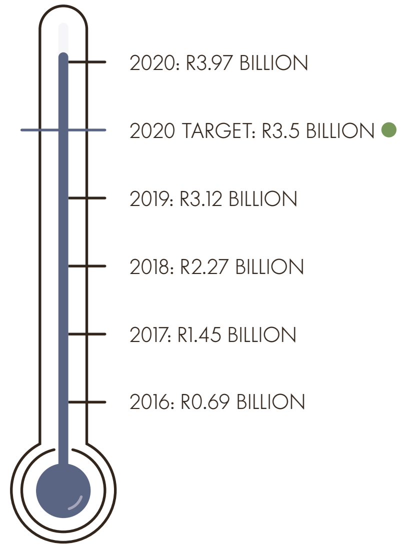
**Food Security:** In an environment in which an estimated 30% of food produced goes to waste, while at the same time millions of people are food insecure, we are aware as a food retailer of the role we need to play in working towards a food secure future for all.

**Community Resilience:** Key to the success of our business is a thriving and healthy community and workforce.

**Employee Involvement:** Employee involvement allows us all to live our corporate values. It enables employees to make a difference to their communities and their environment while enhancing our Employee Value Proposition.

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 Australasia are influenced by the local social context and require different approaches to making meaningful contributions to the communities we impact. Our businesses, in partnership with their strategic partners, relationships and campaigns, focus on community resilience, physical and mental health, and wellness.

We reported last year that our aim was to have contributed R3.5 billion in monetary donations, sponsorship, and surplus food and clothing donations to our communities by 2020; we are pleased to report that we exceeded this target.




**COMMUNITY RESILIENCE:**
***KEY TO THE SUCCESS OF OUR BUSINESS IS A THRIVING AND HEALTHY COMMUNITY AND WORKFORCE.***

USEFUL LINKS | AUSTRALIAN BUSHFIRES CASE STUDY | COVID-19 PANDEMIC CASE STUDY

## BROAD-BASED BLACK ECONOMIC EMPOWERMENT (BBBEE)

The Group was rated as a level 6 BBBEE contributor in 2020 (level 7 in 2019), based on the measurement criteria contained in the BBBEE Codes of Practice. During the year, the committee reviewed management's proposals with regard to resetting Woolworths South Africa's long-term transformation targets with a view to advancing the BBBEE rating over the next five years. To this end, management has adopted a vision of 'Inspiring inclusive growth for all our people' as a broader approach to inclusive growth which the committee will monitor going forward.

## PROMOTING ETHICAL STANDARDS AND COMBATTING CORRUPTION

The committee assists the Board in setting the tone for an ethical organisational culture, and it executes its responsibility for ethical governance and good corporate citizenship through our various governance and ethics policies. These cover areas such as anti-bribery and corruption, whistle-blowing, Codes of Business Principles, conflicts of interest, gifts, entertainment, insider trading, and price-sensitive information. Policies are reviewed annually and updated when necessary.

As indicated in the opening paragraphs of this report, we are a signatory to the UN Global Compact and view our commitments in this regard in a serious light. In addition, 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. This requires us to ensure that all in our value chain are aligned with our policies and practices.

To this end, all our suppliers and service providers, whatever their location, are bound by our Codes of Business Principles, which are aligned with the International Labour Organisation's conventions in relation to ethical trade and the Ethical Trade Initiative base code. The Codes of Business Principles outline our requirements for labour and safety standards, environmental stewardship, animal welfare, and our zero-tolerance for bribery and corruption, and are supplemented by a number of supporting policies and position statements. Suppliers undergo regular compliance checks against the codes, conducted by independent auditors, or are required to supply audit reports from independent auditors. In rare instances where our suppliers may have been found in wilful breach of our Supplier Code of Business Principles, we do not hesitate to terminate our relationship with that supplier.

We monitor our suppliers' performance through various programmes on which they are required to report. We are members of SEDEX, a web-based platform for sharing responsible sourcing data on supply chains and have made progress on converting our suppliers to SEDEX Members Ethical Trade Audit (SMETA), one of the most widely used ethical audit formats in the world. We also continue to audit those who have not yet made the switch against our own, independently verified ethical audit protocols.

## ANTI-BRIBERY AND CORRUPTION POLICY

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 against 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

## PROTECTION FOR WHISTLE-BLOWERS

During the year the whistle-blower policy, which has group-wide application, was revised to bring it into line with the recently amended provisions of the Australian Corporations Act. The policy aims to facilitate and maintain an environment in which any concerns relating to wrongdoing can be safely and confidently expressed, without fear of punishment or unfair treatment, and ultimately assist in preventing wrongdoing within the Group. Awareness and refresher training will be provided during the year on the scope and intent of the revised whistle-blower policy.

In addition, an independently monitored whistle-blowing hotline, Deloitte's Tip-Offs Anonymous, has been made available to employees across the Group as well as to key customers and suppliers in the South African business. The hotline enables stakeholders to report suspected fraud or other activities considered to be ethical transgressions. All information reported is treated in the strictest confidence. No material reports were received through this facility during the year.

Tip-Offs training and awareness sessions are conducted periodically to promote utilisation of the facility, and ongoing refresher training sessions will be conducted across the Group to ensure that our employees and other affected parties understand the Group's stance in terms of zero corruption.

The various policies are available on our website, www.woolworthsholdings.co.za

## 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 entrenching a culture of safety by empowering employees to participate in programmes designed to achieve a safe, healthy, and accident-free environment in which to work and trade.

The COVID-19 pandemic has robustly tested our health and safety protocols, and we have taken every possible precaution to ensure the health and safety of our staff and customers. We have also assisted suppliers in our value chain by sharing best practices and protocols in this area. By way of example, we immediately closed any store where there had been a COVID-19 positive case reported in order to deep clean the store, and ensure that it is safe to re-open. We have had approximately 175 store closures as a result of this, which contributed to a negative net impact of R3.6bn on gross profit from lost sales and lower margins, and an estimated R2.0bn reduction in profit.

In accordance with legislative requirements, health and safety representatives are appointed in each part of the business, and health and safety committees are in place. At our South African distribution centres, compliance and health and safety legislation are covered by a collective agreement with a trade union. Across the Group, we aim to deliver comprehensive occupational health and safety programmes that meet the needs of our employees in the context of their country of operation and local legislation. This work is supported by our teams of occupational health practitioners employed across our operations in Southern Africa and Australasia. Key safety initiatives include regular employee awareness training, quarterly health and safety inspections, and regular internal audit effectiveness reviews.

> ***THE COVID-19 PANDEMIC HAS ROBUSTLY TESTED OUR HEALTH AND SAFETY PROTOCOLS, AND WE HAVE TAKEN EVERY POSSIBLE PRECAUTION TO ENSURE THE HEALTH AND SAFETY OF OUR STAFF AND CUSTOMERS.***

From a regulatory perspective, the Group's compliance department actively monitors and reports on compliance with health and safety legislation; 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 are as safe as possible and treat anyone injured in our stores or workplace with care and dignity.

## 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, are focused 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 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.

We communicated as frequently as necessary with our customers during the COVID-19 crisis, with the main focus being on the safety precautions taken in our stores to protect both staff and customers. We also advised customers of the products we were permitted, or not permitted, to sell during the respective levels of lockdown.

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 the complex regulatory, legislative, and political landscape and provides ongoing macro-environmental insights, develops goodwill ambassadors, and, ultimately, ensures our continued social licence to operate.

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 socio-economic 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 in leading business/industry associations

*Woolworths. Summer 2020*

**USEFUL LINK** FOR MORE DETAIL | OUR STAKEHOLDERS

## ENVIRONMENTAL MATTERS

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 Sustainability Committee provides feedback to the Social and Ethics Committee on its initiatives and an overview of the topics considered by the Sustainability Committee during the year can be found in the Good Business Journey Report on our website, www.woolworthsholdings.co.za.

The Group's Good Business Journey Report articulates how our vision of being one of the world's most responsible retailers has been implemented and illustrates the impact of our various initiatives. Focusing on the areas of people and transformation, social development, health and wellness, ethical sourcing, sustainable farming, waste, water, and 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 Business Journey throughout the business is one of the Group's strategic focus areas.

To ensure consistency across our operations, each business unit has a sustainability scorecard against which it is measured twice per annum. This scorecard includes a set of relevant Good Business Journey objectives, targets, and key performance indicators aligned to the abovementioned eight focus areas and Group goals and commitments. These sustainability scorecards are rolled up to a company level and Group level to assess the performance of the Group against the Good Business Journey goals and commitments.

The committee has 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 in our private label products by 2022. Significant progress in this regard has been made with the following results having been achieved:

**5**
*Plastic-bag-free stores at Woolworths*

—

***David Jones Capitol Grand***
*is the company's first single-use-plastic-bag-free store in Australia*

***WOOLWORTHS PACKAGING & WASTE HIGHLIGHTS FOR 2020***

***Rollout of:***
- *FBH paper bags*
- *reusable mesh bags for fresh produce*
- *coffee cup recycling bins to 36 stores across the Western Cape*
- *Two reverse vending machines installed*

—

***WOOLWORTHS BECAME ONE OF THE FOUNDING MEMBERS OF THE SOUTH AFRICAN PLASTICS PACT***

—

**24**
*Woolworths stores offer low-cost reusable bags*

—

**50**
*Woolworths stores with reusable produce mesh bags*

*Plastic items replaced with*


PAPER STRAWS* | PAPER-STEM EARBUDS | WOODEN CUTLERY


**100%**
*Fashion, Beauty and Home paper bags introduced at Woolworths*

**David Jones has phased out plastic straws only*

## CONCLUSION

The committee completed the annual self-assessment of its statutory obligations for the year under review and is satisfied that it has fulfilled its statutory mandate in terms of the Companies Act. 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 relevant legislation or non-adherence to codes of best practice that fall within the committee's mandate.

The Group has retained its inclusion in the FTSE4Good Index Series for 2020 as well as FTSE/JSE Responsible Investment Index for 2019/2020. The FTSE4Good Index Series is designed to measure the performance of companies demonstrating strong Environmental, Social and Governance (ESG) practices. Transparent management and clearly-defined ESG criteria make FTSE4Good indexes suitable tools to be used by a wide variety of market participants when creating or assessing sustainable investment products. In addition, Woolworths Holdings Ltd has been included in the Dow Jones World Sustainability Index for the ninth year in succession and is one of only three South African companies on the World Sustainability index.

We remain committed to identifying additional strategies to create value and contribute positively to the environmental, societal, and governance requirements 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.

—

*The Group has retained its inclusion in the FTSE4Good Index Series for 2020 as well as the FTSE/JSE Responsible Investment Index for 2019/2020. The FTSE4Good Index Series is designed to measure the performance of companies demonstrating strong Environmental, Social and Governance (ESG) practices. Transparent management and clearly-defined ESG criteria make FTSE4Good indexes suitable tools to be used by a wide variety of market participants when creating or assessing sustainable investment products. In addition, Woolworths Holdings Limited has been included in the Dow Jones World Sustainability Index for the ninth year in succession and is one of only three South African companies to be included thereon.*

N MOHOLI
Chairman of the Social and Ethics Committee

### SHAREHOLDER VOTING ON 2019 REMUNERATION RESOLUTIONS

*Remuneration Policy*

**95.23%**

*Implementation Report*

**69.25%**

*Non-executive directors' remuneration*

**94.66%**

## SHAREHOLDER ENGAGEMENT PRE- AND POST 2019 AGM

**KEY FEEDBACK RECEIVED AND DELIBERATED ON**

- The use of nominal GDP for the base case hurdle rate for the 3-year CAGR in HEPS growth
- Include more disclosures on STI targets
- Minimum Shareholding Requirement (MSR) for executive directors
- The use of Gini coefficient
- Disclosure of peer group companies used for executive and non-executive directors' benchmarking

# REMUNERATION POLICY AT A GLANCE

## REPONSE TO COVID-19 IMPACT

The impact of COVID-19 on the Remuneration Policy was discussed at a special Remuneration Committee workshop on 2 July 2020.

Topics deliberated on included:

- Remuneration mix
- Corporate STI
- Long-term incentive performance conditions
- Retention

UP TO

**30%**

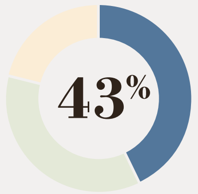
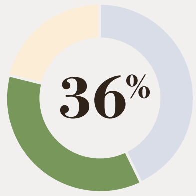
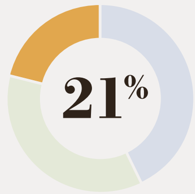
*fees and salary sacrificed by non-executive directors and senior executives for a three-month period*

**R25.9M**

*additional remuneration and benefits paid to WSA staff working on the front line*

### REMUNERATION POLICY

*Key components of the Group's Remuneration Policy applicable for 2020 are highlighted in the table below.*

| | GUARANTEED PAY | CORPORATE SHORT-TERM INCENTIVES | LONG-TERM INCENTIVES |
|---|---|---|---|
| WHAT IS INCENTIVISED? | Attraction and retention | Delivery of annual financial performance and strategic initiatives | Delivery of three-year Medium Term Plan (MTP), shareholder value and selected retention |
| 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 |
| PERFORMANCE MEASURES | Individual performance measures (IPM) | Group aPBT<br>Company/business unit aEBIT<br>Individual performance - IPM | Prior to August 2018: HEPS, ROCE and TSR<br>Post August 2018: HEPS, ROCE and cash flow |
| OTHER | Internal and external benchmarking | Malus and 2-year clawback provisions | Malus and 2-year clawback provisions |
| METHOD OF DELIVERY | Cash | Cash | WHL shares |
| AGGREGATED EXEC DIRECTORS' (INCL NEW GROUP CEO) REMUNERATION MIX (ON-TARGET) |   *Guaranteed pay* |   *Short-term incentives* |   *Long-term incentives* |

**REMUNERATION POLICY CHANGES FOR 2021**

**CORPORATE STI**

- Bonus pool reduced to 50%
- Performance measures:
  - 60% financial performance
  - 40% strategic drivers
- Payments made six-monthly (excl WHL, WSA, DJ and CRG Exco)

**LONG-TERM INCENTIVES**

- Performance conditions for 2017, 2018 and 2019 allocations are unchanged
- Specific elements of the performance conditions for 2020 allocations will be communicated to shareholders prior to the AGM

## SHARES AVAILABLE FOR PSP SCHEME

*Available (approved November 2010)*

**85.0M**

*Utilised (28 June 2020)*

**61.7M**

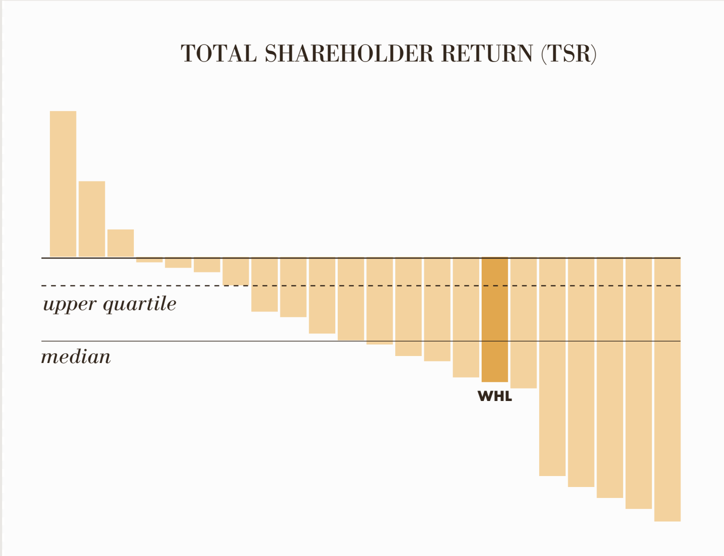
**USEFUL LINKS** FOR MORE DETAIL | REMUNERATION POLICY | IMPLEMENTATION REPORT

## GROUP PERFORMANCE MEASURES

ADJUSTED PROFIT BEFORE TAX
**R2 486.0M**
*(pre IFRS 16)*

HEPS
**195.8CPS**
*(pre IFRS 16)*

ROCE
**9.7%**
*(three-year average post IFRS 16)*




# IMPLEMENTATION REPORT AT A GLANCE

***Linking group performance to directors' remuneration***

NON-EXECUTIVE DIRECTORS' PROPOSED FEE INCREASE

**0%**
*(2019: 5.0%)*

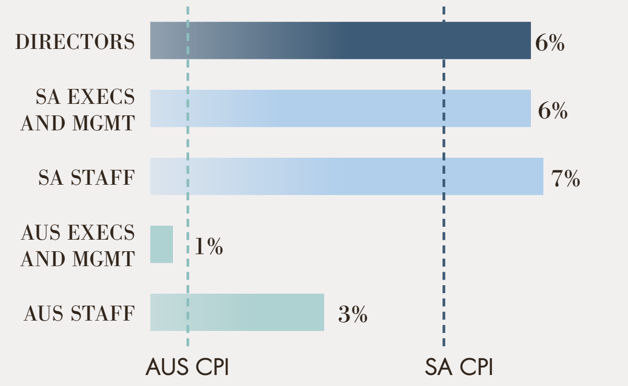
## LONG-TERM INCENTIVE ALLOCATIONS IN 2020

SIGN-ON ALLOCATION FOR NEW GROUP CEO
**1 432 537**
RSP SHARES
*(5-year vesting with performance conditions)*

EXECUTIVE DIRECTORS
**433 897**
PSP SHARES
*(3-year vesting with performance conditions)*

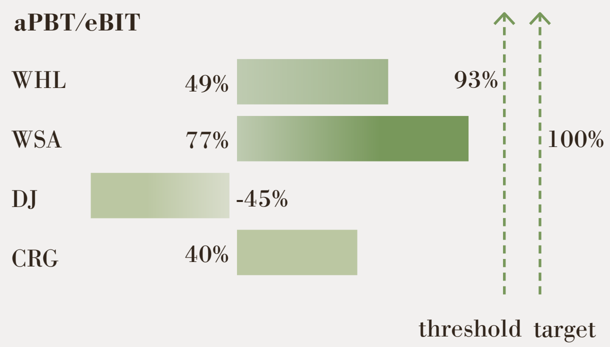
OTHER EMPLOYEES
**4 152 811**
PSP SHARES
*(3-year vesting with performance conditions)*

### GUARANTEED PAY INCREASE EFFECTIVE OCT 2019




***Outcome:*** *Exec directors GP increase 6%, 0% increase in Oct 2020*

### CORPORATE SHORT-TERM INCENTIVE SCHEME (2020 FINANCIAL YEAR PERFORMANCE)

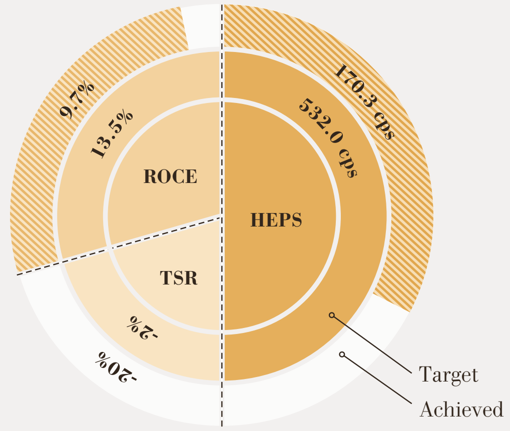



***Outcome:*** *No Corporate STI payments*

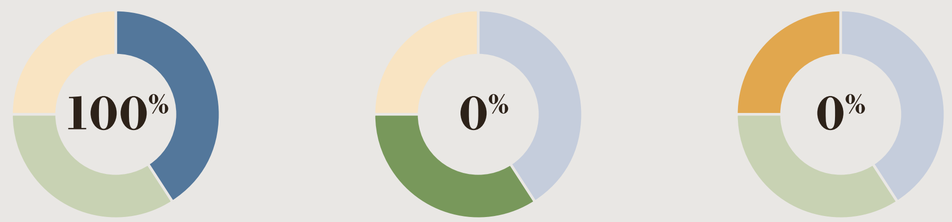
### LONG-TERM INCENTIVE SHARE SCHEME (ALLOCATIONS MADE IN 2017)

| Performance condition | Achieved | Target |
|---|---|---|
| HEPS | 170.3 cps | 532.0 cps |
| ROCE (three-year avg) | 9.7% | 13.5% |
| TSR | -20% | -2% |

***Outcome:*** *0% vesting, using pre- and post IFRS 16*




### AGGREGATED EXEC DIRECTORS' (INCL NEW GROUP CEO) ACTUAL REMUNERATION MIX




*Guaranteed pay* | *Short-term incentives* | *Long-term incentives*

### SINGLE-FIGURE REMUNERATION

Single-figure remuneration is disclosed for executive directors' remuneration for 2020. 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 |
| 2020 Total | 38 293 | 11 231* | 49 524 | - | 4 836 | 4 947 | 59 307 |
| 2019 Total | 39 857 | 1 481 | 41 338 | 2 107 | - | 6 626 | 50 071 |

* *Benefits include Roy Baggatini's conditional sign-on bonus, relocation, rental accommodation and legal expenses.*

**USEFUL LINKS** FOR MORE DETAIL | REMUNERATION POLICY | IMPLEMENTATION REPORT

# OUR REMUNERATION REPORT

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 |

THIS REPORT COMPRISES THREE SECTIONS

## 1. CHAIRMAN'S REPORT

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

## 2. REMUNERATION POLICY

*Details of the remuneration philosophy, policy, and framework to motivate and reward performance at short-, medium-, and long-term time frames. The 2021 policy is tabled at the Annual General Meeting (AGM) for a non-binding advisory vote by the Group's shareholders.*

## 3. IMPLEMENTATION REPORT

*The implementation of the Remuneration Policy in the 2020 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 28 June 2020, and the remuneration earned by the executive directors explaining how the policy has translated into the remuneration earned by the executive directors.*

# *SECTION 1:* REMUNERATION COMMITTEE CHAIRMAN'S REPORT

*I was appointed the Chairman of the Remuneration Committee in November 2019 and am pleased to table the Remuneration Policy and the Implementation Report of the Group. These reports will be tabled at the 2020 Annual General Meeting. Together with the Chairman of the Board, we will engage with key shareholders on the content of these reports so that we can align our remuneration policies and practices with reasonable expectations in order to deliver sustainable profitable returns to shareholders and reward executive directors fairly, transparently and appropriately for that execution.*

## CHANGES IN LEADERSHIP

### APPOINTMENT OF NEW GROUP CEO – ROY BAGATTINI

Roy Bagattini, an experienced international business leader, was appointed as the Group Chief Executive Officer on 17 February 2020. He was appointed on a five-year fixed-term contract, with the option to extend the term for a further three years.

The Remuneration Committee deliberated on the structure and quantum of the remuneration package required to attract an experienced international business leader, such as Roy, to take up the position of Group CEO, and to also provide for any value forfeited on the resignation from his previous position. Total guaranteed pay of R15.5 m per annum at the time of signature consisting of a South African and Australian component was agreed with Roy, and his STI arrangements would entitle him to an annual incentive bonus up to 150% of his guaranteed pay, at stretch performance. The package was also informed through benchmarking undertaken by independent external remuneration specialists, carefully considering the jurisdictions across which he would operate.

Roy was awarded a sign-on allocation of restricted shares equalling 350% of his guaranteed pay, with a 5-year vesting period and subject to strategic non-financial performance conditions. In addition, he would be entitled to a sign-on bonus of 100% of his guaranteed pay, prorated for the 2020 financial year worth R5.8m, subject to certain initial performance measures. Reasonable relocation, legal and incidental expenses relating to Roy's move from the United States to South Africa were paid for by the Group within income tax guidelines. A comprehensive restraint of trade agreement, incorporating a 24-month period in South Africa and a 12-month period in Australia, was also agreed. Additional details are provided in Section 3: Implementation Report.

### RESIGNATION OF GROUP CEO – IAN MOIR

Ian Moir resigned as Group CEO on 16 February 2020. He was appointed acting CEO of David Jones and will hold this role until a suitable candidate is appointed.

During mid-2019, the Remuneration Committee approved the terms that would apply to Ian's resignation in line with his contract and the Group's Remuneration Policy. Ian will be entitled to the settlement of outstanding leave pay, 12-months' notice pay and relocation expenses from South Africa to Australia. It was also agreed that no shares would be issued to Ian from 2019 onwards, notwithstanding the fact that he was entitled to an annual restricted share allocation of 150% of guaranteed pay, in terms of his employment agreement.

The terms of Ian's resignation were flexible, and accommodated an uncertain handover date, over an extended period for both the Group CEO position and that of the CEO of David Jones. Given the situation posed by the COVID-19 pandemic, this arrangement proved advantageous in such respect as well.

In 2013, the committee approved a 24-month restraint of trade agreement with Ian which extended to the South African territory only, as it was the largest component of the Group's operations. Following the acquisition of David Jones and 100% ownership of CRG in 2014, the geographic reach of the Group changed significantly with the Australasian operations forming a critical component of the business activities. In order to protect the Group, we therefore, as part of the terms of Ian's resignation agreement, approved a new restraint of trade agreement incorporating Australia. Consequently, and subject to any breach in conditions, Ian will be entitled to an amount of A$2.9m payable for the Australia restraint of trade. This payment is likely to take place during the Group's 2023 financial year. Additional details are provided in Section 3: Implementation Report.

## 2020 FINANCIAL YEAR PERFORMANCE

The Group has been severely impacted by the global COVID-19 humanitarian crisis.

Governments across the globe have implemented various measures to reduce and curtail the spread of the virus. The Group is fully supportive of these measures to ensure the safety of our employees and customers. This impacted Group companies in varying degrees.

The impact of the virus, including its socio-economic effects, has materially weakened the financial performance of the Group. During this period, the Group has been determined in its efforts to mitigate the reduction in earnings, optimise working capital and preserve cashflow and liquidity.

Group adjusted profit before tax (aPBT) decreased by 12.3% to R2.4 billion (pre IFRS16) and adjusted HEPS declined by 45.5%.

## E4E TRUST

In recognition of the challenging circumstances experienced by staff in the Group during the COVID-19 pandemic, the Board, Group CEO and senior executive teams elected to forgo up to 30% of their fees and salaries for a three-month period from April to June 2020.

An employee trust, E4E, was established to manage the fees and salary forgone by the board and senior management.

The intent of the E4E Trust is to provide assistance to certain employees in the Group who may experience hardships that are not catered for in any existing employee benefit schemes.

## SHAREHOLDER ENGAGEMENT AND FEEDBACK ON REMUNERATION RESOLUTIONS

At our Annual General Meeting (AGM) held on 27 November 2019, shareholders gave us strong approval for our Remuneration Policy, but were disappointed in the way we had applied and implemented that policy during the 2019 financial year. In line with King IV™ recommendations, shareholders were invited to forward their written submissions and to indicate their willingness to engage with the Board on the Implementation Report. Shareholders were also advised that the Remuneration Committee would discuss their submissions at their meeting in February 2020.

Shareholders did not take up the opportunity to submit their concerns and engage with the Board. Consequently, no conference call was held in March 2020. However, prior to the AGM, Hubert Brody and myself personally held discussions with a number of key shareholders, to get their views on the Remuneration Policy and Implementation Report. The feedback received from these engagements has stimulated much debate and discussion in committee meetings during the year, with a specific workshop held on 2 July 2020 to focus on the matters and the potential changes to the Remuneration Policy implementation and related disclosures.

The committee considered the following:

- the merits of using nominal GDP as a base case hurdle rate of the 3-year CAGR used for the LTI HEPS performance condition
- additional prospective disclosures for Corporate STI targets (to the extent permitted by the JSE Listing Requirements)
- the implementation of a minimum shareholding requirement (MSR) for executive directors
- the disclosure of the Group's Gini coefficient
- the disclosure of the benchmark peer group used for executive and non-executive directors' remuneration

## IMPACT OF SHAREHOLDER FEEDBACK

The specific points raised by some shareholders during our engagements prior to the 2019 AGM, and the outcomes of the Remuneration Committee's subsequent deliberations are as follows:

| SHAREHOLDER FEEDBACK | COMMITTEE RESPONSE AND ACTION TAKEN |
|---|---|
| **REMUNERATION POLICY** | |
| Using nominal GDP as base case hurdle rate for the three-year CAGR for the LTI HEPS performance condition | It was agreed that a revision of the LTI performance conditions would be considered, but requires more careful deliberation due to the current forecasting uncertainties, in the midst of COVID-19. |
| Implementation of minimum shareholding requirements (MSR) for executive directors | The principle of MSR is accepted; however, in the current environment of no vesting and COVID-19, it is not appropriate to set a specific target. Further, the executive have traditionally retained significantly holdings of shares without a prescribed MSR. The committee will continue to monitor and review this on an ongoing basis. |
| **IMPLEMENTATION REPORT** | |
| Consider additional disclosures for Corporate STI targets | Based on the JSE guidelines as to what constitutes a profit forecast, we will continue to disclose retrospective STI targets. |
| Disclosure of Gini coefficient | The committee elected not to report on the Gini coefficient of the Group on the basis that the strategic actions and steps to address fair and responsible remuneration for the majority of the staff was a more effective and meaningful initiative in addressing the income disparities. In WSA the progress to achieving a 'just wage' has been considered to be a more effective and meaningful measure and disclosure of the components of a living wage for staff. This is being monitored carefully. See page 176. |
| Executive directors' remuneration benchmark | Disclosure of the benchmark companies used for executive directors' remuneration has been provided. See page 181. |
| Remuneration peer group for non-executive directors' | Disclosure has been provided for the benchmark companies used for non-executive directors fees . See page 186. |

## IMPACT OF COVID-19 ON DESIGN OF THE REMUNERATION FRAMEWORK FOR 2021

The Remuneration Committee deliberated on the impact of COVID-19 on the economic environment, recognising that the recovery from this pandemic may take significantly longer than any recent economic shocks experienced, such as the 2008 global financial crisis.

It was recognised that a fresh approach to the terms and manner in which the Group deals with executive pay, and compensation and benefits in general, was required. The compensation approach would need to be relevant and competitive, as the Group works through the challenges of COVID-19 and navigates the businesses beyond this phase.

The key objectives are to:

- make LTI awards that assist in improving the lock-in retention values of employees subsequent to the impact of COVID-19
- set appropriate STI and LTI targets for times of uncertainty and highly volatility
- ensure that the design of our STI and LTI plans are relevant to continue to attract and retain key talent, which becomes an even more significant focus during challenging periods

Given the above, the committee agreed the following:

- the design of the Corporate STI scheme would be modified to include: subject to the existing company level gatekeeper, a 60% allocation towards financial performance and a 40% allocation on the achievement of strategic drivers. Payments linked to financial performance conditions will be made six-monthly to qualifying staff, except for the WHL Exco and Excos of WSA, DJ and CRG who will only receive payment based on full year results. The bonus pool is reduced by 50%
- the 'in flight' LTI PSP allocations made in 2017 and 2018 have a high probability of not vesting and therefore will lapse. The performance conditions and targets for the 2019 PSP allocations will be unchanged, notwithstanding that they may not vest
- the performance conditions for the 2020 PSP allocations will be amended to reflect more appropriate attainable targets given the high level of unpredictability in the medium-term

## DIRECTORS' GUARANTEED PAY AND FEES FOR 2021

In view of the impact of COVID-19 on Company performance that the executive directors' guaranteed pay would remain constant, and they would not receive an increase effective 1 October 2020.

The committee and the Board also elected not to request an increase in the non-executive directors' fees from shareholders.

## INDEPENDENT EXTERNAL ADVICE

The committee makes use of independent external advice on remuneration trends and market benchmarks. External benchmarking data is utilised on a biennial basis. In 2019, PwC provided advice on local and global remuneration trends as well as 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 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 review each year. The committee will consider amending relevant aspects of the Group's remuneration framework as and when required in terms of best practice and based on the Group's needs.

The Remuneration Policy and the Implementation Report will be tabled as non-binding advisory shareholder resolutions at the AGM on 25 November 2020. We invite any shareholder wishing to engage with the Board on either the Remuneration Policy and/or the Implementation Report to do so via email to 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.

*Following the publication of the Remuneration Policy and Implementation Report, Hubert Brody and myself will, once again, personally engage with our key shareholders. We look forward to the engagements and receiving their views on our remuneration framework.*

—

ZARINA BASSA
Chairman of the Remuneration Committee

# *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™. In order to provide a more comprehensive view, policies applicable to different levels of employees and/or different geographic areas are included where appropriate.*

## 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 long-term sustainability of the Group.

The remuneration policies are designed to achieve alignment between the Group's business strategy, Group values and the behaviour of employees. 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 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 Group.

## FAIR AND RESPONSIBLE REMUNERATION

The Remuneration Policy addresses fair and responsible remuneration in the context of overall employee remuneration.

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 in product discounts
- specific corporate initiatives are applied to enhance work experience and improve the EVP for employees

The Group has developed a 'fair pay barometer' to measure fair and responsible remuneration in a manner relevant to its business model. The barometer is used as a tool to measure guaranteed pay increases across levels of employees, gender and race, including short-term incentives by level of employee.

**R25.9M** *additional compensation received by WSA operations staff during the lockdown levels in South Africa*

**USEFUL LINK** FOR MORE DETAIL | FAIR AND RESPONSIBLE PAY BAROMETER

## A 'JUST WAGE'

*A 'just wage' – an equitable, ethically based wage – demonstrating the construct of a living wage in context of the Group's values and the socio-economic environment of South Africa.*

The Gini coefficient or index is widely considered to be the most scientific and accurate measure of income disparity and many commentators use it as a proxy for fair and responsible remuneration as envisaged by King IV™.

In 2017, the Remuneration Committee developed a fair pay barometer as the Group's representation of fair and responsible remuneration rather than using the Gini coefficient as the sole measure to manage this. Transparent disclosure of guaranteed pay increases and short-term incentives paid by level of staff, gender, and race for each of the main geographic areas provides the committee and shareholders with information showing fair and responsible remuneration.

As explained earlier, the committee has agreed not to make use of the Gini coefficient, and would continue to focus on strategic initiatives to drive and address fair and responsible pay. On this basis and within the context of the socio-economic challenges of South Africa, and given the country's high coefficient, the Group's main focus has been on remuneration policies and strategies in Woolworths South Africa. An income differential strategy has been applied by WSA for a number of years, and has proved to be a critical strategy to ensure that we do not have any unfair income disparities at a race and gender level.

One of the key principles that direct the Group's policy on fair and responsible remuneration is: 'consideration given to minimum wage legislative requirements and living wage'.

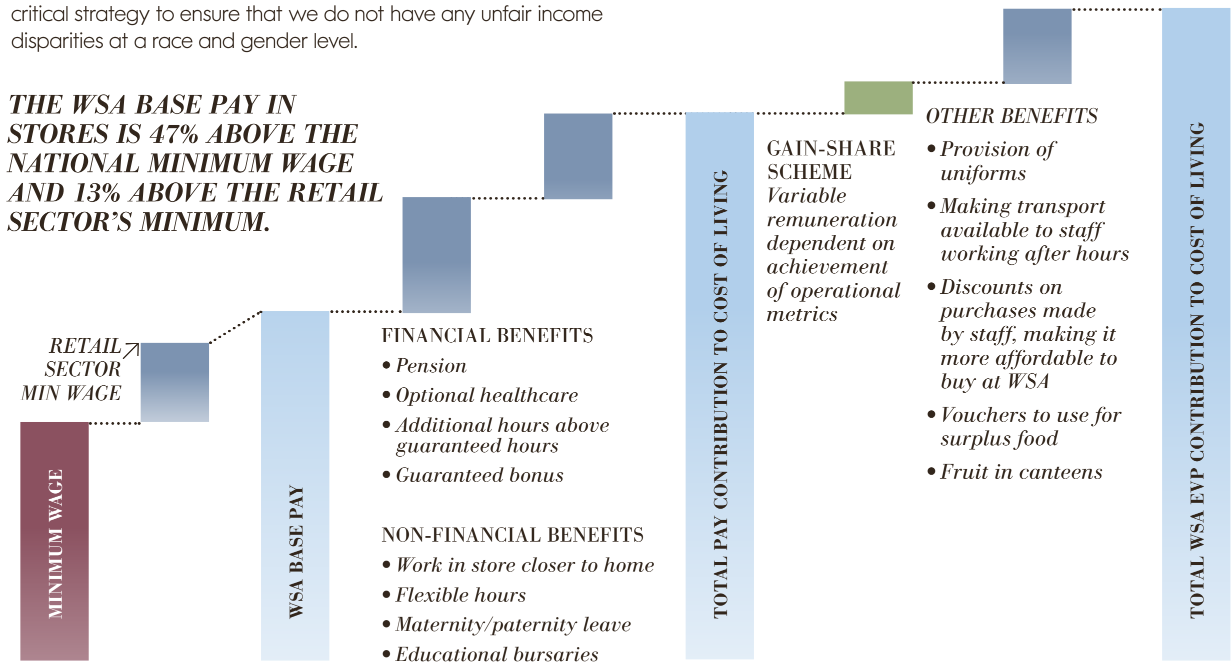
The International Labour Organisation (ILO) defines a living wage as the amount necessary to meet the reasonable needs of a worker with a family of average size to live a decent life. Quantifying this accurately is the subject of much debate.

On the premise that the minimum wage is the legislated level of remuneration for an employee's qualification and following the principle of fair remuneration, Woolworths South Africa has developed strategies towards remunerating our staff a 'just wage'.

In thinking through this strategic journey towards a WSA 'just wage', our key consideration has been the socio-economic context of the majority of staff employed in our retail stores.

The components of WSA contribution to a 'just wage' calculation are shown below. The WSA base pay in stores is 47% above the national minimum wage and 13% above the Retail sector's minimum.

***THE WSA BASE PAY IN STORES IS 47% ABOVE THE NATIONAL MINIMUM WAGE AND 13% ABOVE THE RETAIL SECTOR'S MINIMUM.***




**LEGISLATED MINIMUM WAGE *at March 2020 is R20.76 per hour.***

## 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, and discounts on purchases | Annual performance bonus paid on the achievement of one-year financial targets<br>Employees in the Group participate in a STI scheme appropriate to the level and role that they perform in the Group<br>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:<br>• Performance Share Plan (PSP)<br>• Restricted Share Plan (RSP) |

## MALUS AND CLAWBACK PROVISIONS

Malus and clawback provisions were introduced on 1 July 2019, for awards allocated to executive directors and Exco members of operating entities, effective as follows:

- Corporate STI – 2020 performance onwards
- RSP scheme – awards post 1 July 2019
- Other LTI schemes – awards post 27 November 2019 (shareholder approval was required for amendments to specific share scheme rules)

Malus provisions are applicable prior to vesting or payment while the clawback provision is applicable for a two-year period after the payment of any Corporate STI or vesting of any LTI awards. A trigger event is defined as an event that leads to material reputational damage, material misstatement in the financial statements or a deliberate misinterpretation of financial targets.

These provisions will enable the committee to recover variable remuneration awards made to a participant, based on the occurrence of a trigger event caused by that participant leading to loss or damage incurred by the Group.

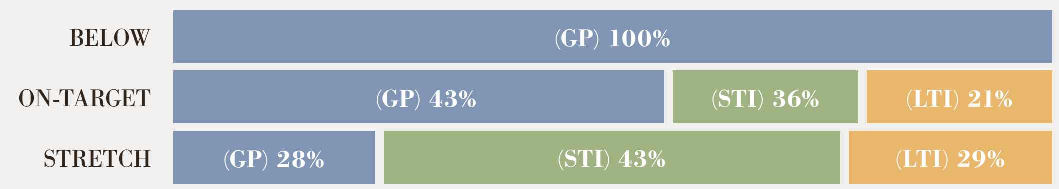
## REMUNERATION MIX

To achieve a performance culture and an alignment with value creation for shareholders, the remuneration mix for the Group CEO, executive directors, Exco members, and senior management is geared towards a higher percentage of variable pay. This variable pay, made up of Corporate STI and LTI, is considered 'at risk pay' in order to drive the achievement of stretch goals by employees.

To illustrate the contribution of variable pay, the chart below highlights the potential remuneration mix of GP, STI and LTI for the executive directors.

**Below level** assumes GP, no vesting of annual LTI allocations and no STI payments
**On-target level** assumes GP, on-target STI performance and 50% vesting of LTI annual allocations
**Stretch level** assumes GP, stretch STI and 100% vesting of LTI annual allocations

AGGREGATE EXECUTIVE DIRECTORS (INCLUDING GROUP CEO)




## 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. Employment agreements may also include restraint of trade agreements.

The new Group CEO (Roy Bagattini) has been employed on a five-year fixed-term contract with the option to extend for a further three years. He has a 12-month notice period and a comprehensive restraint of trade agreement of 24 months in South Africa and 12 months in Australia.

Expatriate execs employed on a fixed-term contract are subject to obtaining and maintaining applicable work permits.

## 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 may exercise reasonability and discretion to award ex gratia payments where extraordinary value has been created by executives or where STI payments are not warranted.

Discretion is not exercised in the calculation of the performance conditions for the short- and long-term incentive schemes. Should there be a material deviation from the Remuneration Policy, this will be disclosed in our reporting.

## LINKING STRATEGY WITH VARIABLE REMUNERATION

### ALIGNMENT TO STRATEGY

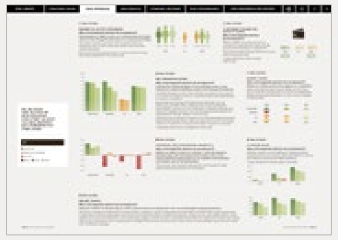
A balanced scorecard is prepared as part of the annual strategy process. The scorecard includes key metrics quantifying progress on executing operating plans aligned to the strategic focus areas.

The Board reviews the scorecard quarterly to monitor performance against strategic focus areas at Group and operating entity level.

In order to focus on the achievement of the Group's or operating entity's strategy, an individual's performance measurement (IPM) includes a combination of objectives aligned with the achievement of the operating entity's strategic focus areas and the employee's behaviour against the Group's values.

The process of incorporating the strategic focus areas and the values into the IPM is illustrated opposite:

STRATEGY



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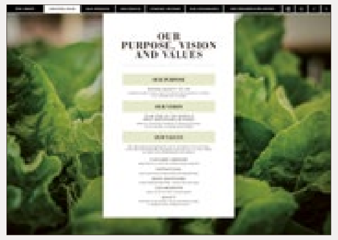
VALUES




DETERMINE → EMPLOYEE IPM RATING

IS INPUT INTO

CORPORATE STI

### ALIGNMENT TO MEDIUM-TERM PLAN (MTP)

The three-year medium-term plan (MTP) is the mechanism used by the Group to quantify the financial impact of the Group's strategy.

Key measures from the MTP are also incorporated in the short- and long-term incentive schemes to drive ownership of the MTP by the executives and executive directors.

FINANCIAL PERFORMANCE

| MEDIUM-TERM PLAN (3 YEARS) | | PERFORMANCE CONDITIONS | | |
|---|---|---|---|---|
| | | BALANCED SCORECARD | SHORT-TERM INCENTIVES (1 YEAR) | LONG-TERM INCENTIVES (3 - 5 YEARS) |
| SALES | INCLUDED IN | ✓ | | |
| aEBIT | | ✓ | ✓ | |
| OPERATING PROFIT MARGIN % | | ✓ | | |
| aHEPS | | | | ✓ |
| ROCE | | | | ✓ |
| EBITDA | | | | ✓ |
| NET DEBT | | | | ✓ |

**USEFUL LINK** FOR MORE DETAIL | IMPLEMENTATION REPORT

*Rollover for more detailed content*

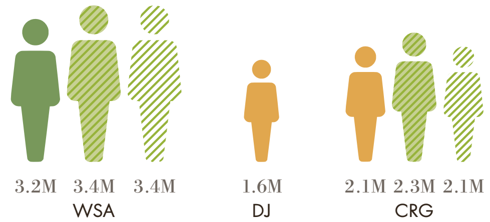
## LINKING PERFORMANCE AGAINST STRATEGY TO GROUP CEO AND EXECUTIVE DIRECTORS' VARIABLE REMUNERATION

Measurements of the strategy are incorporated into the executive directors' IPMs (in addition to individual specific goals) and provide an assessment of their individual performance.

The measurable key performance indicators are detailed on pages 87 to 90 with an extract shown below.

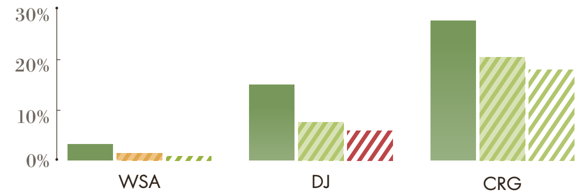
KEY: ACHIEVED PARTIALLY ACHIEVED MISSED 2020 2019 2018

**WHL RATING**
**NUMBER OF ACTIVE CUSTOMERS**




Read more

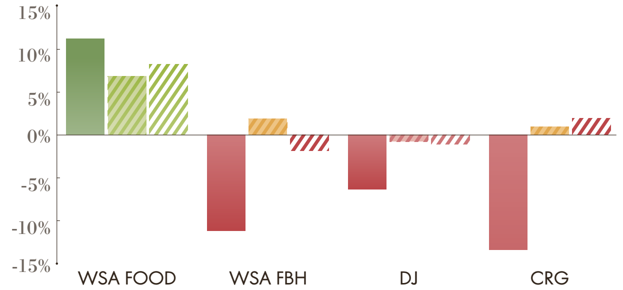
**WHL RATING**
**% ONLINE SALES**



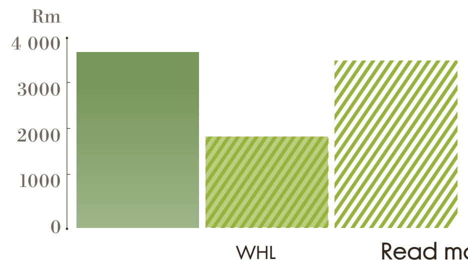

Read more

**WHL RATING**
**TURNOVER AND CONCESSION GROWTH %**

Read more

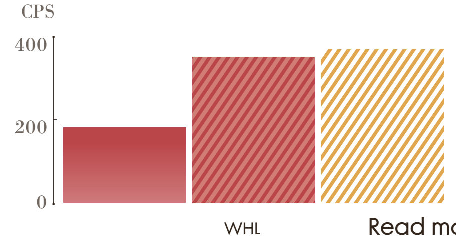



**WHL RATING**
**FREE CASH FLOW**




Read more

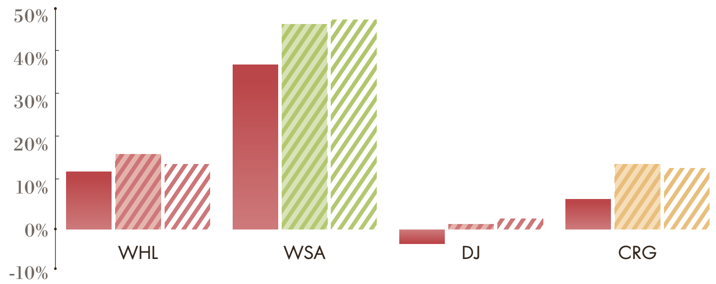
**WHL RATING**
**ADJUSTED DILUTED HEADLINE EARNINGS PER SHARE**




Read more

**WHL RATING**
**RETURN ON CAPITAL EMPLOYED**

Read more



# EXECUTIVE DIRECTORS

## REMUNERATION POLICY APPLICABLE TO THE 2021 FINANCIAL YEAR

The table below sets out the components of the remuneration framework to be applied by the Remuneration Committee in the 2021 financial year for the Group Chief Executive Officer (Group CEO), executive directors and key senior executives (execs).

Components of the framework may differ between the three main operating subsidiaries of the Group – differences are highlighted. The framework is applied to all Group employees, with LTI components not applicable to lower management levels where 'line of sight' is not easily attributable to these roles.

## GUARANTEED PAY

### BASE SALARY

**PURPOSE AND LINK TO STRATEGY**

Market-related level of remuneration with consideration to specific requirements of the role

**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

**OPPORTUNITY & MAXIMUM LIMIT**

Base salary reviewed in context of company and Group performance, in-country CPI and affordability

**PERFORMANCE CONDITIONS**

Adjustments influenced by individual performance measures aligned with strategic focus areas and behaviours to Group values

**Benchmark peer group:**
Adcock, Aspen, Barloworld, Bid Corp, Bidvest, Clicks, Dis-Chem, Imperial, KAP, Lewis, Massmart, Mr Price, Multichoice, Motus, Pick n Pay, Pioneer Foods, RCL Foods, Reunert, Shoprite, Spar, Supergroup, TFG, Telkom, Tiger Brands, Truworths

### RETIREMENT/SUPERANNUATION, HEALTHCARE, AND OTHER BENEFITS

**PURPOSE AND LINK TO STRATEGY**

Benefits and allowances of a compulsory and non-compulsory nature appropriate to the market and contributing to well-being of employees, in line with EVP

**MECHANICS**

Benefits include:
- retirement funding, superannuation
- healthcare
- motor vehicle allowance and vehicle leasing options
- product discount on purchases made in the Group's stores
- other benefits as per specific country

**OPPORTUNITY & MAXIMUM LIMIT**

Some benefits and the quantum of the benefits will vary based on the Group's subsidiaries and the market in which they trade

**PERFORMANCE CONDITIONS**

n/a

## SHORT-TERM INCENTIVES

### SHORT-TERM PERFORMANCE BONUS

**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**

Bonus split: 60% financial and 40% strategic driver (individual)

The target is determined annually in advance

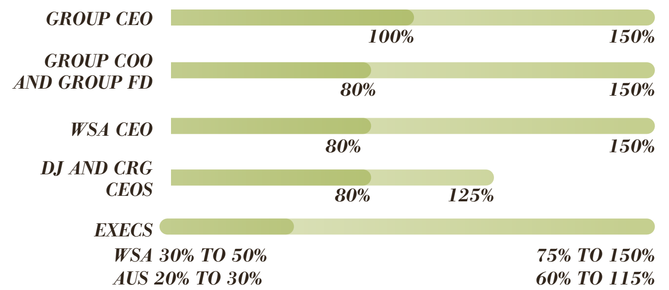
Financial STI measure calculated as follows:
- Group CEO: 100% based on Group performance
- Group COO and Group FD: 100% based on Group performance
- WSA, DJ, CRG CEOs: 50% based on Group performance and 50% based on company performance
- Execs: 20% based on Group performance with remaining 80% based on line of sight to company and/or specific business area performance

Strategic driver measure specific to each employee

Earnings potential is applied on a sliding scale between threshold, on-target and stretch performance

**OPPORTUNITY & MAXIMUM LIMIT**

On-target and stretch performance percentage of GP:




**PERFORMANCE CONDITIONS**

Gatekeeper of 93% applied at company level

- 60% Financial target (aPBT or aEBIT)

- 40% Strategic drivers

**PAYMENT CYCLE**

Corporate STI scheme:
- H1: maximum of 30% of financial measure
- H2: balance of financial measure plus strategic driver measure
- WHL Exco and operating entities excos' payments based on full year only

Store and supply chain STI schemes:
- Cash payments may be made monthly, quarterly or biannually dependent on the scheme

**MALUS AND CLAWBACK**

Malus and two-year clawback provisions apply to executive directors and excos 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 Corporate STI calculation regardless of the participants' employer company

Store and supply chain employees participate in gain-share or commission schemes appropriate to their employer company

The Remuneration Committee has the discretion to exercise reasonability and discretion to pay ex gratia payments where extraordinary value has been created by executives and/or to mitigate any unintended consequences as may be warranted

| NO. OF PARTICIPANTS CORPORATE STI | NO. OF PARTICIPANTS OTHER STI |
|---|---|
| 3 932 | 37 899 |

*excluding certain categories of employees in Australia subject to bargaining arrangements

## LONG-TERM INCENTIVES

### PERFORMANCE SHARE PLAN

**PURPOSE AND LINK TO STRATEGY**

Motivate employees to achieve three-year strategy aligning shareholder and executive interests

**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

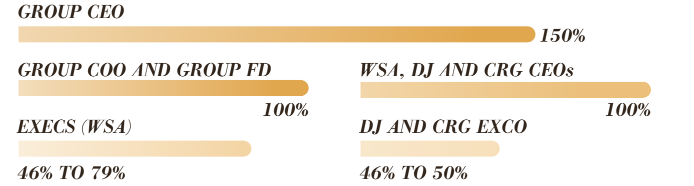
Vesting occurs subject to the achievement of performance conditions over the three-year performance period

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

**OPPORTUNITY AND MAXIMUM LIMIT**

Grants are made annually at the discretion of the Remuneration Committee based on GP at grant date.
Allocations capped at:




**PERFORMANCE CONDITIONS**

**Executive directors, Group execs, Operating entities' excos:**
Annual allocation with 100% based on financial performance conditions and weightings as below
**Senior management:**
Annual allocation with 50% based on financial performance conditions and 50% based on IPM

**FINANCIAL PERFORMANCE CONDITIONS AND WEIGHTINGS**

The committee is comfortable that the financial performance measures of HEPS growth, ROCE and cash flow management are the appropriate measures for the 2021 financial year. However, at the August 2020 Board meeting it was agreed that further deliberations were required to ensure the measures and weightings are relevant given the uncertain future economic conditions. The Board is committed to finalise the measures, weightings and targets prior to the AGM on 25 November 2020

No retesting of performance conditions. Awards lapse if performance conditions are not achieved

**OTHER CATEGORIES/PARTICIPANTS**

Vesting linked to the achievement of IPM rating

**MALUS AND CLAWBACK**

Malus and two-year clawback provisions apply to executive director 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

**NO. OF PARTICIPANTS**

**757**

### RESTRICTED SHARE PLAN

**PURPOSE AND LINK TO STRATEGY**

Attract and retain 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 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 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 AND MAXIMUM LIMIT**

Awards subject to Remuneration Committee discretion

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**

**For all participants:**
100% vesting on condition that the participant is still in the employ of the Group at the vesting dates, and the achievement of IPM rating or specific peformance conditions

**ALLOCATION TO GROUP CEO**

As part of the incoming Group CEO's employment agreement, negotiated at the time to secure his employment and relocation from the USA, he is entitled to an allocation of RSP in September 2020

The performance conditions for this allocation will be aligned with the 2020 PSP allocations, as explained in the opposite column

**MALUS AND CLAWBACK**

Malus and two-year clawback provisions apply to executive directors and excos of operating entities

**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**

**105**

**USEFUL LINKS** FOR MORE DETAIL

REMUNERATION POLICY
PSP ALLOCATIONS
STI CALCULATIONS
SINGLE-FIGURE REMUNERATION

## 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 long-term incentive share schemes. The Trust Deed and share scheme rules are compliant with the Johannesburg Stock Exchange Limited (JSE) Listings Requirements. Shares and grants may not be awarded or exercised during a closed period.

### JSE APPROVED SCHEDULE 14 SHARE SCHEMES

The maximum number of shares available for utilisation for JSE Schedule 14 schemes is 85 00 000 representing 8.1% of the issued share capital as at 28 June 2020.

Grants awarded in terms of JSE Schedule 14 schemes:

- in any one financial year may not exceed 250% of an employee's guaranteed pay
- in aggregate, an employee may not hold more than 12 700 000 awards.

Shares allocated to participants under these schemes may either be purchased on the open market or new shares may be issued.

### RSP SCHEME

The Restricted Share Plan scheme was introduced in 2009, primarily for retention of selected employees. The RSP scheme is not a Schedule 14 scheme. There are no restrictions on the number of RSP shares awarded to an employee in a financial year or the number held by an employee.

All shares awarded to participants are purchased on the open market at the prevailing market price when the awards are made.

From 2009 to 30 June 2018, RSP awards were deducted from the maximum number of shares available for share schemes. With effect from 1 July 2018, by virtue of neither being a requirement of Listing Requirements or legal practice, RSP shares were reflected separately and not deducted from the maximum number of shares available for utilisation.

Subsequent to that decision, the committee further agreed that all RSP shares awarded from inception to 30 June 2018 would also not be deducted from the shares available for utilisation on the basis that these were acquired on the open market. RSP shares awarded during that period amount to 9 670 534. In line with the principle of fair and transparent disclosure, the number of RSP shares awarded during the financial year will be disclosed in the Implementation Report. See page 195.

**ALL RSP SHARES AWARDED TO PARTICIPANTS ARE PURCHASED ON THE OPEN MARKET AT THE PREVAILING MARKET PRICE WHEN THE AWARDS ARE MADE.**

## NON-EXECUTIVE DIRECTORS

### REMUNERATION POLICY APPLICABLE TO THE 2021 FINANCIAL YEAR

The table below sets out the remuneration policies applied by the Group for the 2020 financial year for non-executive directors.

These policies are also applicable for the 2021 financial year and form the underlying basis for the directors' fees tabled for shareholder approval at the AGM to be held on 25 November 2020.

| EMOLUMENTS | |
|---|---|
| **FEES** | **BENEFITS** |
| **CHAIRMAN, LEAD INDEPENDENT DIRECTOR AND DIRECTORS**<br>A market-related fee to attract and retain experienced and diverse non-executive directors<br><br>**COMMITTEE MEMBERSHIP**<br>The fees reflect the additional responsibilities taken through the membership of Board committees. Committee chairmen receive a higher amount<br><br>**MECHANICS**<br>An annual fee structure. Directors are required to provide input on an ongoing basis throughout the year, not merely confined to attendance at meetings.<br>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.<br>Fees reflect the time commitment, demands, international travel requirements, and responsibilities of the role.<br>Non-executive directors who perform a similar role for any of the major operating subsidiaries of WHL are remunerated for those functions:<br>• Zarina Bassa is a Non-executive Director of WSA, a member of its Audit Panel and Chairman of Risk and Compliance and Remuneration Committees<br>• Christopher Colfer is a Non-executive Director of DJ and CRG and Chairman of its Risk and Compliance and Remuneration Committees<br>• Clive Thomson is the Chairman of the WSA Audit Panel and the Audit Committees of DJ and CRG<br>Audited Non-executive directors' fees for the 2020 financial year are shown on pages 201 and 202.<br><br>**OTHER**<br>All travel and accomodation expenses are settled by the Company.<br>Fees are reviewed annually against retail peer companies in South Africa, Australia, and the United Kingdom.<br>Proposed fees are based on independently benchmarked data.<br>Executive directors propose fees to the Remuneration Committee which, in turn, recommends the fees to the Board for final approval by shareholders.<br>Fees are paid quarterly in arrears in cash. | **MECHANICS**<br>Non-executive directors receive product discounts on purchases made in WHL Group stores.<br>No other benefits are provided.<br>Non-executive directors do not participate in any STI or LTI schemes. |

### SERVICE CONTRACTS

Non-executive directors do not have service contracts. They serve the company through letters of appointment, which may be terminated without liability for compensation. Non-executive directors must be re-elected by shareholders at an AGM on a rotational basis, usually at three-year intervals.

### PROPOSED NON-EXECUTIVE DIRECTORS' FEES

The proposed fees for non-executive directors were independently benchmarked by PwC during 2019.

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

Proposed fees for UK and Australia-based directors are based on relevant benchmarks. In view of the impact of COVID-19 on Company performance, the Board elected not to increase non-executive directors' fees. Consequently, the proposed fees, for shareholder approval, will remain constant with the current approved fees. The proposed fees (exclusive of South African VAT) from 1 January 2021 are shown in the table below:

| | CURRENT APPROVED FEES (R'000) | PROPOSED FEES (R'000) | % INCREASE |
|---|---|---|---|
| Chairman | 2 250.0 | 2 250.0 | 0.0% |
| Lead Independent Director | 795.0 | 795.0 | 0.0% |
| South Africa-based director | 420.6 | 420.6 | 0.0% |
| United Kingdom-based director (paid in £) | £77.5 | £77.5 | 0.0% |
| Australia-based director (paid in A$) | A$134.0 | A$134.0 | 0.0% |
| Audit Committee chairman | 362.4 | 362.4 | 0.0% |
| Audit Committee member | 198.7 | 198.7 | 0.0% |
| Nominations Committee chairman | 187.0 | 187.0 | 0.0% |
| Nominations Committee member | 116.9 | 116.9 | 0.0% |
| Remuneration Committee chairman | 245.5 | 245.5 | 0.0% |
| Remuneration Committee member | 128.5 | 128.5 | 0.0% |
| Risk and Compliance Committee chairman | 245.4 | 245.4 | 0.0% |
| Risk and Compliance Committee member | 128.5 | 128.5 | 0.0% |
| Social and Ethics Committee chairman | 198.7 | 198.7 | 0.0% |
| Social and Ethics Committee member | 116.9 | 116.9 | 0.0% |
| Sustainability Committee chairman | 198.7 | 198.7 | 0.0% |
| Sustainability Committee member | 116.9 | 116.9 | 0.0% |
| Treasury Committee chairman | 245.4 | 245.4 | 0.0% |
| Treasury Committee member | 129.9 | 129.9 | 0.0% |
| Hourly rate for additional services | R5 609 | R5 609 | 0.0% |

### PEER GROUP USED FOR BENCHMARKING:

**Local:** Aspen, Barloworld, Bid Corp, Bidvest, Clicks, Dis-Chem, Foschini Group, Imperial Logistics, Lewis Group, Massmart, MTN, Mr Price, Pick n Pay, Shoprite, Spar, Telkom, Truworths, Vodacom

**International:** Harvey Norman, Marks and Spencer, Metcash, Myer, Next, Ocado, Premier Investments, Sainsbury, Tesco, WM Morrisson, Woolworths Group

# *SECTION 3:* IMPLEMENTATION REPORT FOR THE YEAR ENDED 28 JUNE 2020

*This section of the report specifically deals with the remuneration for the Group CEO, executive directors, prescribed officers and non-executive directors. Where appropriate, details are included for execs and other employees.*

## 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 2020 Remuneration Policy (as set out in the 2019 Integrated Annual Report).

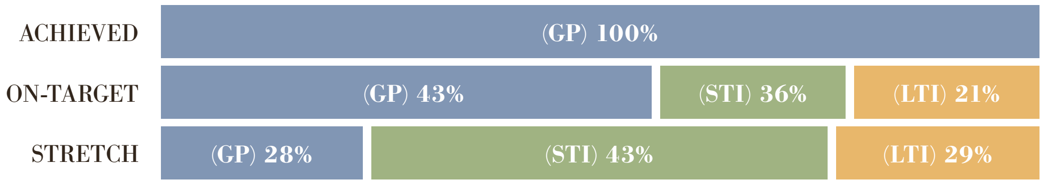
Discretionary Corporate STI payments amounting to R28 million were approved by the committee for targeted retention of key and critical talent and ex-gratia bonuses for employees who had performed exceptionally during the COVID-19 pandemic. There were no circumstances which warranted the application of any malus or clawback provisions.

## REMUNERATION MIX

The chart below represents the actual aggregated remuneration mix for the Group CEO and executive directors achieved for the year ended 28 June 2020. It should be compared to the potential remuneration mix based on the Remuneration Policy shown on page 178.

The achieved remuneration mix is significantly different from the potential mix by virtue of the poor financial performance of the Group resulting in both the Corporate STI scheme and the 2017 PSP and RSP allocations, which had performance conditions attached to them, not vesting.

AGGREGATE EXECUTIVE DIRECTORS (INCLUDING GROUP CEO)




USEFUL LINK FOR MORE DETAIL | SINGLE-FIGURE REMUNERATION

## FAIR AND RESPONSIBLE REMUNERATION

The Remuneration Committee applies the concept of a fair and responsible pay barometer to enable it to consider the remuneration of executive directors in the context of remuneration earned by levels of employees, gender, race and geography. The barometer is discussed at committee meetings on an annual basis.

**THE GROUP CONTINUES TO MAKE SIGNIFICANT PROGRESS IN TERMS OF MANAGING 'THE ETHICS OF PAY'.**

## GUARANTEED PAY

The annual GP increases are set out in the table below.

| | % INCREASE IN GUARANTEED PAY |
|---|---|
| Outgoing Group CEO | 0% |
| Executive directors | 6.0% |
| **Senior executives and management:** | |
| South Africa | 5.64% |
| Australia | 1.61% |
| **Staff** | |
| South Africa | 7.06% |
| Australia | 3.00% |

Guaranteed pay increases were effective 1 October 2019 and referenced to inflation in each geographic area. The IPM rating is also an input to the determination of an employee's increase in guaranteed pay.

The Group continues to address and reduce the pay gap between management and staff by awarding staff higher percentage increases than management.

### SINGLE-FIGURE REMUNERATION

The effect of increases awarded to executive directors are shown on page 196.

# FAIR AND RESPONSIBLE PAY BAROMETER

## SOUTH AFRICA

### DIFFERENTIATED ANNUAL SALARY INCREASES*

| | 2020 | AVG 2017-2019 |
|---|---|---|
| Management | 5.64% | 5.33% |
| Store Staff | 7.06% | 6.81% |
| Supply Chain Staff | 9.60% | 9.90% |

### ANNUAL SALARY INCREASES BASED ON GENDER*

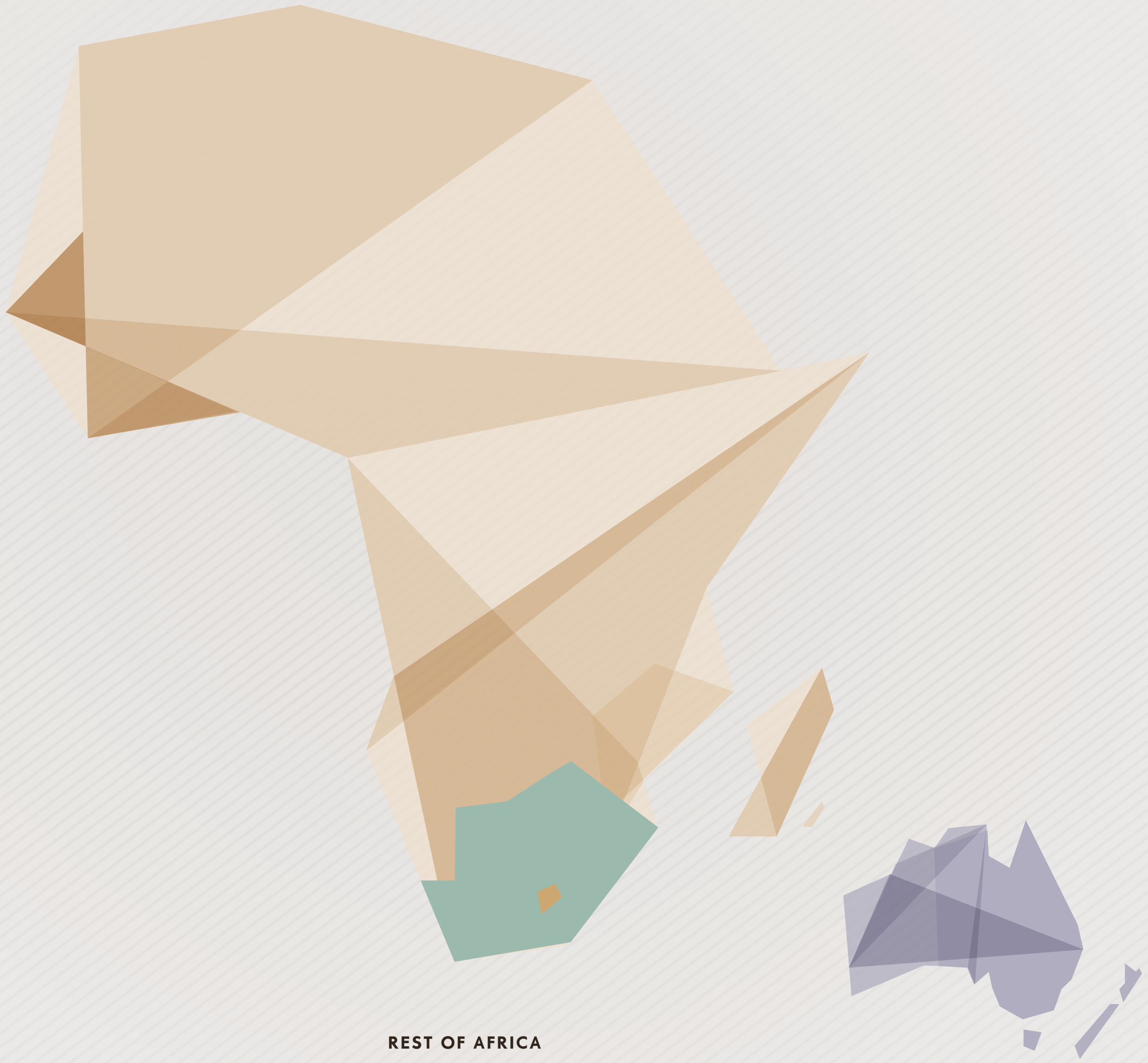
| | 2020 | | AVG 2017-2019 | |
|---|---|---|---|---|
| | Female | Male | Female | Male |
| Management | 5.67% | 5.61% | 5.27% | 5.39% |
| Store Staff | 7.39% | 6.83% | 6.84% | 6.80% |

### ANNUAL SALARY INCREASES BASED ON RACE*

| | 2020 | | | | AVG 2017-2019 | | | |
|---|---|---|---|---|---|---|---|---|
| | African | Indian | Coloured | White | African | Indian | Coloured | White |
| Management | 5.78% | 5.44% | 5.85% | 5.48% | 5.53% | 5.30% | 5.49% | 5.06% |
| Store Staff | 7.09% | 6.89% | 7.00% | 6.87% | 6.80% | 6.81% | 6.84% | 6.67% |

### SHORT-TERM INCENTIVES
*% of Group aPBT*

| | 2020 | AVG 2017-2019 |
|---|---|---|
| Management | 0.59% | 0.96% |
| Store Staff | 0.99% | 0.99% |
| Supply Chain Staff | 0.16% | 0.18% |
| Total | *1.74%* | *1.51%* |



## REST OF AFRICA

| | 2020 | AVG 2017-2019 |
|---|---|---|
| **DIFFERENTIATED ANNUAL SALARY INCREASES*** | | |
| Management | 10.33% | 8.94% |
| Store Staff | 5.77% | 6.52% |
| **ANNUAL SALARY INCREASES BASED ON GENDER*** | | |
| Management (Female) | 6.13% | 7.96% |
| Management (Male) | 14.43% | 7.96% |
| Store Staff (Female) | 4.54% | 6.33% |
| Store Staff (Male) | 6.19% | 7.67% |
| **SHORT-TERM INCENTIVES** *% of Group aPBT* | | |
| Management | 0.02% | 0.0% |
| Store Staff | 0.04% | 0.02% |
| Total | *0.06%* | *0.02%* |

## EXECUTIVE DIRECTORS INCLUDING OUTGOING GROUP CEO

| | 2020 | AVG 2017-2019 |
|---|---|---|
| DIFFERENTIATED ANNUAL SALARY INCREASES* | 3.25% | 5.04% |
| SHORT-TERM INCENTIVES *% of Group aPBT* | 0.00% | 0.01% |

## AUSTRALIA AND NEW ZEALAND

### DIFFERENTIATED ANNUAL SALARY INCREASES*

| | 2020 | AVG 2017-2019 |
|---|---|---|
| Management | 1.61% | 1.86% |
| Store Staff | 3.00% | 2.78% |

### ANNUAL SALARY INCREASES BASED ON GENDER*

| | 2020 | | AVG 2017-2019 | |
|---|---|---|---|---|
| | Female | Male | Female | Male |
| Management | 1.47% | 1.66% | 1.98% | 1.83% |
| Store Staff | 3.00% | 3.00% | 2.78% | 2.78% |

### SHORT-TERM INCENTIVES
*% of Group aPBT*

| | 2020 | AVG 2017-2019 |
|---|---|---|
| Management | 0.01% | 0.36% |
| Store Staff | 1.11% | 1.70% |
| Total | *1.12%* | *1.14%* |

* *increase effective 1 October 2019*

## SHORT-TERM INCENTIVES

# THE FRAMEWORK AND MECHANICS OF THE CORPORATE STI SCHEME ARE APPLIED TO 9% OF EMPLOYEES IN THE GROUP

STRATEGY

3-YEAR MEDIUM-TERM PLAN

INPUT INTO

| | GROUP PERFORMANCE MULTIPLIER (based on aPBT) | + | COMPANY PERFORMANCE MULTIPLIER (based on aEBIT) | + | BUSINESS UNIT PERFORMANCE MULTIPLIER (based on aEBIT) | × | IPM MULTIPLIER | RESULTANT STI % VESTING |
|---|---|---|---|---|---|---|---|---|
| | 0% TO 100% | + | 0% TO 100% | + | 0% TO 100% | × | 80% TO 120% | |
| Roy Bagattini | Roy Bagattini did not participate as he received a conditional sign-on bonus on his appointment | | | | | | | |
| Ian Moir | 100% x 0% x (7/12) | | – | | – | | 100% | 0% |
| Reeza Isaacs | 100% x 0% | | – | | – | | 100% | 0% |
| Sam Ngumeni | 100% x 0% | | – | | – | | 100% | 0% |
| Zyda Rylands | 50% x 0% | | 50% x 0% | | – | | 100% | 0% |

*Sum of these three weighted values = 100%*

### FINANCIAL PERFORMANCE MULTIPLIER

- Group CEO, Group COO and Group FD: 100% based on Group performance
- Executive directors, Group Exco and operating entity execs:
  - 50% – 75% based on Group performance
  - 50% – 25% based on company and specific business unit performance

### IPM MULTIPLIER

All roles based on each individual's IPM, which is a combination of strategic focus areas, three-year MTP and behaviour against the Group's values.

An individual's IPM rating is a multiplier of the financial performance measures used in the Corporate STI scheme. The rating determines the opportunity to increase the potential Corporate STI payment or may reduce it.

### HIGH LEVEL CORPORATE STI DESIGN

- Financial performance targets are determined annually in advance
- A gatekeeper of 93% of each company's aebit is required for threshold performance
- Budgeted pre-incentive profit is applied as the trigger for on-target performance
- Incentives are calculated at business unit level (per company)
- The remuneration committee agreed that the bonus pool for the 2020 financial year would be reduced by: wsa 50%, dj 65% and crg 50% to align with budgeted growth expectations

### PERFORMANCE FOR 2020 FINANCIAL YEAR AND STI VESTING

On an audited 52-week basis, the Group achieved aPBT of R2.5 billion, pre IFRS 16.

The gatekeeper for any company to pay Corporate STI is the achievement of >93% of on-target aEBIT.

The analysis of the financial performance targets and achievements are shown below. With the exception of the WSA Food business unit, the threshold performance was not achieved at a Group and Company level.

Consequently, the Corporate STI scheme was not triggered for the year.

| | LINEAR VESTING OF FINANCIAL PERFORMANCE ACHIEVEMENT | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| % achievement of financial performance | <=93% | 94% | 95% | 96% | 97% | 98% | 99% | 100% | >100% |
| Group/Company performance multiplier | 0% | 14.3% | 28.6% | 42.9% | 57.1% | 71.4% | 85.7% | 100% | *See below |

* The bonus pool after the achievement of budgeted profit accrues by adding 20% of the excess profit in the bonus pool for employees. This pool increases as the entities overachieve their budgets up to the point where individual bonuses are capped.

| | | FINANCIAL PERFORMANCE (PRE INCENTIVES) | | | | | |
|---|---|---|---|---|---|---|---|
| | | Threshold (R'000) | On target (R'000) | Stretch target (R'000) | Achieved (R'000) | % Achievement | Group company performance multiplier |
| Group aPBT | PBT/EBIT as per audited accounts adjusted for impairments, net onerous leases and unrealised foreign exchange losses. | 4 801 | 5 162 | > 5 162 | **2 511 | 48.6% | 0% |
| WSA aEBIT | | 4 264 | 4 585 | > 3 534 | 3 525 | 76.8% | 0% |
| WSA FBH | | 1 657 | 1 782 | > 1 782 | 683 | 38.3% | 0% |
| WSA FOOD | | 2 331 | 2 507 | > 2 507 | 2 741 | 109.3% | 0% |
| DJ aEBIT | | A$65 | A$70 | > A$70 | A$(32) | (45.4)% | 0% |
| CRG aEBIT | | A$93 | A$100 | > A$100 | A$40 | 40.3% | 0% |

** R2 486 post incentives and pre IFRS 16

## LONG-TERM INCENTIVES

### ALLOCATIONS DURING 2020 FINANCIAL YEAR

The annual rolling PSP allocations, and their performance conditions, awarded to the executive directors, as approved by the Remuneration Committee, are shown opposite.

| PSP AWARDS | | | |
|---|---|---|---|
| | BASIS | NUMBER | FACE VALUE R'000 |
| Ian Moir (RSP award) | 150% of GP | 0 | 0 |
| Reeza Isaacs | 100% of GP | 119 967 | 6 212 |
| Sam Ngumeni | 100% of GP | 142 918 | 7 400 |
| Zyda Rylands | 100% of GP | 171 012 | 8 855 |
| Total | | 433 897 | 22 467 |

All PSP allocations to executive directors and execs were made in line with the percentage allocations described in the Remuneration Policy table on page 182.

WEIGHTINGS AND PERFORMANCE CONDITIONS

| MEASURE | WEIGHTING | THRESHOLD (30% VESTING) | ON TARGET (100% VESTING) |
|---|---|---|---|
| HEPS | 50% | HEPS growth > weighted (SA+Aus) CPI | HEPS growth > 5% + weighted CPI (SA + Aus) |
| ROCE | 30% | Average ROCE > WACC +2% | Average ROCE > WACC +5% |
| Cash flow | 20% | Net debt to EBITDA ratio below 1.10 | Net debt to EBITDA ratio < 0.88 |

### SIGN-ON ALLOCATION TO GROUP CHIEF EXECUTIVE OFFICER

On his appointment to the role of Group Chief Executive Officer in February 2020, Roy Bagattini was awarded a sign-on allocation of Restricted shares shown below. These RSP shares have a five-year staggered vesting period with performance conditions conditional on his individual performance as agreed with the Board.

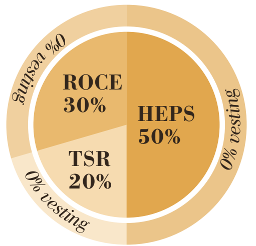
| RSP AWARDS | | | |
|---|---|---|---|
| | BASIS | NUMBER | FACE VALUE R'000 |
| Roy Bagattini | 350% of GP | 1 432 537 | 54 250 |

| PERFORMANCE CONDITIONS | VESTING PERIOD |
|---|---|
| Conditional on the achievement of IPM measurement with strategic non-financial targets | 25% in year 3<br>25% in year 4<br>50% in year 5 |

### VESTING OF 2017 LTI ALLOCATIONS BASED ON THE PERFORMANCE TO JUNE 2020

The performance conditions of the PSP August 2017 allocations were tested to determine if vesting had been achieved. The performance conditions are:

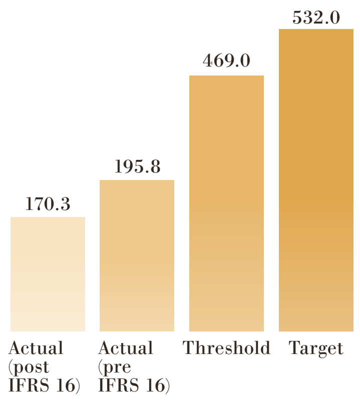
- 50% based on HEPS growth of CPI plus 5% per annum
- 30% based on 3-year average ROCE percentage achievement against targets from MTP
- 20% based on WHL TSR performance compared to the peer group performance




### HEPS PERFORMANCE

This graph shows the target HEPS required for the full vesting of this performance condition. Adjusted HEPS achieved was 195.8 cps (170.3 cps post IFRS 16), significantly below the target HEPS of 532.0 cps and the threshold HEPS of 469.0 cps.

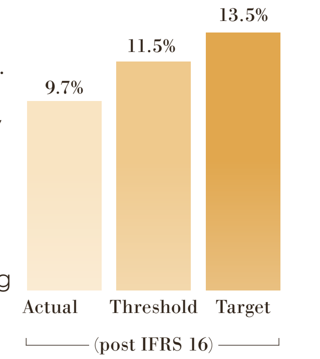
The HEPS performance condition has not been met, therefore vesting is 0%.




### AVERAGE ROCE PERFORMANCE

This graph shows the target ROCE required for full vesting for this performance condition. Actual average ROCE achieved was 9.7%, marginally below the threshold of 11.5% and on-target goal of 13.5%.

The average ROCE performance condition has not been met, therefore vesting is 0%, pre- and post IFRS 16.

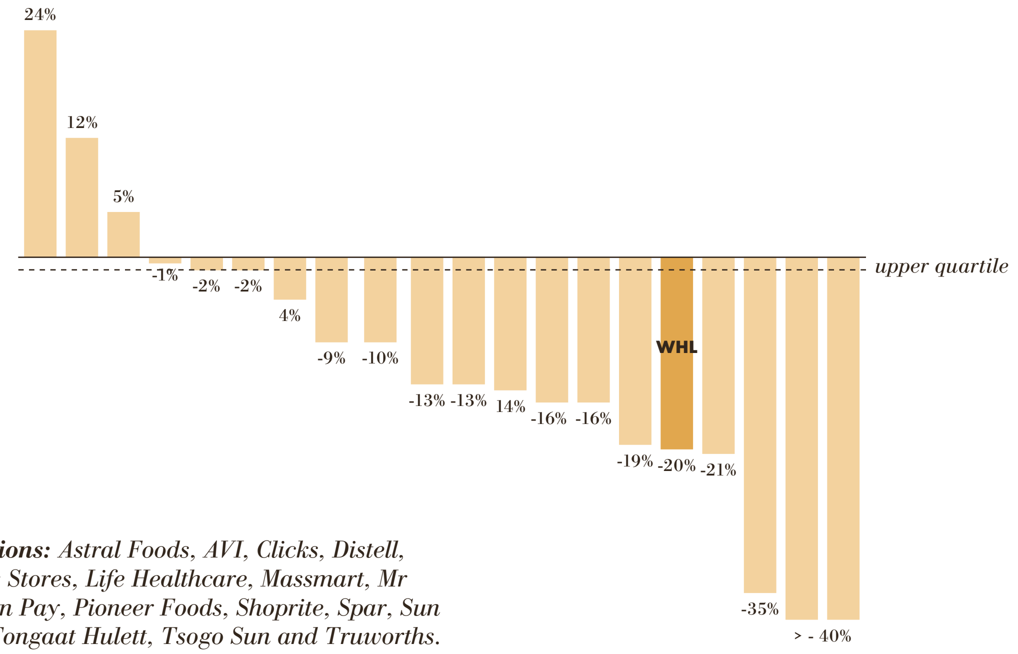



### TSR PERFORMANCE (EXTERNALLY INDEPENDENTLY CALCULATED)

This graph below compares the TSR performance of the company to the TSR index of the peer group at the median and upper quartiles.

Actual TSR performance for WHL declined by 20% below the upper quartile of -2% for the companies' performance in the peer group.

The TSR performance condition has not been met, therefore vesting is 0%.




***Peer group for 2017 allocations:*** *Astral Foods, AVI, Clicks, Distell, Foschini Group, Italtile, Lewis Stores, Life Healthcare, Massmart, Mr Price, Nampak, Oceana, Pick n Pay, Pioneer Foods, Shoprite, Spar, Sun International, Tiger Brands, Tongaat Hulett, Tsogo Sun and Truworths.*

### 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 (Acting DJ CEO) vesting in 2020 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 | RSP scheme shares |
|---|---|---|
| Maximum available for utilisation | 85 000 000 | n/a |
| | | |
| Available for utilisation/awarded at 1 July 2019* | 24 994 937 | 7 211 563 |
| Allocations made to participants during the year | 4 892 449 | 1 699 987 |
| Exercised | 506 300 | 181 424 |
| Forfeited | 2 663 300 | 439 562 |
| Available for utilisation/awarded at 28 June 2020 | 23 272 088 | 8 290 564 |

**excludes RSP scheme shares*

### SINGLE-FIGURE REMUNERATION FOR YEAR ENDED 28 JUNE 2020 (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 28 June 2020 and comparatives for 30 June 2019.

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, and any income attributable to unvested long-term share schemes.

| | | GUARANTEED PAY | | | SHORT-TERM INCENTIVES | LONG-TERM INCENTIVES | | SINGLE-FIGURE REMUNERATION |
|---|---|---|---|---|---|---|---|---|
| | Notes | Base salary (1) R'000 | Benefits (2) R'000 | Total guaranteed pay (3) R'000 | Performance bonus (4) R'000 | Fair value of shares 5) R'000 | Dividends received (6) R'000 | Total remuneration R'000 |
| **2020** | | | | | | | | |
| Roy Bagattini | (7) | 4 669 | 9 771 | 14 440 | - | - | 1 275 | 15 715 |
| Ian Moir | (8) | 12 388 | 109 | 12 497 | - | - | 1 453 | 13 950 |
| Reeza Isaacs | | 5 896 | 437 | 6 333 | - | 1 378 | 487 | 8 198 |
| Sam Ngumeni | | 6 959 | 429 | 7 388 | - | 1 574 | 788 | 9 750 |
| Zyda Rylands | | 8 381 | 485 | 8 866 | - | 1 884 | 944 | 11 694 |
| | | **38 293** | **11 231** | **49 524** | **-** | **4 836** | **4 947** | **59 307** |
| **2019** | | | | | | | | |
| Ian Moir | (8) | 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** | **50 072** |

*NOTES*

1. Base salary reflected post COVID-19 salary reduction for period April-June 2020.
2. Benefits include retirement, healthcare, related benefits, long-service awards and discounts received on purchases made in WHL Group stores.
3. Guaranteed pay and other benefits: actual payments made in the financial year.
4. Short-term incentives: amounts accrued in the financial year relating to the financial performance against target for the year.
5. Fair value of shares: value of RSP vesting based on individual performance measure for the period FY2018 – FY2020. Valued using the 30-day VWAP share price of WHL at 28 June 2020 of R32.29.
6. Dividends received during the financial year on all unvested RSP shares held during the year.
7. Roy Bagattini was appointed as Group CEO on 17 February 2020. Benefits include conditional sign-on bonus, relocation, rental accomodation, legal expenses, and incidental relocation expenses amounting to R9.5m.
8. Ian Moir resigned as Group CEO on 16 February 2020; his remuneration earned up to that date is disclosed in the table above. From 17 February he earned an amount of A$576 215 as acting CEO for David Jones. Upon his departure from the Group, he will receive a settlement of outstanding leave and 12 months notice pay of A$1.9m. The Remuneration Committee evaluated the restraint of trade agreement for Ian, which had been negotiated in 2013 (prior to the acquisition of DJ) and was applicable to South Africa only. In order to protect the Group, an extended restraint of trade also covering Australasia was negotiated and, should Ian not breach his obligations, a restraint of trade payment of A$2.9m is due to him in the 2023 financial year. As part of such arrangement, it was agreed that no further shares would be issued to Ian in terms of his employment agreement from 2019 onwards. Ian's agreement entitled him to shares to the value of 150% of his guaranteed package per annum.

## 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 28 June 2020 are set out below.

| | | | | As at 30 June 2019 | | Awarded | | Forfeited | | Sold or transferred | | | As at 28 June 2020 | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| SCHEME | Award date | Vesting date | Expiry date | NUMBER | PRICE RANDS | NUMBER | PRICE RANDS | NUMBER | PRICE RANDS | NUMBER | PRICE RANDS | REALISATION VALUE (1) RANDS | VESTED | UNVESTED | TOTAL | FAIR VALUE RANDS (2) |
| **ROY BAGATTINI** | | | | | | | | | | | | | | | | |
| RSP | | | | | | | | | | | | | | | | |
| | 20 Feb 2020 | 20 Feb 2013 | 20 Feb 2025 | | | 1 432 537 | 37.87 | | | | | | | 1 432 537 | 1 432 537 | 46 251 463 |
| Total | | | | | | 1 432 537 | | | | | | | | 1 432 537 | 1 432 537 | 46 251 463 |
| **Total** | | | | | | **1 432 537** | | | | | | | | **1 432 537** | **1 432 537** | **46 251 463** |
| **IAN MOIR** | | | | | | | | | | | | | | | | |
| SARS | | | | | | | | | | | | | | | | |
| | 23 Aug 2012 | 27 Aug 2015 | 26 Nov 2019 | 72 288 | 51.48 | | | | | 72 288 | 57.74 | 452 407 | | | - | |
| | 29 Aug 2013 | 29 Aug 2016 | 29 Aug 2020 | 103 755 | 56.06 | | | | | | | | 103 755 | | 103 755 | |
| Total | | | | 176 043 | | | | | | 72 288 | | 452 407 | 103 755 | | 103 755 | |
| RSP | | | | | | | | | | | | | | | | |
| | 25 Aug 2016 | 26 Aug 2019 | 26 Aug 2019 | 318 442 | 84.79 | | | 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 | 8 479 458 |
| Total | | | | 1 793 942 | | | | 318 442 | | | | | | 1 475 500 | 1 475 500 | 8 479 458 |
| **Total** | | | | **1 969 985** | | | | **318 442** | | **72 288** | | | | **1 475 500** | **1 579 255** | **8 479 458** |
| **REEZA ISAACS** | | | | | | | | | | | | | | | | |
| RSP | | | | | | | | | | | | | | | | |
| | 24 Aug 2017 | 24 Aug 2020 | 25 Aug 2020 | 42 678 | 59.99 | | | | | | | | | 42 678 | 42 678 | - |
| | 23 Aug 2018 | 23 Aug 2021 | 23 Aug 2023 | 217 036 | 54.26 | | | | | | | | | 217 036 | 217 036 | 7 007 311 |
| Total | | | | 259 714 | | | | | | | | | | 259 714 | 259 714 | 7 007 311 |
| PSP | | | | | | | | | | | | | | | | |
| | 25 Aug 2016 | 26 Aug 2019 | 26 Aug 2019 | 55 498 | 87.86 | | | 55 498 | | | | | - | - | - | |
| | 24 Aug 2017 | 24 Aug 2020 | 24 Aug 2020 | 78 014 | 65.63 | | | | | | | | | 78 014 | 78 014 | - |
| | 23 Aug 2018 | 23 Aug 2021 | 23 Aug 2021 | 115 248 | 51.09 | | | | | | | | | 115 248 | 115 248 | 1 860 472 |
| | 29 Aug 2019 | 29 Aug 2022 | 29 Aug 2022 | | | 119 967 | 51.78 | | | | | | | 119 967 | 119 967 | 1 936 651 |
| Total | | | | 248 760 | | 119 967 | | 55 498 | | | | | | 313 229 | 313 229 | 3 797 123 |
| **Total** | | | | **508 474** | | **119 967** | | **55 498** | | | | | | **572 943** | **572 943** | **10 804 434** |

*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 2020 of R32.29 (2019: R47.44), 50% vesting probability for unvested PSP awards, and 100% vesting for RSP awards.

## DIRECTORS' PARTICIPATION IN SHARE SCHEMES (CONTINUED)

Shares purchased and options granted to executive directors in terms of the Woolworths Holdings Share Trust which had not been exercised at 28 June 2020 are set out below.

| | | | | As at 30 June 2019 | | Awarded | | Forfeited | | Sold or transferred | | | As at 28 June 2020 | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| SCHEME | Award date | Vesting date | Expiry date | NUMBER | PRICE RANDS | NUMBER | PRICE RANDS | NUMBER | PRICE RANDS | NUMBER | PRICE RANDS | REALISATION VALUE (1) RANDS | VESTED | UNVESTED | TOTAL | FAIR VALUE RANDS (2) |
| **SAM NGUMENI** | | | | | | | | | | | | | | | | |
| RSP | | | | | | | | | | | | | | | | |
| | 24 Aug 2017 | 24 Aug 2020 | 24 Aug 2020 | 48 762 | 59.99 | | | | | | | | - | 48 762 | 48 762 | |
| | 23 Aug 2018 | 23 Aug 2021 | 23 Aug 2023 | 371 971 | 54.26 | | | | | | | | - | 371 971 | 371 971 | 12 009 604 |
| Total | | | | 420 733 | | | | | | | | | | 420 733 | 420 733 | 12 009 604 |
| PSP | | | | | | | | | | | | | | | | |
| | 25 Aug 2016 | 26 Aug 2019 | 26 Aug 2019 | 60 324 | 87.86 | | | 60 324 | | | | | | - | - | |
| | 24 Aug 2017 | 24 Aug 2020 | 24 Aug 2020 | 89 137 | 65.63 | | | | | | | | | 89 137 | 89 137 | - |
| | 23 Aug 2018 | 23 Aug 2021 | 23 Aug 2021 | 131 680 | 51.09 | | | | | | | | | 131 680 | 131 680 | 2 125 737 |
| | 29 Aug 2019 | 29 Aug 2022 | 29 Aug 2022 | | | 142 918 | 51.78 | | | | | | | 142 918 | 142 918 | 2 307 154 |
| Total | | | | 281 141 | | 142 918 | | 60 324 | | | | | | 363 735 | 363 735 | 4 432 891 |
| **Total** | | | | **701 874** | | **142 918** | | **60 324** | | | | | | **784 468** | **784 468** | **16 442 495** |
| **ZYDA RYLANDS** | | | | | | | | | | | | | | | | |
| SARS | | | | | | | | | | | | | | | | |
| | 23 Aug 2012 | 27 Aug 2015 | 26 Nov 2019 | 38 304 | 51.48 | | | | | 38 304 | 57.74 | 239 721 | - | | - | |
| | 29 Aug 2013 | 29 Aug 2016 | 29 Aug 2020 | 40 790 | 56.06 | | | | | | | | 40 790 | | 40 790 | |
| Total | | | | 79 094 | | | | | | 38 304 | | 239 721 | 40 790 | | 40 790 | |
| RSP | | | | | | | | | | | | | | | | |
| | 24 Aug 2017 | 24 Aug 2020 | 24 Aug 2020 | 58 348 | 59.99 | | | | | | | | | 58 348 | 58 348 | - |
| | 23 Aug 2018 | 23 Aug 2021 | 23 Aug 2023 | 445 093 | 54.26 | | | | | | | | | 445 093 | 445 093 | 14 370 451 |
| Total | | | | 503 441 | | | | | | | | | | 503 441 | 503 441 | 14 370 451 |
| PSP | | | | | | | | | | | | | | | | |
| | 25 Aug 2016 | 26 Aug 2019 | 26 Aug 2019 | 73 982 | 87.86 | | | 73 982 | | | | | | - | - | |
| | 24 Aug 2017 | 24 Aug 2020 | 24 Aug 2020 | 106 659 | 65.63 | | | | | | | | | 106 659 | 106 659 | - |
| | 23 Aug 2018 | 23 Aug 2021 | 23 Aug 2021 | 157 566 | 51.09 | | | | | | | | | 157 566 | 157 566 | 2 543 619 |
| | 29 Aug 2019 | 29 Aug 2022 | 29 Aug 2022 | | | 171 012 | 51.78 | | | | | | | 171 012 | 171 012 | 2 760 681 |
| Total | | | | 338 207 | | 171 012 | | 73 982 | | | | | | 435 237 | 435 237 | 5 304 300 |
| **Total** | | | | **920 742** | | **171 012** | | **73 982** | | | | | | **938 678** | **979 468** | **19 674 751** |

*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 2020 of R32.29 (2019: R47.44), 50% vesting probability for unvested PSP awards, and 100% vesting for RSP awards.

## NON-EXECUTIVE DIRECTORS' 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 28 June 2020 and comparatives for 30 June 2019 are set out below.

**2020**

| | Notes | Directors' fees (1) 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 (2) R'000 | Total non-executive directors' remuneration R'000 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Hubert Brody | (3) | 1 852 | 141 | 141 | 116 | 116 | 105 | 105 | 77 | 34 | 2 687 |
| Simon Susman | (4) | 706 | - | 45 | 50 | 50 | 45 | 194 | - | 84 | 1 174 |
| Zarina Bassa | (5) | 1 381 | 179 | 105 | 176 | 221 | - | - | 77 | 113 | 2 252 |
| Tom Boardman | (6) | 271 | - | 73 | 96 | 50 | 45 | 45 | - | 17 | 597 |
| Christopher Colfer | (7) | 2 940 | 150 | 70 | 77 | 117 | - | - | - | 171 | 3 525 |
| Belinda Earl | (8) | 1 373 | - | - | - | 116 | - | 68 | - | - | 1 557 |
| Andrew Higginson | (9) | 1 075 | 144 | 85 | 93 | 93 | - | - | - | 1 | 1 491 |
| David Kneale | | 379 | - | 105 | 116 | 116 | - | - | - | 25 | 741 |
| Nombulelo Moholi | | 400 | - | - | 122 | 122 | 189 | 111 | - | 54 | 998 |
| Thembisa Skweyiya | | 379 | 179 | - | - | 116 | - | 68 | - | 23 | 765 |
| Clive Thomson | (10) | 812 | 238 | - | - | 100 | 68 | - | 105 | 22 | 1 345 |
| | | **11 568** | **1 031** | **624** | **846** | **1 217** | **452** | **591** | **259** | **544** | **17 132** |

**2019**

| | Notes | Directors' fees (1) 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 (2) R'000 | Total non-executive directors' remuneration R'000 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Simon Susman | (4) | 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 | (11) | 2 149 | 115 | - | 74 | 74 | - | - | 27 | 4 | 2 443 |
| Zarina Bassa | (5) | 1 210 | 189 | 111 | 122 | 234 | - | - | 22 | 239 | 2 127 |
| Tom Boardman | (6) | 663 | - | 178 | 234 | 122 | 111 | 111 | - | 153 | 1 572 |
| Andrew Higginson | (9) | 1 403 | 189 | 56 | 122 | 122 | - | - | - | 9 | 1 901 |
| Gail Kelly | (11) | 982 | - | 68 | 74 | 74 | - | 68 | - | 7 | 1 273 |
| David Kneale | (12) | 124 | - | 34 | 38 | 38 | - | - | - | 4 | 238 |
| Nombulelo Moholi | | 401 | - | - | 122 | 122 | 189 | 111 | - | 170 | 1 115 |
| Sizakele Mzimela | (13) | 138 | - | - | - | 42 | - | - | - | 38 | 218 |
| Thembisa Skweyiya | (12) | 124 | 59 | - | - | 38 | - | - | - | 32 | 253 |
| | | **10 468** | **897** | **614** | **969** | **1 110** | **467** | **535** | **94** | **1 245** | **16 399** |

*NOTES*

1. Directors' fees are exclusive of Vat and are reflected post COVID-19 fee reduction for period April-June 2020.
2. Benefits are discounts received on purchases made in WHL Group stores (2019: include Vat paid on directors' fees).
3. Hubert Brody was appointed as Chairman on 27 November 2019. His director's fees earned include fees while he was the Chairman of Woolworths Audit Review Panel of R87 767 (2019: R332 547). He was paid R486 122 (2019: R865 404) for the additional hours he worked as Deputy Chairman during the year and the 2018 David Jones impairment.
4. Simon Susman retired from the Board on 27 November 2019. He does not earn any fees for his role of Honorary President, and is entitled to fees in his role as Acting Chairman of the Sustainability Committee. He received post-retirement healthcare by virtue of him previously holding the role of Group CEO and retiring from that position.

   Benefits of R84 077 (2019: R310 461) include the following:
   – post-retirement healthcare benefit of R34 266 (2019: R39 858);
   – discounts received on purchases made in WHL Group stores of R49 811 (2019: R55 971).
5. Zarina Bassa was appointed as the Lead Independent Director on 27 November 2019. Zarina's director's fees earned include fees as a Non-executive Director for Woolworths South Africa of R818 621 (2019: R931 103).
6. Tom Boardman retired from the Board on 27 November 2019.
7. Christoper Colfer was appointed to the Board on 1 July 2019. He was appointed to the Audit, Nominations, Remuneration, and Risk and Compliance Committees. He was also appointed as a Non-executive Director of DJ and CRG and Chairman of the Risk and Compliance and Remuneration Committees. He earned fees of R1 520 417 from DJ and CRG.
8. Belinda Earl was appointed to the Board on 1 July 2019. She was appointed to the Risk and Compliance and Sustainability Committees.
9. Andrew Higginson resigned from the Board on 31 March 2020. His director's fees were paid in Sterling as a British resident.
10. Clive Thomson was appointed to the Board on 19 August 2019. He was appointed to the Audit, Risk and Compliance, Social and Ethics Committees, Chairman of the Treasury Committee, Chairman of the WSA Audit Panel (fees of R239 903) and Chairman of the DJ and CRG Audit Committee (fees of R244 897).
11. Patrick Allaway and Gail Kelly resigned from the Board on 8 February 2019.
12. David Kneale and Thembisa Skweyiya were appointed to the Board on 11 March 2019.
13. Sizakele Mzimela resigned from the Board on 5 November 2018.

# GLOSSARY

*Studio.W, Summer 2020*

## 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

**EBIT:** Earnings before interest and taxation

**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

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