

WOOLWORTHS GROUP



# Green Bond

Impact and use of proceeds report

September 2020

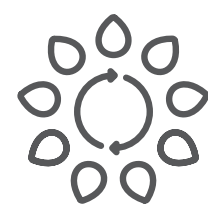


For further information, please email [group-treasury@woolworths.com.au](mailto:group-treasury@woolworths.com.au)

Woolworths Group Limited ABN 88 000 014 675



# Introduction



## 140

More than 140 Woolworths Group sites are now generating energy from solar power across Australia

## 800+

More than 800 supermarkets have energy efficient LED lighting, which reduces energy consumption in a store by around 10-15 percent. These upgrades to lighting in supermarkets alone have offset the equivalent power consumption of 50 stores

## >30%

A third of supermarkets now have hybrid or HCF-free refrigeration systems

## ↓24%

In total, Woolworths Group's sustainability investments have helped deliver a 24% reduction in carbon emissions on 2015 levels

In April 2019, Woolworths Group (the Group) issued \$400 million worth of Green Bonds and was the first retailer in Australia, and the first supermarket globally, to issue Green Bonds certified by the Climate Bonds Initiative (CBI) to conform with the Climate Bonds Standard.

In February 2017, the Group launched its 2020 Sustainability Strategy which brought a new focus, resources and energy to sustainability. As part of this strategy, the Group committed to minimising the environmental impact of our operations including reducing its carbon emissions. In 2019, the Group revised its scope 1 and 2 emissions target to 60% below 2015 levels, in line with the goal of the Paris Agreement under the United Nations Framework Convention on Climate Change to limit global warming to 1.5 degree. The issuance of our Green Bonds is an extension to the Group's commitment to sustainability.

The Group's Green Bonds are issued under a framework that is aligned to the Green Bond Principles published by the International Capital Markets Association and will:

- support the financing of projects, assets or expenditure that will deliver positive environmental outcomes, for example solar installations, or waste reduction initiatives;
- encourage other companies, by our example, to invest in projects and assets that will deliver positive environmental outcomes; and
- contribute to the development of the green bond market as we are the first issuer of green bonds under the CBI low-carbon buildings criteria for supermarkets globally.

The Green Bonds finance a portfolio of approximately A\$475 million<sup>1</sup> of Eligible Assets in Low Carbon Buildings (supermarkets), solar energy projects, LED lighting upgrades and Heating Ventilation Air Conditioning (HVAC) optimisation projects. Further details on these projects are provided on page 8.

The Group is pleased to present in this report details on the use of the proceeds from the Green Bonds as well as an assessment of the impact of the use of proceeds as at 28 June 2020. The Group also welcomes any feedback in respect of its reporting and this can be provided by emailing [grouptreasury@woolworths.com.au](mailto:grouptreasury@woolworths.com.au).

Ernst and Young has provided reasonable assurance over the contents of this report and a copy of their report is included in the appendix.

Further information about our Green Bond Framework and Green Bonds can be found at [www.woolworthsgroup.com.au/page/investors/Debt\\_Investors](http://www.woolworthsgroup.com.au/page/investors/Debt_Investors)

Note  
1. As at 28 June 2020.



# Impact reporting

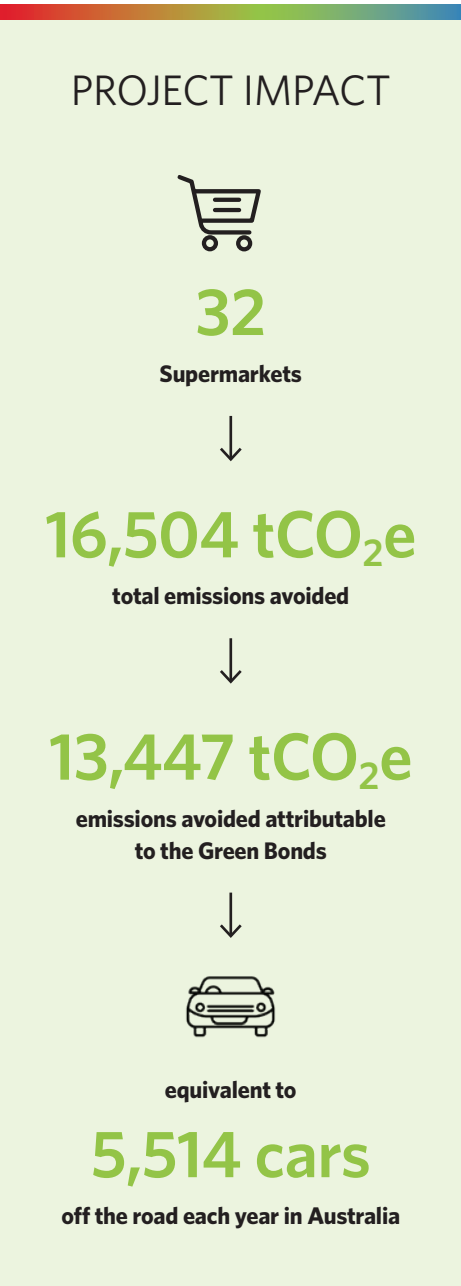
## Low Carbon Buildings (supermarkets)

The Group’s portfolio of Eligible Assets is principally underpinned by a portfolio of supermarket stores which, as a portfolio, satisfy the CBI’s Low Carbon Building Criteria<sup>2</sup>. In the months preceding issuance, the Group worked closely with the CBI, contributing to the development and establishment of a low carbon trajectory emissions calculator specific to supermarkets in Australia.

This low carbon trajectory emissions calculator provided the relevant benchmark for the Group to determine the portfolio of supermarket stores to be included as Eligible Assets for the Green Bonds that are tracking below the carbon intensity target specified by the CBI over the period of 2019 to 2024<sup>3</sup>.

This portfolio of supermarkets, in aggregate, avoided 16,504 tCO<sub>2</sub>e emissions on an annual basis, when compared to a regular Woolworths Supermarket<sup>4</sup>. As at 28 June 2020, approximately 81% of the Group’s total portfolio of supermarket stores that qualify as Eligible Assets were allocated to the Green Bonds, and thus, the direct proportional impact of the Green Bonds is 13,447 tCO<sub>2</sub>e emissions being avoided on an annual basis.

This energy saving is equivalent to taking 5,514 cars off the road each year in Australia<sup>5</sup>.



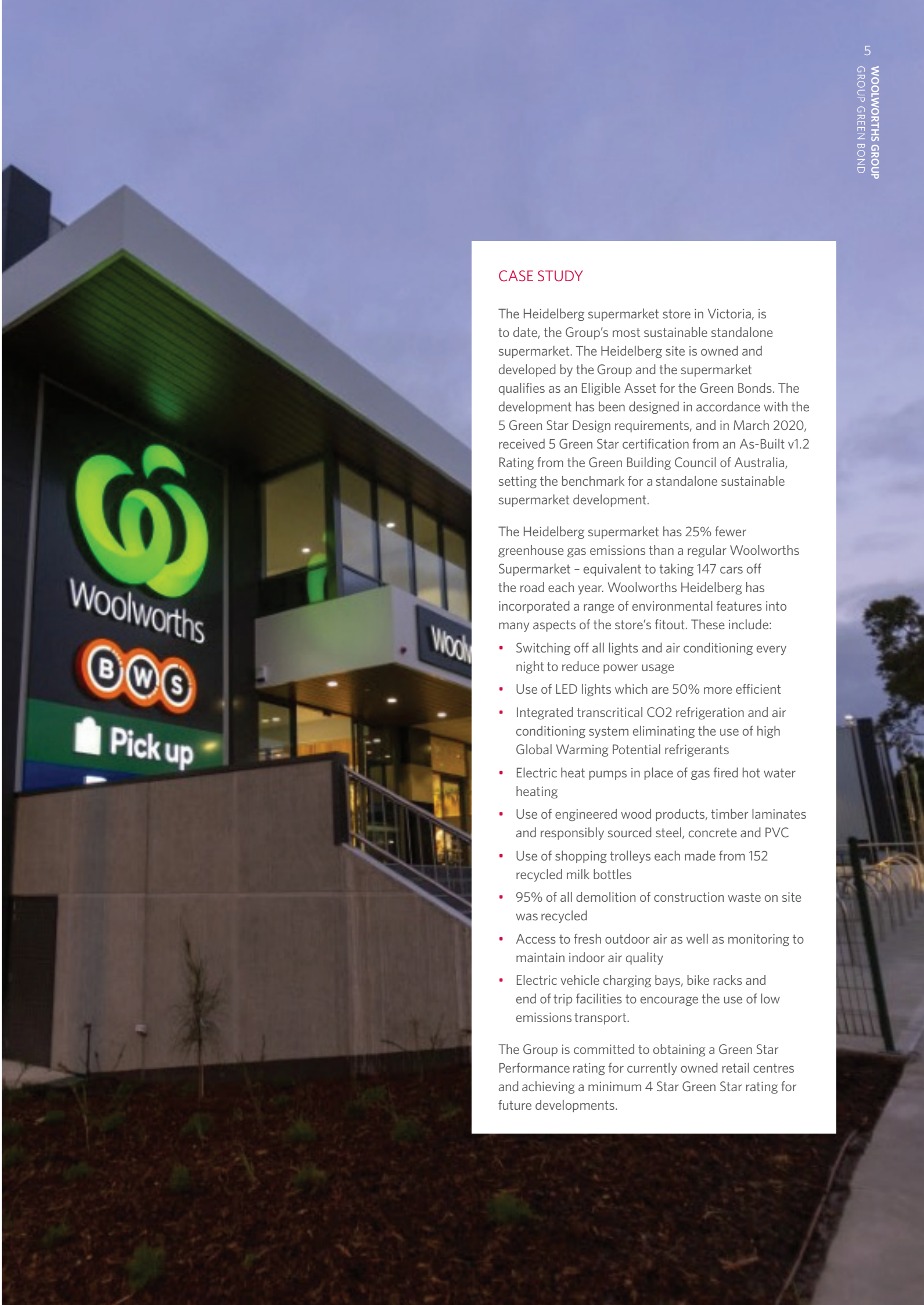
Notes

2. Whilst the relevant CBI criteria is referred to as a low carbon building criteria, the eligibility for inclusion as an Eligible Asset in the Green Bonds relates only to the supermarket store based on an assessment of its emissions relative to the benchmark set by the CBI.

3. Emission performance trajectories start at the carbon intensity of the top 15% most energy efficient buildings in a city and end at zero emissions in 2050. Trajectories have a linear pathway. The Climate Bonds Initiative Commercial Buildings Criteria requires issuers to satisfy emissions performance targets for buildings they want included in a bond portfolio. Targets are expressed in kgCO<sub>2</sub>/m<sup>2</sup> terms and derived from emissions performance trajectories.

4. The emissions intensity of an average supermarket is calculated by dividing the total scope 1, 2 and 3 emissions of all supermarkets (excluding the supermarkets that are Eligible Assets for the Green Bonds) by the total trading area of all supermarkets (excluding the supermarkets that are Eligible Assets for the Green Bonds).

5. The average annual emissions from a car is calculated to be 2.44 tonnes of CO<sub>2</sub>e. This is derived from estimates by the National Transport Commission of the CO<sub>2</sub> emissions for a new light vehicle sold in Australia in 2017, and the reported average kilometres travelled by a motor vehicle for the 12 months ending 30 June 2018 by the Australian Bureau of Statistics.



## CASE STUDY

The Heidelberg supermarket store in Victoria, is to date, the Group’s most sustainable standalone supermarket. The Heidelberg site is owned and developed by the Group and the supermarket qualifies as an Eligible Asset for the Green Bonds. The development has been designed in accordance with the 5 Green Star Design requirements, and in March 2020, received 5 Green Star certification from an As-Built v1.2 Rating from the Green Building Council of Australia, setting the benchmark for a standalone sustainable supermarket development.

The Heidelberg supermarket has 25% fewer greenhouse gas emissions than a regular Woolworths Supermarket – equivalent to taking 147 cars off the road each year. Woolworths Heidelberg has incorporated a range of environmental features into many aspects of the store’s fitout. These include:

- Switching off all lights and air conditioning every night to reduce power usage
- Use of LED lights which are 50% more efficient
- Integrated transcritical CO<sub>2</sub> refrigeration and air conditioning system eliminating the use of high Global Warming Potential refrigerants
- Electric heat pumps in place of gas fired hot water heating
- Use of engineered wood products, timber laminates and responsibly sourced steel, concrete and PVC
- Use of shopping trolleys each made from 152 recycled milk bottles
- 95% of all demolition of construction waste on site was recycled
- Access to fresh outdoor air as well as monitoring to maintain indoor air quality
- Electric vehicle charging bays, bike racks and end of trip facilities to encourage the use of low emissions transport.

The Group is committed to obtaining a Green Star Performance rating for currently owned retail centres and achieving a minimum 4 Star Green Star rating for future developments.



# Impact reporting

## Solar energy, LED upgrades and HVAC optimisation

Over the course of F18 and F19, the Group invested a total of \$78 million in the installation of solar panels, LED lighting upgrades and the optimisation of HVAC systems in stores. A portion of the proceeds of the Green Bonds was used to refinance the funding of these projects.

### Solar panels

The Group invested a total of \$16 million in the installation of solar panels in our portfolio of supermarket stores. This resulted in solar panels being installed in 69 stores, with a total capacity of over 10,500kW.

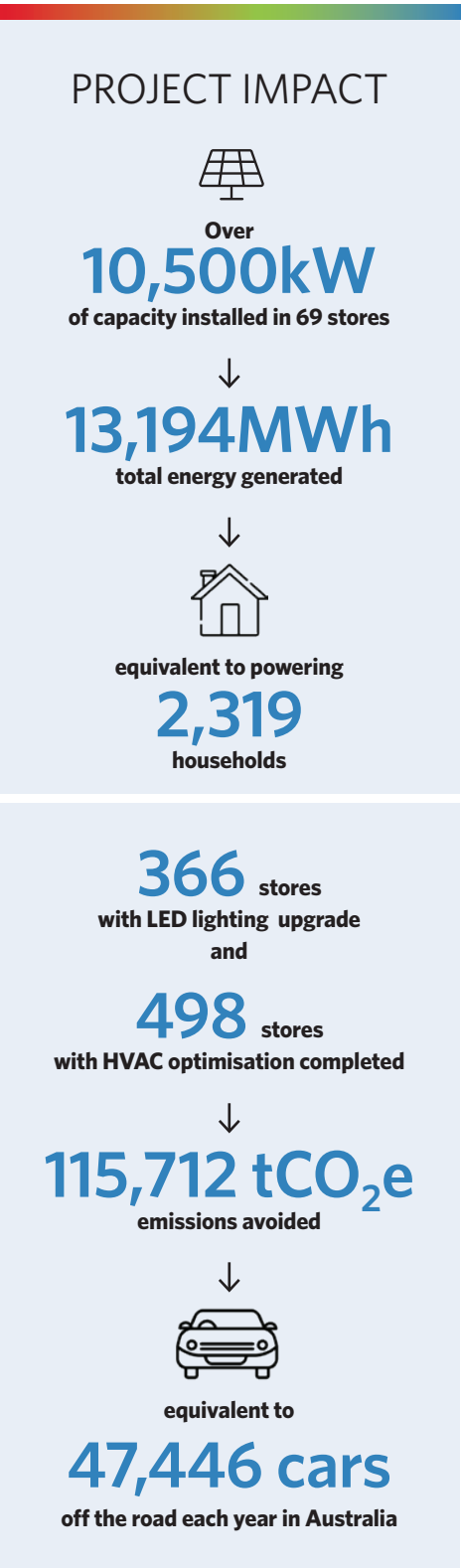
Expenditure on solar panels is eligible expenditure under the Climate Bond Standards and thus the full amount of the expenditure on solar panels has been included as an Eligible Assets for the Green Bonds.

### LED lighting upgrades and HVAC optimisation

The Group has completed lighting upgrades to replace the existing lights in supermarket stores with LED lights, investing a total of \$50 million. We have also conducted an HVAC optimisation project, investing a total of \$12 million. These projects are Eligible Assets for the Green Bonds as they are upgrades to existing buildings and achieve an emissions reduction of at least 30% from the relevant baseline of the level of emissions if the project had not been implemented.

A total of 366 stores have had the LED lighting upgrade, and 498 stores have had the HVAC optimisation, completed.

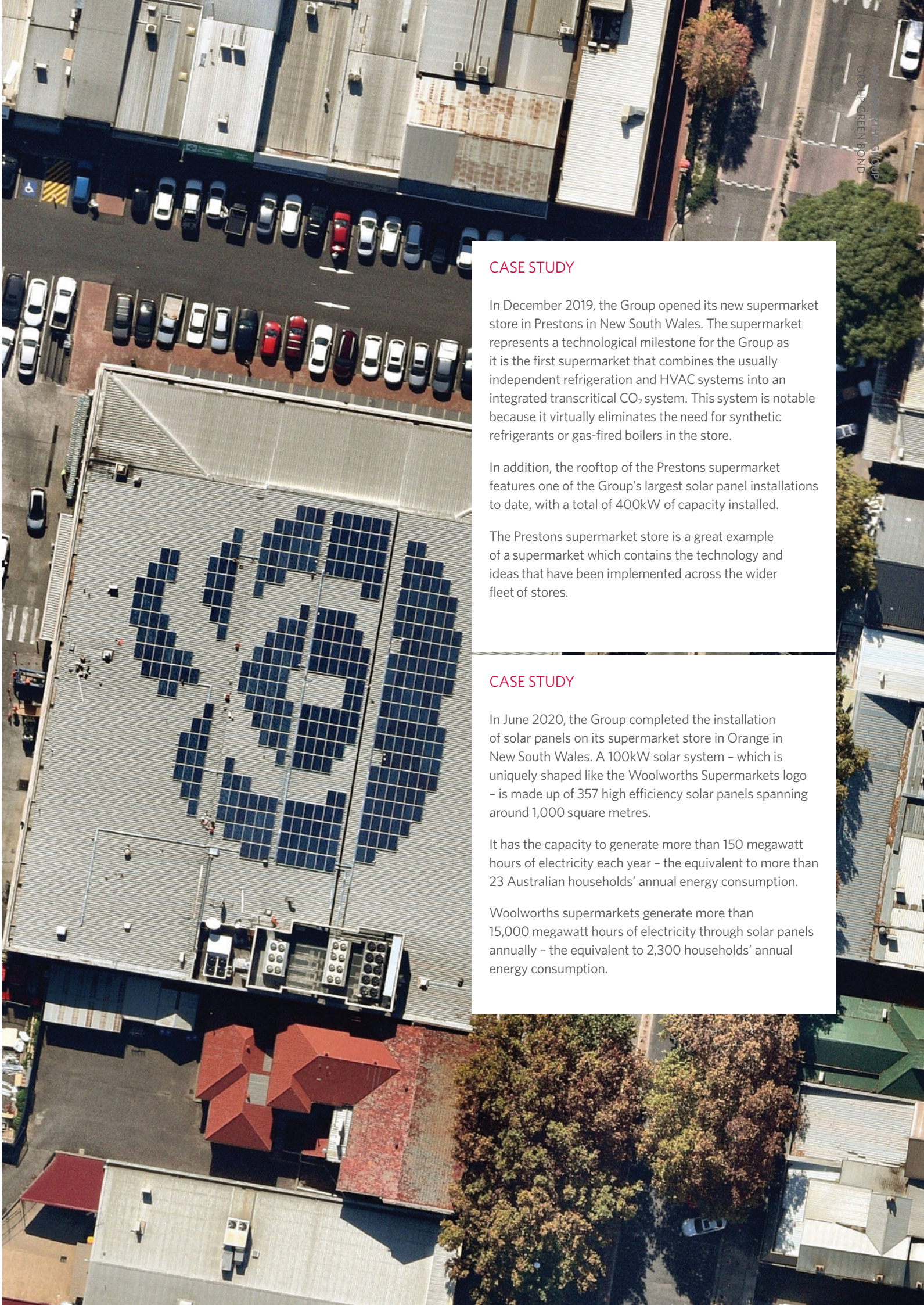
As a result, a total of 13,194MWh of energy has been generated from the solar panels on an annual basis, which is equivalent to powering 2,319 of equivalent households<sup>6</sup>. In addition, a total of 115,712 tCO<sub>2</sub>e of emissions have been avoided as a result of the LED lighting upgrades and HVAC optimisation projects, which is equivalent to taking 47,446 cars off the road each year in Australia<sup>7</sup>.



Notes

6. The equivalent number of households powered is calculated by dividing the total energy generated or saved on an annual basis by the national annual electricity consumption in Australia. The national energy electricity consumption is sourced from data published by the Australian Energy Regulator in their 2017-18 Annual Report on Compliance and Performance of the Retail Energy Market.

7. The average annual emissions from a car is calculated to be 2.44 tonnes of CO<sub>2</sub>e. This is derived from estimates by the National Transport Commission of the CO<sub>2</sub> emissions for a new light vehicle sold in Australia in 2017, and the reported average kilometres travelled by a motor vehicle for the 12 months ending 30 June 2018 by the Australian Bureau of Statistics.



### CASE STUDY

In December 2019, the Group opened its new supermarket store in Prestons in New South Wales. The supermarket represents a technological milestone for the Group as it is the first supermarket that combines the usually independent refrigeration and HVAC systems into an integrated transcritical CO<sub>2</sub> system. This system is notable because it virtually eliminates the need for synthetic refrigerants or gas-fired boilers in the store.

In addition, the rooftop of the Prestons supermarket features one of the Group's largest solar panel installations to date, with a total of 400kW of capacity installed.

The Prestons supermarket store is a great example of a supermarket which contains the technology and ideas that have been implemented across the wider fleet of stores.

### CASE STUDY

In June 2020, the Group completed the installation of solar panels on its supermarket store in Orange in New South Wales. A 100kW solar system – which is uniquely shaped like the Woolworths Supermarkets logo – is made up of 357 high efficiency solar panels spanning around 1,000 square metres.

It has the capacity to generate more than 150 megawatt hours of electricity each year – the equivalent to more than 23 Australian households' annual energy consumption.

Woolworths supermarkets generate more than 15,000 megawatt hours of electricity through solar panels annually – the equivalent to 2,300 households' annual energy consumption.



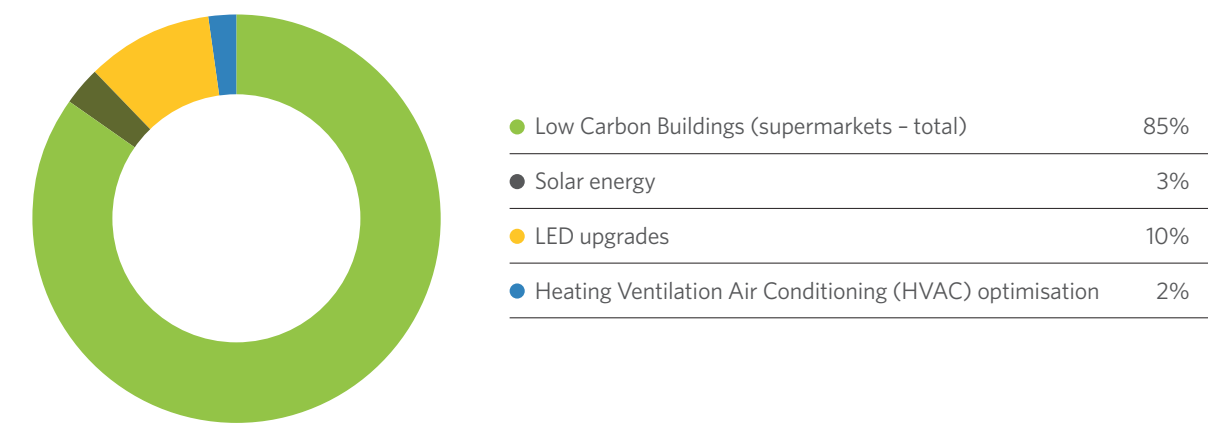
Use of Proceeds

DATE OF BOND ISSUANCE	BOND MATURITY DATE	FACE VALUE
23/04/2019	23/04/2024	A\$400,000,000

As at 30 June 2019 and 28 June 2020, 100% of the proceeds from the A\$400 million Green Bond were allocated to Eligible Assets.

Asset Class	Jun-20			Jun-19		
	Eligible Assets (\$M)	Eligible Assets (%)	Allocated to Green Bond	Eligible Assets (\$M)	Eligible Assets (%)	Allocated to Green Bond
Low Carbon Buildings (supermarkets) <sup>8</sup>	402	85%	327	409	85%	323
Solar energy	15	3%	15	16	3%	15
LED upgrades	47	10%	47	50	10%	50
Heating Ventilation Air Conditioning (HVAC) optimisation	11	2%	11	12	2%	12
Total	475	100%	400	487	100%	400

Eligible Assets % by asset class for Jun-20



Notes

8. Comprises of both owned and leased stores. The Group leases a significant portion of the sites that it operates in. For the purpose for allocating the use of proceeds from the Green Bonds, for leased stores, the value of leasehold improvements and value of the lease asset, recognised as a result of the adoption of AASB16, are included. For owned stores, the proportional value of the land, building and fitout costs that relate to the supermarket is included.

Appendices

Low Carbon Buildings (supermarkets)

Store Location
Aspley, QLD
Ballina River Street, NSW
Belmont, WA
Bentley, WA
Brookside (Mitchelton), QLD
Brookwater, QLD
Burpengary, QLD
Burwood Plaza, NSW
Charlestown Square, NSW
Colebee, NSW
Coorparoo, QLD
Eatons Hill, QLD
Glenrose, NSW
Goodna, QLD
Goonellabah, NSW
Heidelberg, VIC <sup>1</sup>
Ipswich Riverlink, QLD
Jordan Springs, NSW
Leichhardt Marketplace, NSW
Logan Village, QLD
Loganholme East (Cornubia), QLD
Maroochydore Big Top, QLD
Mascot, NSW
Meadowbrook, QLD
Mermaid Waters, QLD
Morayshire, QLD
Narangba, QLD
Oran Park, NSW
Ormeau, QLD
Oxley, QLD
Prestons, NSW <sup>1</sup>
Rouse Hill, NSW

1. Stores owned stores by the Group. All other stores are leased.



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Ernst & Young  
111 Eagle Street  
Brisbane QLD 4000 Australia  
GPO Box 7878 Brisbane QLD 4001

Tel: +61 7 3011 3333  
Fax: +61 7 3011 3100  
ey.com/au

Independent Reasonable Assurance Report to the Executive and Management of Woolworths Group Limited

Assurance Conclusion

Based on our reasonable assurance procedures as described in this statement of 14 September 2020, in our opinion Woolworths Group Limited's bond issuance process in relation to its 2019 Green Bond, inclusive of its Green Bond Framework and nominated projects and assets, meets the project identification, project minimum Criteria, management of proceeds, and Impact Report requirements of the International Capital Market Association's (ICMA) Green Bond Principles (GBP) and the Climate Bond Initiative's (CBI) Climate Bond Standard (CBS - inclusive of sectoral criteria), in all material respects.

Scope

Ernst & Young ('EY') has performed a reasonable assurance engagement in relation to Woolworths Group Limited's (Woolworths') Green Bond Framework and Woolworths' 2019 Green Bond issuance in order to provide an opinion as to whether, as of 30 June 2020, the Subject Matter detailed below, meets in all material respects the Criteria presented below.

Subject Matter and Criteria

Subject Matter	Criteria
<ul style="list-style-type: none"><li>▶ The issuance process for Woolworths' Green Bond, as described in Woolworths' Green Bond Framework, that sets out:<ul style="list-style-type: none"><li>▶ Policies and procedures related to the use of proceeds, and management of proceeds raised from the Bond</li><li>▶ Environmental performance and valuations relating to nominated projects and assets to be funded by the Bond</li><li>▶ Procedures for reporting on the use of proceeds and performance of the Bond</li><li>▶ Woolworth's Green Bond Impact Report</li></ul></li></ul>	<ul style="list-style-type: none"><li>▶ The Green Bond Principles (GBP) (June 2018), published by the ICMA</li><li>▶ The CBI Standard v3.0 (CBS) and the Climate Bonds Standard Sector Eligibility Criteria for:<ul style="list-style-type: none"><li>▶ Low Carbon Buildings – Retail Criteria</li><li>▶ Low Carbon Buildings – Upgrade Projects</li><li>▶ Other Criteria as applicable to this Bond issuance</li></ul></li><li>▶ Woolworths' own internal policies and procedures, as documented in Woolworths' Green Bond Framework</li></ul>

Management Responsibility

The management of Woolworths Group Limited ('Management') is responsible for the collection, preparation and presentation of the subject matter in accordance with the Criteria, and for maintaining adequate records and internal controls that are designed to support the Green Bond issuance process.

Assurance Practitioner's Responsibility

Our responsibility is to express a reasonable assurance conclusion as to whether the Subject Matter is presented in accordance with the Criteria, in all material aspects. Our assurance engagement has been planned and performed in accordance with the Australian Standard on Assurance Engagements 3000 (revised) *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* ('ASAE 3000').

Level of Assurance

A reasonable assurance engagement consists of making enquiries and applying analytical, controls testing, and other evidence-gathering procedures sufficient for us to obtain a meaningful level of assurance as the basis for providing a positive form of conclusion. The procedures performed depend on the assurance practitioner's judgement including the risk of material misstatement of the specific activity data, whether due to fraud or error. While we considered the effectiveness of Management's internal controls when determining the nature and extent of our procedures, these procedures were not designed to provide assurance on internal controls. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.



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Our Approach

The assurance procedures we undertook included, but were not limited to:

- ▶ Assessing policies and procedures established by Woolworths related to the issuance of the 2019 Green Bond
- ▶ Confirming eligibility of nominated projects for inclusion in Woolworths' 2019 Green Bond against the Use of Proceeds Criteria within the CBS and GBP
- ▶ Interviewing selected business unit and group level personnel to understand key issues related to Woolworths' policies and procedures
- ▶ Reviewing selected performance information for nominated projects, and documentation supporting assertions made in the Subject Matter
- ▶ Checking the accuracy of calculations performed
- ▶ Confirming internal systems and processes were functioning as indicated and obtaining supporting evidence
- ▶ Confirming the maximum potential value of debt to understand the basis and integrity for the value of the bond
- ▶ Obtaining and reviewing evidence to support key assumptions and other data
- ▶ Seeking management representation on key assertions
- ▶ Reviewing the completeness and accuracy of disclosures in Woolworth's Green Bond Impact Report

Limitations

There are inherent limitations in performing assurance; for example, assurance engagements are based on selective testing of the information being examined and it is possible that fraud, error, or non-compliance may occur and not be detected. There are additional inherent risks associated with assurance over non-financial information, including reporting against standards which require information to be assured against source data compiled using definitions and estimation methods that are developed by the reporting entity. Finally, adherence to ASAE 3000 and the Climate Bond Standard is subjective and could be interpreted differently by different stakeholder groups.


Our assurance was limited to Woolworths' 2019 Green Bond issuance process and Green Bond Impact Report and did not include statutory financial statements. Our assurance is limited to policies and procedures in place as at 30 June 2020.


Use of Report

Our responsibility in performing our assurance activities is to the Executive and Management of Woolworths only, and in accordance with the terms of reference for this engagement, as agreed with them. We do not therefore accept or assume any responsibility for any other purpose or to any other person or organisation. Any reliance any such third party may place on the 2019 Green Bond issuance is entirely at its own risk. No statement is made as to whether the Criteria are appropriate for any third party purpose.

Our Independence and Assurance Team

In accordance with APES 110, we can confirm we have met the requirements of the Code of Ethics for Professional Accountants, including on independence. Our team has the required competencies and experience for this assurance engagement.

  
Ernst & Young

  
Dr Matthew Bell  
Partner  
Brisbane, Australia  
14 September 2020

WOOLWORTHS GROUP

