

WOOLWORTHS HOLDINGS LIMITED

GOOD BUSINESS JOURNEY REPORT

2023 TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

START

TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

The WHL Group (the Group) recognises and supports the recommendations of the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD) to disclose clear, comparable, and consistent information on climate-related risks and opportunities (CRRO).

The table below provides our current response to each recommended disclosure, as well as cross references to where additional information related to each recommended disclosure can be found in our annual reporting suite, in the CDP Climate questionnaire, and on our website.

As we further develop our understanding and management of CRRO during the next few years, we will evaluate whether any changes need to be made to our governance, risk and strategy processes, and metrics and targets. We also aim to build on and enhance our TCFD disclosures going forward.



GOVERNANCE

Disclose the organisation’s governance around climate-related risks and opportunities

RECOMMENDED DISCLOSURES	RESPONSE	REFERENCES
<p>a) Describe the Board’s oversight of climate-related risks and opportunities</p>	<p>At the highest governance level, the WHL Board, which meets a minimum of four times per year, has ultimate responsibility for monitoring that the Group is operating as a responsible corporate citizen. This includes considering climate-related risks and opportunities (CRRO) when reviewing the Group’s strategy, enterprise-wide risk-management process, and financial planning.</p> <p>THE WHL BOARD RESPONSIBILITIES INCLUDE THE FOLLOWING:</p> <ul style="list-style-type: none"> • Oversee and monitor that the Company is, and is seen to be, a responsible corporate citizen by having regard to not only the financial aspects of the business of the Company, but also the impact that business operations have on the environment and the society within which it operates • Appreciate that strategy, risk, performance, and sustainability are inseparable, and give effect to this by: <ul style="list-style-type: none"> - Governing and regularly reviewing and evaluating the enterprise-wide risk management and compliance processes - Actively engaging on, reviewing, and approving the Group’s strategy - Satisfying itself that the strategy and business plans do not give rise to risks that have not been thoroughly assessed by management - Identifying key performance and risk areas - Overseeing production of a strategy that will facilitate sustainable outcomes - Considering sustainability as a business opportunity that guides strategy formulation - Overseeing the Company’s performance against agreed targets and objectives <p>The WHL Board is supported with regard to CRRO by two sub-committees: the WHL Sustainability Committee (two meetings per year) and the WHL Risk, Information and Technology Committee (four meetings per year).</p> <p>THE WHL SUSTAINABILITY COMMITTEE RESPONSIBILITIES INCLUDE THE FOLLOWING:</p> <ul style="list-style-type: none"> • Ensuring that impacts, risks, and opportunities relating to sustainability are appropriately managed and integrated with financial and social risks (this would include climate-change-related risks) • Approving, monitoring, and reviewing the implementation of the sustainability strategy, including progress made against targets (including those related to climate change) <p>THE WHL RISK, INFORMATION AND TECHNOLOGY COMMITTEE RESPONSIBILITIES INCLUDE THE FOLLOWING:</p> <ul style="list-style-type: none"> • Reviewing the Group’s risk framework and policy • Assessing whether there are appropriate processes/controls in place to manage the risks down to an acceptable level, in line with the Board’s risk appetite and tolerance • Reviewing the effectiveness of the risk-management processes • Overseeing that the executive team has identified and assessed all the risks and opportunities for the Group in relation to various risks (this would include climate-change-related risks) 	<p><u>WHL Board Terms of Reference</u></p> <p><u>WHL Sustainability Committee Terms of Reference</u></p> <p><u>WHL Risk, Information and Technology Committee Terms of Reference</u></p> <p>INTEGRATED REPORT Our Governance p 8-31</p> <p>GBJ REPORT Managing Sustainability p 1-12</p> <p>CDP CLIMATE QUESTIONS C1.1</p>



GOVERNANCE

Disclose the organisation’s governance around climate-related risks and opportunities

RECOMMENDED DISCLOSURES

b) Describe management’s role in assessing and managing climate-related risks and opportunities

RESPONSE

The Group CEO bears ultimate responsibility for all sustainability issues. Day-to-day responsibility has been delegated to the Group Head of Sustainability, who reports to a member of the Executive Committee.

THE GROUP HEAD OF SUSTAINABILITY:

- Is responsible, with Exco teams, for the Group’s sustainability strategy and performance, which include climate change adaptation and mitigation
- Reviews sustainability performance, challenges, and learnings with sustainability champions across the Group twice yearly
- Reports twice yearly to the WHL Sustainability Committee on sustainability and climate change strategy and performance
- Works with the sustainability teams and sustainability champions across the Group to implement the sustainability and climate change strategy
- Supports the risk team in identifying environmental and climate-related risks that may have an impact on the Group

REFERENCES

GBJ REPORT

Managing Sustainability p 1-12


CDP CLIMATE QUESTIONS

C1.2



STRATEGY

Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation’s businesses, strategy, and financial planning, where such information is material

RECOMMENDED DISCLOSURES	RESPONSE	 REFERENCES
<p>a) Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term</p> <p>b) Describe the impact of climate-related risks and opportunities on the organisation’s businesses, strategy, and financial planning</p>	<p>The Group has identified both climate-related transition and physical risks and opportunities that may impact our business over time, including over a short-, medium-, and long-term time horizon, as well as climate-related opportunities.</p> <p>Additional details on these are provided in the CRRO overview table on the next page.</p>	<p>GBJ REPORT Managing Sustainability p 1-12 Energy and Climate Change p 92-105</p> <p>INTEGRATED REPORT Enterprise Risk Management p 47-52</p> <p>CDP CLIMATE QUESTIONS C2, C3</p>
<p>c) Describe the resilience of the organisation’s strategy, taking into consideration different climate-related scenarios, including a 2 °C or lower scenario</p>	<p>The WHL Group is appointing a specialist service provider to conduct scenario analysis. The service provider will also assist in developing a multi-year roadmap for enhancing the scenario analysis, working towards coverage of the full value chain over time.</p>	<p>CDP CLIMATE QUESTIONS C3.2</p>

CRRO OVERVIEW					
	RISKS	SHORT TERM (1-3 YEARS)	MEDIUM TERM (3-5 YEARS)	FINANCIAL IMPACTS	
TRANSITION RISKS	POLICY AND LEGAL: <ul style="list-style-type: none"> Increased pricing of GHG emissions, which may result in increased production costs due to changing input prices (e.g. energy, water) and output requirements (e.g. waste treatment) Enhanced emissions-reporting obligations 	✓		<ul style="list-style-type: none"> Increased direct costs as a result of carbon pricing mechanisms, e.g. carbon taxes Increased indirect (operational) costs as a result of enhanced emissions-reporting obligations 	Financial impacts not yet quantified
	MARKET: <ul style="list-style-type: none"> Uncertainty in market signals, which may result in increased costs and/or reduced demand for our products 	✓		<ul style="list-style-type: none"> Increased direct costs as a result of market uncertainty 	
	MARKET: <ul style="list-style-type: none"> Changing customer behaviour, which may result in changing demand for non-sustainable or environmentally unfriendly products 		✓	<ul style="list-style-type: none"> Decreased revenue resulting from shifts in consumer preferences to more environmentally responsible products 	
	TECHNOLOGY: <ul style="list-style-type: none"> Potential increased costs to transition to lower-emissions technology 	✓		<ul style="list-style-type: none"> Increased capital expenditures 	
PHYSICAL RISKS	ACUTE PHYSICAL: <ul style="list-style-type: none"> Changes in precipitation patterns and extreme variability in weather patterns, which may result in increased production costs due to changing input prices (e.g. energy, water) and output requirements (e.g. waste treatment), or shortages of raw materials Rising mean temperatures, which may result in reduced demand for our products (winter clothing and apparel) 	✓		<ul style="list-style-type: none"> Decreased revenue due to raw materials shortages and reduced production capacity caused by extreme weather events Decreased revenue due to reduced demand for our products 	
OPPORTUNITIES	RESILIENCE: <ul style="list-style-type: none"> Participation in renewable energy programmes and adoption of energy-efficiency measures Resource substitutes/diversification from different regions, or using different supply chains 	✓		<ul style="list-style-type: none"> Reduced direct costs as a result of participation in renewable energy programmes and adopting energy-efficiency measures Reduced direct costs as a result of diversifying our supply chains across multiple geographic regions 	
	PRODUCTS AND SERVICES: <ul style="list-style-type: none"> Shift in consumer preferences to more environmentally responsible products 	✓		<ul style="list-style-type: none"> Increased revenue as a result of shifting to energy-efficient products and services 	



RISK MANAGEMENT

Disclose how the organisation identifies, assesses, and manages climate-related risks

RECOMMENDED DISCLOSURES	RESPONSE			REFERENCES
<p>a) Describe the organisation’s processes for identifying and assessing climate-related risks</p>	<p>The WHL Board sets the direction for the manner in which risk management is approached and addressed in the Group. The WHL Risk, Information and Technology 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 level (this would include CRRO). 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 that it remains fully aligned to 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 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, which are further aligned to the Group strategic objectives. This approach would include consideration of climate-change-related risks. Climate change is also included as one of the sustainability risks in the annual GBJ Report.</p>			<p>INTEGRATED REPORT Enterprise Risk Management p 47-52</p> <p>CDP CLIMATE QUESTIONS C2</p>
<p>b) Describe the organisation’s processes for managing climate-related risks</p>	<p>Climate change was identified as one of the material issues informing our Good Business Journey strategy to 2025 and beyond, Vision 2025+. As such, one of the Good Business Journey’s focus areas continues to be Energy and Climate Change. The Group Head of Sustainability works with the sustainability teams and sustainability champions across the Group to implement and report on energy and climate-related programmes and initiatives. WSA business units and CRG have a Sustainability Scorecard against which their sustainability performance is measured twice yearly. These scorecards include a set of relevant sustainability key performance indicators (KPIs) and associated targets aligned to the eight GBJ focus areas, as well as the Vision 2025+ goals and commitments covering climate change, renewable energy, water, biodiversity, responsible sourcing, sustainable farming, waste and packaging, health and wellness, social development, and people.</p> <p>A sustainability score is determined for each WSA business unit, WSA overall, and CRG by calculating the weighted average of each KPI’s performance against its associated target. Relevant sustainability KPIs and targets are included in employees’ and management’s personal performance scorecards across the Group as part of our Integrated Performance Management system. Relevant KPIs would, for example, include carbon emissions, electricity, waste, packaging and water reduction, and responsible sourcing targets. The Sustainability Scorecard scores for WSA as a whole and CRG are specifically included as one of the indicators used to measure performance of the Group strategy. The scores also thereby influence the calculation of the Group CEO and executive directors’ variable pay. In addition, the Sustainability Scorecard scores for WSA as a whole and CRG are reported to the WHL Sustainability Committee twice a year.</p> <p>The WHL Group has implemented a systematic approach to managing our energy footprint and the impacts of climate change across our entire value chain. In our direct operations, we have focused our efforts on metering, energy efficiency, and emissions reduction, and have embarked on a low-carbon transition journey. In our supply chain, we focus on working with our suppliers to understand, measure, and reduce their environmental impacts through our Woolworths Farming for the Future, green factories, and water stewardship programmes. We also continue to build relationships with industry bodies for collective action in responding to the challenges of energy and climate change. We continue to voluntarily respond annually to organisations such as the CDP, as well as meet all mandatory reporting obligations in the areas in which we operate. Disclosure on how we are mitigating the climate change risks identified is included in the annual Good Business Journey Report.</p>			<p>GBJ REPORT Managing Sustainability p 1-12 Energy and Climate Change p 92-105</p> <p>CDP CLIMATE QUESTIONS C2</p>
<p>c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation’s overall risk management</p>	<p>Refer a) and b)</p>			<p>Refer a) and b)</p>



METRICS AND TARGETS

Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities, where such information is material

RECOMMENDED DISCLOSURES	RESPONSE	REFERENCES
<p>a) Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk-management process</p>	<p>The WHL Group discloses its carbon footprint and the percentage of energy sourced from renewables annually.</p> <p>One of the Vision 2025+ goals is to achieve net zero carbon Scope 1 and 2 carbon emissions by 2040, with a 50% reduction by 2030, and to work with our top suppliers, representing 25% of total procurement spend (in rand), to set their own reduction targets. This goal is also supported by our target to source all energy from renewable sources by 2030. We report our performance against these targets in our annual Good Business Journey Report.</p> <p>In 2017, we became the first major retailer to sign up to EP100, The Climate Group’s corporate leadership initiative for energy-smart companies that are doing more with less to lower emissions and accelerate the clean economy. We set a target to double our energy productivity by 2020 from a 2005 baseline. We more than exceeded this target by achieving a 175% improvement in our energy productivity against a 2005 baseline.</p> <p>The WHL Group has not yet calculated an internal carbon price, and does not yet report on climate-related financial metrics.</p>	<p>GBJ REPORT Key Sustainability Indicators Managing Sustainability p 1-12 Energy and Climate Change p 92-105</p> <p>CDP CLIMATE QUESTIONS C4.1, C4.2, C6</p>
<p>b) Disclose Scope 1, Scope 2, and if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks</p>	<p>Refer to the WHL Group’s carbon footprint (which is disclosed annually in arrears), as well as our CDP Climate response.</p>	<p>GBJ REPORT Key Sustainability Indicators Energy and Climate Change p 92-105</p> <p>CDP CLIMATE QUESTIONS C6, C7</p>
<p>c) Describe the targets used by the organisation to manage climate-related risks and opportunities, and performance against targets</p>	<p>Refer a)</p>	<p>Refer a)</p> <p>CDP CLIMATE QUESTIONS C4.1, C4.2</p>

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