

Woolworths Group Limited

Reflections on the Independent Panel Review

Acknowledgement of Country

Woolworths Group writes this acknowledgement recognising we have a lot to learn.

We acknowledge the Traditional Custodians who have walked upon and cared for this land for over 60,000 years, and we acknowledge the continued and deep spiritual attachment and relationship of Aboriginal and Torres Strait Islander peoples to Country.

We pay our respects to the cultures of Aboriginal and Torres Strait Islander peoples, and to Elders past, present and emerging.

We acknowledge the responsibility each of us has to carry these voices forward through what we do, while continuing to strengthen our relationships with Aboriginal and Torres Strait Islander peoples through listening to understand and having meaningful and equitable engagement.

Woolworths Group supports the Uluru Statement from the Heart and the recognition of Aboriginal and Torres Strait Islander peoples in the Australian Constitution, and will listen to, learn from and walk together with Aboriginal and Torres Strait Islander peoples towards a constitutionally enshrined voice to Parliament.

And we acknowledge all those who provided input to the Independent Panel Review.

Introduction

On 16 December 2020, Woolworths Group commissioned the Independent Panel Review in relation to the proposal to develop a new Dan Murphy's store in Darwin. The Review has been led by Danny Gilbert AM, with Heather D'Antoine, Neil Westbury PSM, Nigel Browne and Roland Houareau (the 'Panel'). In late April, the Panel provided its Report to Woolworths.

Woolworths Group sincerely thanks each of the Panel members for their work, insights and contribution to the Report provided to Woolworths - which is published in full today. We also sincerely thank all those who provided information, ideas and different perspectives to the Panel.

On receiving the Report in late April, Woolworths' management and Board decided that Woolworths would not proceed with the Darwin Dan Murphy's proposal.¹ Woolworths has since surrendered the relevant licence to the Northern Territory Government.

This note sets out Woolworths' very initial reflections on the Report.

There is much to be done. Some of the issues in the Report we reflect on now. However, the Report sets out a number of issues on which Woolworths must reflect more deeply, and in consultation with others.

We failed to listen effectively on our Darwin Dan Murphy's proposal and we must address this in all that we do from here.

¹ Woolworths ASX announcement, 29 April 2021.

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1. Woolworths Group is a purpose-led organisation

In its opening chapter, the Report has explored themes of corporate purpose, legitimacy and trust in Australia today. Woolworths welcomes this discussion.

For some years, the Woolworths team has aspired to live our purpose in all that we do. Our purpose - **to create better experiences together for a better tomorrow** - is connected to a great deal of our decision making and what we do every day. The values which flow from our purpose - **to do the right thing, to care deeply** and **to listen and learn** - guide how we work as a team within Woolworths, and how we engage with our customers, suppliers, communities and governments.

In taking this approach, Woolworths understands that it raises expectations of the company and all of its team members, across society. We expect to be measured against the standards we have set ourselves. We accept that we will be criticised where we fail to meet those standards - as we have been in this case. Woolworths is committed to its purpose and values - and the legitimacy and trust that consistently adhering to them might bring.

Indeed, Woolworths' purpose and values have played an important role in commissioning the Independent Panel Review and our decision not to proceed with the Darwin Dan Murphy's store.

We acknowledge and fully accept that, in proposing the Darwin Dan Murphy's in the way that Woolworths did, "Woolworths has not met all of the aspirations and standards"² in its purpose and values.

Woolworths Group sincerely apologises for not having done so.

2. Woolworths Group's reflections on the Darwin Dan Murphy's store development

The Report criticises Woolworths' approach and conduct in advancing the Darwin Dan Murphy's proposal. Woolworths accepts that criticism, including important findings such as the following:

- Commercial considerations taking precedence over public interest issues and perceptions about, and the actual possibility of, harm arising from the store.³
- Woolworths' focus was on mitigating and managing alcohol-related harm around the point of sale, but many community members felt that Woolworths was not listening to them, including health experts with many years of experience in the Northern Territory.⁴
- The Liquor Commission's findings on public interest and community impact should have been sufficient to provoke a "deeper consideration" by Woolworths - this did not happen.⁵
- Having set a "higher bar" for itself, in its aspiration to be a values-driven corporate citizen, Woolworths needed to engage genuinely with key interest groups, including health experts - beyond minimum legal requirements.⁶

² Report, page 22.

³ Report, page 66.

⁴ Report, page 80.

⁵ Report, page 81.

⁶ Report, page 81.

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- Not consulting with its Reconciliation Action Plan (RAP) Working Group and its External Indigenous Advisory Panel as part of Woolworths' decision-making process.⁷
- Woolworths' submission to the Legislation Scrutiny Committee in March 2020 may not have been in accordance with the reputation it aspires to.⁸
- Woolworths has further work to do to meet its RAP commitments.⁹

These powerful findings in relation to the events surrounding the Darwin Dan Murphy's proposal have been heard. We have also heard other critical voices on how Woolworths conducted itself.

From this point, Woolworths accepts that, consistently with its purpose and values, it must listen better to those whose legitimate and informed concerns are not being heard, acted on or taken properly into account.

3. Endeavour Group's response

Two years ago, Woolworths committed to a process by which the Endeavour Group businesses (including Dan Murphys and BWS), once brought together, would be separated from Woolworths Group.

On 10 May 2021, Woolworths confirmed that, subject to shareholder approval, the Endeavour Group would be demerged from Woolworths, with effect from late June 2021. Endeavour Group will then be a separately listed company, with its own board and management team.

In that context, Endeavour Group and those who are being appointed to its new board and management will also consider the Report, independently of Woolworths.

Endeavour Group's commitment to do so is confirmed in the **attached** letter from Peter Hearl and Steve Donohue, the Chairman-elect and Managing Director and CEO of Endeavour Group, respectively.

Woolworths expects to continue to partner with Endeavour Group, for many years after its demerger.¹⁰ In doing so, Woolworths will work with Endeavour in a way which reflects the purposes and values of both organisations.

4. Woolworths Group's interactions with communities and government

Every day, Woolworths and our team members interact with the communities in which we operate - and, with many of Woolworths' operations being increasingly regulated, Woolworths is often working with government and regulatory authorities.

In all of these interactions, Woolworths works hard to engage respectfully and to adhere to its values.

⁷ Report, pages 103 and 122.

⁸ Report, page 87.

⁹ Report, page 122.

¹⁰ On demerger, Woolworths will hold a 14.6% shareholding in Endeavour Group and have a representative on its board. Woolworths and Endeavour Group will work with each other under various Partnership Agreements, concerning Supply Chain & Stores, Loyalty & Fintech, Digital & Media and International. See section 7.10 of the Demerger Booklet released on 10 May 2021.

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In the commercial context in which Woolworths operates, there are sometimes robust exchanges with others, and there may be outcomes which not all agree with. But even in these cases, Woolworths should be curious, listen effectively and respond in accordance with its values. Woolworths' ability to pursue legal remedies should not impede the quality of its stakeholder engagement.

The events surrounding the Darwin Dan Murphy's proposal, and the findings on them set out in the Report, make it clear that, in this case, Woolworths had not built the relationships, legitimacy and trust required to engage effectively, and did not listen sufficiently to legitimate voices of concern. Some of those voices were loud and clear - others less so. Even so, all should have been heard.

Woolworths also accepts that its own perspective on issues may not be correct or sufficient - even where that perspective aligns with our purpose and values.¹¹

Finally, drawing on its dealings with the NT Government in this case, Woolworths accepts that it should think further on the way it "engages with governments on future business plans and the outcomes which it should, or should not, rightly pursue".¹²

To do better on these issues, we will review the standards we expect of ourselves at Woolworths.

5. Reconciliation with First Nations communities

The Report has challenged and inspired Woolworths to look afresh at its efforts in relationships with First Nations communities and reconciliation.

There is much to consider, and we must consult broadly so as to identify the right way forward.

But even now, it is clear that there are some things we must do to improve. We will consult, listen and work with others to find a way forward to:

- **build trust** - learn how to listen to understand and commit to engaging better with Aboriginal and Torres Strait Islander peoples and communities, in the NT and elsewhere, in a culturally safe manner¹³, before drawing on that engagement or trust;
- **listen and learn** - Woolworths' most senior leaders, from the Board down, will open up and commit significant time to wide-ranging personal meetings and conversations around Australia with Aboriginal and Torres Strait Islander communities and leaders;
- **improve on what we do today** - improve on the recruitment, training, retention and advancement of Aboriginal and Torres Strait Islander team members and suppliers, across Woolworths' operations - building and promoting opportunities in this way may better reflect Woolworths' purpose;¹⁴
- **engage with our team** - draw much more effectively on the experiences, stories and perspectives of the nearly 5,000 Aboriginal and Torres Strait Islander peoples who are already team members at Woolworths, and act on the many initiatives that may emerge from listening better to our own people - and most importantly, in doing so, create space where team members feel safe to give feedback

¹¹ The Report refers to the Dan Murphy's 'brand self-belief' in relation to its market-leading operating standards and ability to do good in the community. The Report questions whether that may have nevertheless "lead to blind spots, creating deep challenges and risks for the business". This observation reminds us that questioning our own views is always worthwhile. See page 37 of the Report.

¹² Report, page 91.

¹³ See the discussion on page 97 of the Report.

¹⁴ See the commentary at page 33 of the Report.

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- and their views, to build confidence that giving honest feedback will not result in any sanction or loss of opportunity, and review how team members are rewarded for this work;
- **build awareness among others** - with some 200,000 team members, thousands of points of presence and a growing digital footprint across Australia, inspire all of us at Woolworths to advocate and educate among many of our fellow Australians to build understanding of, and respect and support for, Aboriginal and Torres Strait Islander cultures, the deep-seated challenges of those communities and how we can all contribute to effective reconciliation;
 - **reset our First Nations' Advisory engagement** - fundamentally reset Woolworths' relationship with First Nations Advisors: we acknowledge that we must make fundamental improvements to how we engage with and work with those we have asked to advise us. We must resource and integrate our Advisory body much more effectively so that it has real involvement in decision making that impacts First Nations' stakeholders, and with empowerment, transparency and accountability, including with direct reporting to the Woolworths Board;
 - **resource our internal capability** - appoint and resource effectively our leadership capability on First Nations issues, to lead and implement many of these changes, and as an influential voice at Group Executive level; and
 - **build on our current RAP** - ahead of the review of our current Reconciliation Action Plan, we will draw on each of our actions set out above, and many others, to embed reconciliation into how we operate - so as to improve significantly on our current Reconciliation Action Plan towards more meaningful, equitable relationships built on a foundation of respect - and to ensure that the new Plan has a direct and timely impact on relevant decision-making across the Woolworths Group.

6. Woolworths Group's initial reflections on the Panel's key findings

In the following notes, we set out initial reflections, where appropriate, to the "key findings" of the Panel and from which emerge 24 recommendations. It is important to note that some of the "key findings" relate directly to alcohol-related issues which Endeavour Group has committed to consider, as its board and management team are settled and the imminent demerger is completed (see attached letter).¹⁵ In these circumstances, it is not appropriate for the Woolworths Group to speak for Endeavour on those issues.

Nevertheless, there is much for Woolworths to do. While we have not addressed each of the recommendations individually, Woolworths will consider relevant recommendations carefully and respond appropriately.

Woolworths' initial reactions to "Key findings"

- **"Stronger community investment and strengthened reconciliation action planning would help build greater levels of trust and strengthen Woolworths Group's ties to the communities in which it operates".**

¹⁵ The "key findings" which will be at the heart of that consideration by Endeavour are (briefly stated):

- Alcohol-related harm "should be given greater weight and considered not just in the context of the point of sale and store safety measures, but across all operational and business cycles" (Report, page 133).
- Endeavour should "support robust, long-term public research on issues of availability, volume and impacts of alcohol, and understanding the effect of interventions and mitigation, to build an evidence base for best practice and performance measurement" (Report, page 133).
- On the responsible service of alcohol, Endeavour committed to implement various measures, beyond those required by law, and beyond measures adopted elsewhere in Darwin, the NT or nationally. These measures should be "considered in other high-risk contexts in the NT and elsewhere in Australia" (Report, page 134).

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Woolworths accepts this finding fully. Many of the actions outlined in Section Five above may be a constructive step forward in addressing the six recommendations under this finding.

- **Woolworths should have engaged, deeply and thoughtfully, with Aboriginal and Torres Strait Islander communities in Darwin, to build a trusted relationship and to demonstrate how Woolworths might assist them in improving the lives of their community members, well in advance of proposing the Darwin Dan Murphy's store.**

Woolworths fully accepts this finding on what Woolworths might have done much better. As we work through the actions set out in Section Five above, Woolworths will work further on deepening and building its relationships with Aboriginal and Torres Strait Islander communities, in Darwin and elsewhere, for the future.

- **Woolworths should consider more deeply issues of public interest and perceptions and fears of harm in its commercial decision making.**

Woolworths accepts that public interest and fears of harm did not sufficiently guide its approach in relation to the Darwin Dan Murphy's proposal.

- **"As Woolworths builds out its risk function, there will be some benefit in incorporating social impact and reputational analyses into its risk assessments and statement, as well as creating escalation triggers where a development may have a disproportionate impact on First Nations communities."**

Woolworths is investing significantly in its risk management capability, across all of its operations. This finding is timely and is being incorporated into those capability improvements. Our risk, sustainability and reputation functions must, and will, have a voice in decision-making which impacts on First Nations communities.

More broadly, the Panel's perception that Woolworths has a corporate culture that does not "explicitly invite, encourage or support the vigorous and contested debate of strategies and proposals in a manifestly controversial context" is noted and will provoke further internal reflection. Woolworths will focus on building further on diversity of thought and opinions across the Group's functions, and how its risk, reputation and sustainability functions are better integrated with key decision making.

- **The Panel referred to the view of others that Woolworths "exercised undue influence in encouraging the NT Government to abandon, if not usurp, the important public policy considerations formulated by the Riley Review". In that context, Woolworths should be "conscious of the public policy objectives that underpin the regulatory and legal frameworks within which it operates".**

Woolworths confirms that, in making formal written submissions to the public legislation review process in which others participated, it had no intention to exercise any undue influence. After its submissions in March 2020 were rejected by the NT Legislation Scrutiny Committee, Woolworths made no further requests of the NT Government on the issue of legislative change. However, this experience and the perceptions of the Panel and others, as set out in the Report, are salutary. Woolworths will review its processes for settling submissions to government, in an effort to respond effectively to this finding.

- **Operationalising corporate purpose and embedding it throughout an organisation requires significant investment and patience, among other things. The Panel encourages Woolworths to continue to invest in and consider ways to implement its values and purpose.**

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Woolworths is committed to improving our understanding and continuing to implement its purpose and values across all of its team members and operations.

Woolworths Group Limited

9 June 2021

