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ASX Market Announcements Office  
Australian Securities Exchange  
20 Bridge Street  
Sydney NSW 2000

## **Chairman's Address to 2017 AGM**

Attached is a copy of the Chairman's address to the 2017 Annual General Meeting being held today.

**For further information contact:**

### **Media**

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## Annual General Meeting 2017

### Chairman's Address

Melbourne Convention and Exhibition Centre,  
Melbourne Thursday, 23 November 2017, 10am

Now ladies and gentlemen, I will give a short address on the three main areas that the Board focused on in F17 namely:

- Building a Customer 1<sup>st</sup> Culture;
- Building a Customer 1<sup>st</sup> Strategy; and
- Capital management.

Brad will talk to our performance for F17.

These areas are not the only things we focus on as a Board, but time dictates that I select only a few to speak about today.

Over the past year, underpinning everything in the Group, has been an unwavering focus on the customer.

We want to be obsessive about our customers, their needs and how we serve them better.

If we do not, we will lose out to those who do, like Amazon.

This means listening to our customers. We talk to over 50,000 each month. It means measuring their feedback in how we are servicing them through our Voice of Customer score. And it means taking a customer first lens in all our decisions.

Developing a customer 1<sup>st</sup> team and culture remains central to our transformation journey. We are developing leaders who are capable and committed to leading a purpose-driven business.

Customer 1<sup>st</sup> also means caring about our customers and our team by providing a safe environment in which to work and shop. We have made good progress on our Total Recordable Injury Frequency Rate, but we have a long way to go.

During the year, we relaunched our Group Purpose, Ways of Working and Core Values. Our purpose is 'We Create Better Experiences Together' and reflects our belief that we can create better experiences for our customers, team members and suppliers if we work together as a team.

An important aspect of our culture is to represent the communities we serve. To do this, we must encourage diversity in all its forms.

Diversity means at least 40% of executive and senior manager positions held by women, equal pay for team members of equivalent positions and performance, and by 2020 we will truly reflect the communities we serve.

Our commitment to indigenous opportunities is to achieve employment levels of 2% of our store operations team and 2% of our graduates, including through the Federal Government's Employment Parity Initiative. We now have over 3,300 indigenous team members at Woolies, and our retention rate in the Employment Parity Initiative is 82%.

Finally we want to achieve Gold Tier employee status in the Australian Workplace Equality Index for LGBTI inclusion.

Can I pause briefly, and move to our second area of focus as a Board – Strategy.

Having recently completed final transactions associated with the closure of the Masters Home Improvement business, our strategy, pure and simple, is to work hard to get customers to put us 1<sup>st</sup> in their shopping needs. Everything we do starts with creating a better experience for our customers. This is a transformation journey across three pillars, Australian and New Zealand Food, Endeavour Drinks and our Portfolio businesses.

Let me start with the largest business first, Australian Food.

We spent F17 fixing the basics. We restored our price competitiveness with Coles, and we invested in team hours in the stores. We upgraded our stores to provide a better shopping experience. We improved the quality and presentation of our fruit and vegetables, and gave our store teams a Quality App to provide feedback to our buyers and suppliers. We selectively reduced the range to optimise sales and profit per linear metre. We improved the price competitiveness and quality of our 'own brands' to compete more effectively with Aldi. We created WooliesX, combining Rewards and Digital to provide customers with greater choice on how they shop with us, and an offering that is counter competitive to other offers such as Amazon.

And finally we developed win-win partnerships with our suppliers, based on mutuality of benefit. Whilst we have come a long way, in order to truly transform our food business, we must lead with a truly differentiated customer offer.

Let me now move to the second pillar, Endeavour Drinks. Here, we are determined to be the world's best drinks retailer. At Dan Murphy's, our destination format, we provide a compelling retail proposition: best price, widest range, knowledgeable service. BWS on the other hand is our local bottle shop, offering convenience and a range tailored to its location. Pinnacle Drinks enables us to develop our unique own brands, at an attractive margin. And finally through our extensive network we are able to provide the largest click & collect network in the country which we are now branding Pick up.

Now let me turn to our portfolio businesses, starting with BIG W. Yes, we have faltered here over the last five years. But we are convinced that we have a strong plan in place to regain sales momentum. We are resetting prices to regain price trust, essential in a discount department store. Rather than try and win in all categories, we have narrowed our focus to six 'universes': Kids, Home, Everyday Needs, His, Her and Leisure where we have stronger positions. And we are resetting our stores, to improve the shopping experience.

As I'm sure you know, we own 49% of Quantium, Australia's leading data analytics company. Aside from being an exciting growth business, Quantium enables us to have greater insights into the shopping habits of our customers.

Turning to ALH, our hotels business, I want to acknowledge our long-term and steadfast JV partner in the Mathieson family. For over 12 years, we have worked together to develop a wonderful business, comprising 328 hotels and, of course, the nationwide expansion of our retail drinks businesses. Our ambition is to be the best local pub, by providing great value and unrivalled responsible service. Bars, Food and Accommodation make up approximately 60% of our revenue, with the balance being gaming revenue.

Given the level of interest in gaming at today's AGM, I thought I should say a few things about Woolworths' position on this aspect of the Group's operations.

As I'm sure most of you remember, Woolworths had an EGM in 2012 that voted over 97% to oppose changes to the Company's constitution that would have placed restrictions on the way ALH operated its gambling machines. The Board does not believe that there has been a material shift in our shareholders' attitudes since then.

We respect and understand that some shareholders, and people in the community more broadly, have concerns about ALH's gambling business - including Dr Rennie who has nominated for election to the Board today, and who I enjoyed meeting yesterday.

Your Board and management have to consider a range of difficult social issues in our operation of the Group's businesses. Some of the products we sell are potentially bad for our customers if not consumed responsibly. When we sell products of this kind, that are legitimate and legal, we seek to do so in an appropriate and responsible way.

With our gambling business, we have a Hotel and Gaming Charter. We restrict gambling room access to adults, and screen - or physically separate - the rooms, so as not to attract children. We were the first national hotel operator to support voluntary pre-commitment - a system that helps players stick to their limit by nominating maximum spending or time limits on gambling machines.

We train our team to be aware of behaviour that may indicate gambling problems, and to provide appropriate patron support. We require all ALH hotel managers to complete additional advanced responsible gambling training.

We ensure that ATM machines, where approved, are provided for the convenience of all patrons in a controlled location, and not in gambling areas.

We partner with expert groups and specialists including Gamblers' Help (Australia's leading professional counselling service) and the Salvation Army to assist those who suffer from a gambling problem.

We also work with David Schwarz, who is here today. David is our Responsible Gambling Ambassador, a well known former professional AFL footballer and reformed problem gambler.

Finally, we conduct internal and external audits to ensure full compliance with the law and Company standards.

Your Board understands that problem gambling is a very serious community issue. We acknowledge that there are people whose lives have been deeply and adversely affected by gambling, and their experiences have been moving and, in some cases, tragic. We take our responsibilities in this area very seriously.

In the spirit of continuous improvement, we plan to do more. We have invited a global authority in this field - RG+ of Canada - to come down and provide objectivity and learning to enable us to benchmark best practice.

We are also committed to obtaining data to understand and manage the issue of problem gambling.

These initiatives will not resolve everybody's concerns, but they demonstrate the seriousness of our commitment to understand problem gambling, and develop appropriate and effective responses over time.

Let me shift gears now and complete the review by communicating on the third area of focus, capital management.

We are mindful as an organisation that we had opportunities to do better in this area - hence the focus in our Long Term Incentive Plan on Return on Funds Employed.

We committed to maintain a solid investment credit rating, currently BBB with S&P and Baa2 with Moodys; we want to optimise our cost of capital, and retain the flexibility to invest, as opportunities arise.

For you, our shareholders, this meant a dividend in F17 of 84c/share, and an increase in the share price of 480c/share, giving a total return of approximately 27% for F17.

In conclusion then, and before handing to Brad, let me thank our 200,000 plus team members without whose hard work, this would not have happened. Let me thank our partners who understand that our growth is their growth.

Let me thank Brad and his leadership team for embracing the transformation agenda with courage, intelligence and sheer hard work.

And last but not least, let me thank my Board colleagues whose wisdom, insight, and camaraderie makes working with them such a joy.

Thank you.