

# WOOLWORTHS HOLDINGS LIMITED

*2022 ERM Independent Limited Assurance Report*

START

## Independent Assurance Statement to Woolworths Holdings Limited

Environmental Resources Management Southern Africa (Pty) Ltd ('ERM') was engaged by Woolworths Holdings Limited ('Woolworths') to provide assurance in relation to the information set out below and presented in Woolworths' FY2022 Good Business Journey Report (the 'GBJ Report') and attached in Appendix 1.

### Engagement Summary

<b>Assurance Scope</b>	<p>A. Whether Woolworths adheres, in all material respects, to the four AA1000 AccountAbility Principles of Inclusivity, Materiality, Responsiveness and Impact.</p> <p>B. Whether the FY2022 data for the 52 week period ending 26 June 2022, for the following selected performance indicators, are fairly presented in the GBJ Report, in all material respects, with the reporting criteria:</p> <ul style="list-style-type: none"> <li>▪ Water usage for Woolworths' head office, stores, and distribution centres [kilolitres] (p. 4);</li> <li>▪ Percentage of Woolworths branded Fashion, Beauty and Homeware (FBH) locally sourced [%] (p. 1);</li> <li>▪ Percentage change in reusable bag sales [%] (p. 3);</li> <li>▪ Percentage change in Food plastic bag sales per transaction [%] (p. 3);</li> <li>▪ Percentage of Woolworths Food private label products with a sustainability attribute [%] (p. 3);</li> <li>▪ Percentage of supplier sites meeting social and ethical compliance requirements – Food [%] (p. 58);</li> <li>▪ Percentage of supplier sites meeting social and ethical compliance requirements – FBH [%] (p. 58);</li> <li>▪ Percentage of supplier sites meeting social and ethical compliance requirements – Country Road Group [%] (p. 58);</li> <li>▪ Percentage of supplier sites meeting social and ethical compliance requirements – David Jones Private Label [%] (p. 58);</li> <li>▪ Electricity usage intensity per square meter of general letting area for Woolworths South Africa (WSA) corporate stores [KWh/m<sup>2</sup>] (p. 95); and</li> <li>▪ Good Business Journey Savings [Rands] (p. 1 of the GBJ Report Appendix: 2022 Key Sustainability Indicators).</li> </ul> <p>C. Whether the assertions of the following management approach disclosures, as attached in Appendix 1, are fairly stated, in all material respects:</p> <ul style="list-style-type: none"> <li>▪ Ethical Sourcing;</li> <li>▪ Packaging and Waste;</li> <li>▪ Water; and</li> <li>▪ Energy and Climate Change.</li> </ul>
<b>Reporting Criteria</b>	<ul style="list-style-type: none"> <li>▪ AA1000 AccountAbility Principles (AA1000AP, 2018); and</li> <li>▪ Woolworths' own internally defined 'measurement and reporting criteria' for the selected indicators, available on Woolworths' website: <a href="http://www.woolworthsholdings.co.za/sustainability/reports">www.woolworthsholdings.co.za/sustainability/reports</a></li> </ul>
<b>Assurance Standard</b>	<ul style="list-style-type: none"> <li>▪ AA1000 Assurance Standard (AA1000AS v3) – Type 2.</li> </ul>
<b>Level of Assurance</b>	<ul style="list-style-type: none"> <li>▪ Moderate Assurance.</li> </ul>
<b>Respective Responsibilities</b>	<ul style="list-style-type: none"> <li>▪ Woolworths is responsible for preparing the GBJ Report, and for the collection and presentation of the information within it, including the maintenance and integrity of the website.</li> <li>▪ ERM's responsibility is to provide conclusions on the agreed scope based on the assurance activities performed and exercising our professional judgement.</li> </ul>

## Our assurance activities

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

- A review of external media reporting relating to Woolworths, peer company annual reports and industry standards to identify relevant sustainability issues in the reporting period;
- A review of the suitability of the internal reporting guidelines, including conversion factors used;
- Enquiries with relevant corporate level staff and desktop review of documentation to understand changes to the sustainability strategy, policies and management systems, including stakeholder engagement;
- Interviews with relevant staff to understand and evaluate the data management systems and processes (including IT systems and internal review processes where appropriate) used for collecting and reporting on the data for the selected indicators;
- Desktop review of documentation and virtual interviews with relevant staff to verify source data;
- An analytical review and desktop testing of the year-end data included in the consolidated FY2022 Group data for the selected indicators;
- A review of selected evidence related to the assertions of the management approach disclosures for Ethical Sourcing; Packaging and Waste; Water; and Energy and Climate Change; and
- A review of the presentation of information relevant to the scope of our work in the GBJ Report to ensure consistency with our findings.

## Our conclusions

### A. AA1000AP 2018 Principles

Based on our activities, nothing has come to our attention to indicate that Woolworths does not adhere, in all material respects, to the AA1000 AccountAbility Principles (AA1000AP, 2018), namely: Inclusivity, Materiality, Responsiveness and Impact.

### B. Selected Performance Indicators

Based on our activities, nothing has come to our attention to indicate that the FY2022 data for the selected indicators are not fairly presented in the GBJ Report, in all material respects, with the Reporting Criteria.

### C. Selected Management Approach Disclosures

Based on our activities, nothing has come to our attention to indicate that Woolworths' management approach disclosures in Appendix 1 and listed below, are not, in all material respects, fairly stated:

- Ethical Sourcing;
- Packaging and Waste;
- Water; and
- Energy and Climate Change.

## Our observations

We have provided Woolworths with a separate, confidential Management Report detailing our assessment of the subject matters. Without affecting the conclusions presented above, we have the following key observations:

### In relation to the Inclusivity principle:

Woolworths conducts numerous stakeholder engagement activities that are led by the Corporate Affairs Department, which is part of the organisation's day-to-day operations. A summary of the stakeholder engagements completed during the reporting year is disclosed along with the GBJ Report. Accountability to stakeholders is included in internal documents such as the Board Charter and the Social and Ethics Committee Charter, as well as the organisation's Stakeholder Engagement Policy, which has been approved.

During the year under review, the results of an Employee Pulse Survey were used to inform changes in employee career planning processes and Phase II of a Stakeholder Perception Survey was concluded with the intention toward achieving the targeted outcomes and impacts from the organisation's activities, as identified by stakeholders.

### In relation to the Materiality principle:

The group materiality determination process is led by the Strategy and Reporting team, supported by the GBJ team and the Risk and Compliance team. The Board Sustainability Committee has oversight of Woolworths' sustainability materiality determination process. The process is underpinned by the organisation's eight GBJ focus areas and informed by annual retail industry reviews, peer and competitor comparisons, internal and external stakeholder engagements, and the integrated risk management process. During the year under review, Woolworths undertook a materiality refresh which confirmed the organisation's material sustainability issues to be relevant, complete and in line with the organisation's GBJ strategy: Vision 2025<sup>+</sup>, with further emphasis being placed on climate change; biodiversity loss; packaging, single-use plastics and designing for circular economy; food loss and waste; and responsible sourcing.

The annual GBJ reporting, which covers Woolworths' material sustainability issues across its eight focus areas, is a good example of how the organisation demonstrates balance and transparency about the sustainability issues that matter most to the business and its stakeholders. During the year under review, to better understand the company's performance in relation to certain material sustainability topics, the company worked on establishing baseline information for various key performance indicators, especially in relation to ethical sourcing. The company also disclosed performance on a selection of supply chain-related indicators for the first time.

### In relation to the Responsiveness principle:

Material sustainability issues, as raised by Woolworths' key stakeholders, are discussed at Board Sustainability Committee meetings and are integrated into the risk management process, influencing how the organisation manages and responds to these issues. Woolworths' approaches to respond to material sustainability issues have remained consistent with both stakeholder and organisational interests and expectations. The organisation maintained mechanisms to capture ongoing stakeholder feedback, including formal marketing and communication plans, customer email communication, social media, annual reporting, ad-hoc engagement with industry bodies and government, and internal organisation-specific communications.

Stakeholder Engagement Guidelines are being developed which should provide a level of consistency and rigour in Woolworths South Africa's communication with stakeholders. Woolworths continues to report its performance across its eight GBJ focus areas which are mapped against international imperatives such as the United Nations' Sustainable Development Goals (SDGs). Whilst targets are disclosed for certain material topics, Woolworths may wish to consider extending public reporting of targets for other material topics across the GBJ focus areas in the future. In addition, Woolworths continues to progress its climate change disclosures through its Task Force on Climate-related Financial Disclosures (TCFD) report, which now includes disclosure on the company's short- and medium-term climate change transition and physical risks and opportunities.

### In relation to the Impact principle:

Woolworths measures, evaluates and manages its impacts through the implementation of the GBJ and sustainability scorecards applied across the Group. During the year under review, business unit level sustainability scorecards, which are

aligned with its Vision 2025+, were reported on internally at mid-year. The organisation's impacts are reported on (both quantitatively and qualitatively) in a balanced manner across its eight GBJ focus areas and Woolworths increased disclosure, particularly on its supply chain practices, during the year under review.

The process for impact assessment across selected GBJ focus areas is formally defined, with Woolworths measuring the majority of its impacts based on internally defined criteria. The company also reports its performance as rated by global and sector-specific index, ratings and assessment agencies which provide a level of comparability within the sector.

#### In relation to Selected Performance Indicators:

The reporting boundary, scope, calculation methodology and process for collecting and reporting data are detailed in indicator-specific guideline documents. Whilst manual data manipulation steps are necessary to derive figures reported for certain indicators, presenting a risk of reporting error, current processes have proven to be adequate to detect and prevent material misstatements of data. Woolworths performs an analytical review of the data, and documents its management reviews and the approval process, however this could be further improved by undertaking spot-checks of data back to source documentation to identify potential reporting errors and enhance the robustness of the control environment.

During the year under review, there were changes in personnel involved in the data collection and reporting process for a number of indicators. Attention should be given to improving the implementation of change management processes to maintain continuity in data management and reporting processes across indicators, especially when there are changes in personnel involved in these processes.

#### The limitations of our engagement

The evidence gathering procedures for Moderate assurance are more restricted than for High assurance and therefore less assurance is obtained with Moderate assurance than for High assurance as per AA1000AS v3. The reliability of the assured data is subject to inherent uncertainties, given the available methods for determining, calculating or estimating the underlying information and the dependence on third parties to provide information. It is important to understand our assurance conclusions in this context. Our independent Assurance Statement provides no assurance on:

- The systems relied upon by Woolworths for stock, sales and financial internal management reporting, where applicable for the assurance scope;
- The maintenance and integrity of Woolworths' website, including controls used to achieve this, and in particular, whether any changes may have occurred to the information since it was first published; and
- Any other information in the GBJ Report or on Woolworths' website for the current reporting period; or on the baseline values used for presenting performance against targets; or prospective information including ambitions, plans, expectations or their achievability.



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## APPENDIX 1: MANAGEMENT APPROACH DISCLOSURES IN RELATION TO WOOLWORTHS' 2022 GOOD BUSINESS JOURNEY REPORT

### ETHICAL SOURCING

Ethical sourcing requires us to build meaningful and long-term value-sharing relationships with our suppliers and other key stakeholders in the supply chain. Our main focus is on our private label primary suppliers and supply chains. This is where we can exert the greatest influence for positive change, and more easily monitor performance. Where possible, we also engage with branded suppliers to ensure that our standards are understood and upheld.

Our approach to ethical sourcing comprises:

- **SUPPLIER CODES OF CONDUCT**  
We expect our suppliers to share our vision for ethical sourcing. This is laid out in our Supplier Codes of Conduct and various ethical sourcing-related position statements, to which suppliers are required to adhere. These form part of the supplier onboarding process, are included in our supplier contracts, and are made available on our supplier portals, and customer-facing websites.
- **MONITORING OF SUPPLIERS AND ETHICAL AUDITS**  
We monitor our suppliers' performance through various social and ethical audit programmes. We are members of SEDEX, a web-based platform for sharing responsible sourcing data on supply chains. We are working on converting our suppliers, including their factories and farms, where relevant, to SEDEX Members Ethical Trade Audit (SMETA), one of the most widely used ethical audit formats in the world. We also mutually recognise several other audits to allow factories to focus on improvement rather than additional costs, audit fatigue, and disruptions.
- **PARTNERING**  
We partner with best-in-class organisations, standards, and certification schemes to tackle complex and systemic issues to further strengthen our responsible sourcing, as well as our relationships with our suppliers.
- **BUILDING AWARENESS AND CAPACITY**  
We ensure ongoing training of our staff, our suppliers, in human rights, ethics, and responsible commodity sourcing, to drive progress in our ethical sourcing commitments. Training is determined based on gaps and opportunities identified by staff, or based on common risks found in audits.



## PACKAGING AND WASTE

Embedding sustainable principles in how we approach packaging and product design plays a big role in minimising the environmental impact of our products. Working closely with key stakeholders in our value chain (including product technologists, operations managers, and suppliers), we strive to improve our choice of materials and substrate types used on our products through:

- Driving efficiencies by reviewing innovation opportunities for alternative sustainable packaging and product material options
- Identifying where the troublesome packaging is and removing it from our product offering. Troublesome packaging refers to packaging with characteristics that are not in line with our sustainable packaging vision. Woolworths is focusing on shifting from multi-polymer and multi-layer to fully recyclable packaging for food
- Reducing the amount of waste sent to landfill from our own operations
- Making it easier for customers to recycle by communicating recycling options on product packs as well as providing recycling facilities where we operate
- Documenting and tracking progress and performance against our commitments

We also work closely with our suppliers to ensure that these focuses filter through our entire value chain. Where solutions are complex and hard to implement, we focus on industry collaboration with key stakeholders that share our vision. This has helped us to build critical mass within the industry, and to bring overall systemic change.

In addition, we continue to position the company as a responsible retailer through constant engagement with our customers. Taking our customers on this journey is key to meeting our commitments, and we continue to communicate using various platforms to shift customer perception when it comes to how we manage waste and packaging.

We want to find ways of ensuring that we create products that can be reused or repurposed, and thereby avoid sending them to landfill. We have also started exploring ways to create products with circularity in mind.

## WATER

The Group applies innovative solutions for monitoring and managing water consumption across our operations. With just over 60% of all water consumed by stores at our direct operations (stores, distribution centres, and offices), this space has been one of our main focus points.

Using our internal green building protocols to facilitate water-efficient design, we have implemented technologies such as rainwater harvesting, and use of alternate water supplies, such as groundwater, across our operations to help us use water efficiently. In a bid to save water, preference is given to the installation of air-cooled refrigeration and air conditioning systems.

We continue to consider the conversion of the few remaining water-cooled systems in our facilities to air-cooled systems, based on commercial viability and their remaining useful lives. All Woolworths facilities have dual-flush ablution systems and timer taps on basins. Where possible, we have installed greywater systems that help to retain as much water as possible on-site for reuse. In areas experiencing a shortage of water supply, we install backup water tanks on a needs basis.

Within the Group's supply chain, water availability and quality impact the sourcing of our raw materials, as well as the processing of finished products. We also engage with our suppliers, helping to implement innovative solutions in their operations to monitor and manage water usage through programmes such as Farming for the Future, water stewardship and factories of the future.

Woolworths works with schools in impoverished communities, helping to educate children about the importance of water conservation, sanitation, and good hygiene. This is linked to the Woolworths Educational Programmes, which aim to support education, health, and wellbeing of children at South African schools. Aligned to this, we install water tanks at schools affected by drought, as well as those with inadequate infrastructure.

We are also participants in the United Nations Global Compact CEO Water Mandate, an initiative that focuses on mobilising business leaders on water, sanitation, and meeting the UN Sustainable Development Goals. Becoming a participant means that we have committed to continuous progress against six core elements of water stewardship, and to identify and manage our water risk.



## ENERGY AND CLIMATE CHANGE

Most of our carbon emissions come from our electricity usage as well as via emissions during the manufacturing of our finished products. Until recently, we have focused our efforts on reducing emissions from our direct operations. We have implemented a systematic approach to managing our energy footprint and addressing the impacts of climate change in our direct operations. Some of the initiatives include the online metering of electricity, implementing energy-efficiency initiatives, and emissions reduction through adopting eco-friendly technology. These initiatives have helped us to track, measure, and manage our progress over time while also continuing to yield energy savings and financial benefits. Quantifying our impact through measuring our carbon footprint is an important part of this approach. Programmes such as Farming for the Future have enabled us to cement our relationships with suppliers to ensure that we collectively work in transforming the value chain.

Understanding our impact requires close monitoring and evaluation of our energy footprint. We have, therefore, focused on ensuring that we establish seamless processes for collating, evaluating, and managing data in this space. We conduct training and awareness programmes as part of capacity building to encourage adoption and application of best practices in all our facilities, especially in stores and distribution centres.

Woolworths continues to be transparent through voluntary disclosure to organisations such as the CDP (formerly known as the Carbon Disclosure Project), as well as meeting all mandatory reporting obligations in the areas where we operate. We are also committed to the transparent disclosure of climate-related risks and opportunities for our business.

