



# Sustainability Linked Bond Framework

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

**Woolworths Group Limited** ABN 88 000 014 675



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# About Woolworths Group<sup>1</sup>

## We create better experiences together for a better tomorrow

Woolworths Group is a purpose-led food and everyday needs business with leading eCommerce, digital and data capabilities, and complementary businesses and partnerships, that enhance customer experiences and provide adjacent growth opportunities.



<sup>1</sup> For the 2021 financial year including Endeavour Group, unless otherwise stated.  
<sup>2</sup> Before significant items.

<sup>3</sup> Including Australian and New Zealand Food and BIG W.  
<sup>4</sup> F21 ROFE calculation normalised to exclude the \$7,870 million demerger distribution liability.

<sup>5</sup> Full year fully franked dividend.  
<sup>6</sup> From Woolworths Group cash flow.



# Section 2

## Woolworths Group's Sustainability Strategy

As a diverse group of retail businesses across Australia and New Zealand, Woolworths Group cares deeply about its impact on people, our products and the planet and is committed to better experiences together for a better tomorrow.

At Woolworths Group, sustainability is important to our customers, and is an intrinsic part of our business. We are continuing to lift our ambitions to drive the transformative change that is needed.

In 2019, Woolworths Group demonstrated a market leading ambition to further reduce its environmental impact by becoming the first retailer in Australia, and the first supermarket globally, to issue Green Bonds certified by the Climate Bonds Initiative ("CBI"). Projects supported by these bonds included the implementation of energy efficiency initiatives such as the installation of solar panels on the roofs of Woolworths Group stores, energy efficiency upgrades in stores, and the development of low carbon supermarkets.

In late 2020, we announced the Group's Sustainability Plan 2025. This plan covers five guiding principles and fourteen specific goals and detailed commitments that we aim to achieve by 2025. The five guiding principles will guide our journey towards a better tomorrow for our team, our planet and the customers and communities we serve, and are as follows:

1. We act like a leader and speak up on issues that matter
2. We care for and unlock the potential of our people
3. We have a positive impact on the planet
4. We apply circular thinking in everything we do
5. We embrace the power of partnerships to create change

We believe that they will also create long term value for our shareholders.



# Section 2

## Woolworths Group's Sustainability Strategy

To turn guiding principles into action, these principles have been broken down into three distinct focus areas: People, Planet and Product, each with their own set of goals and commitments.

### People



Building a better tomorrow for our people means demonstrating our care, creating a great place for our teams to work and paving their way to a brighter future. It means letting people be their best self regardless of their gender, age, ethnicity, faith, ability or sexual orientation.

It means supporting our communities, building partnerships and working hand in hand with our suppliers to make sure that every worker in our supply chain is treated with respect.

### Planet



Building a better tomorrow for our planet means repairing and protecting the world we live in for future generations.

It means going further than just limiting negative impacts; it means actively finding ways to create positive benefit.

### Product



Building a better tomorrow through our products means evolving the way we do business to embrace circular thinking – which means all waste is a resource.

It means making it easy for our customers to choose products that are healthier, sustainably sourced and responsibly packaged.





# SUSTAINABILITY TREE™

Our strategy is summarised in our Sustainability Tree™ which represents our plan for a better tomorrow.

It takes roots in our goals, grows tall and strong with the seeds of commitment that we plant today and is nurtured by our guiding principles.

## Guiding Principles

We act like a leader and speak up on issues that matter

We care for, and unlock the potential of our people

We have a positive impact on the planet

We apply circular thinking in everything we do

We embrace the power of partnerships to create change

## People

- Goal 1** Be a truly inclusive workplace
- Goal 2** Invest in the holistic wellbeing of our team
- Goal 3** Create meaningful retail careers in the workplace of the future
- Goal 4** Activate ethical and mutually beneficial partnerships through the whole value chain
- Goal 5** Have a positive impact on our customers and communities

## Planet

- Goal 1** 100% Green electricity by 2025
- Goal 2** Zero food waste to landfill by 2025
- Goal 3** Net positive carbon emissions by 2050
- Goal 4** Practise responsible stewardship of natural resources

## Product

- Goal 1** Materially increase healthier choices in our customers' baskets
- Goal 2** 100% of Own Brand packaging is sustainable
- Goal 3** 100% of Own Brand sourcing is sustainable
- Goal 4** Lead the future of protein
- Goal 5** Lead the responsible service and consumption of alcohol and gaming

Our goals are underpinned by over 40 commitments



# Section 2

## Delivers on Sustainability Development Goals

The guiding principles and commitments contained in the Woolworths Group's Sustainability Plan 2025 will guide the Group's journey towards a better tomorrow, and the Group believes that they will also create long term value for its shareholders. The goals in the Woolworths Group's Sustainability Plan 2025 have been aligned with the relevant UN 2030 Sustainable Development Goals.



As part of our continued commitment to sustainability and to align with the latest market standards, Woolworths Group has created this Sustainability Linked Bond Framework (the "**Framework**") to demonstrate how Woolworths Group intends to enter into Sustainable Bond Transactions ("**SBT**") that support the implementation of Woolworths Group's sustainability agenda.

Sustainability Linked Bonds are bonds where the economic terms of the financing are linked to Woolworths Group's performance against metrics set in respect of specific targets as set out in Section 3. Sustainability Linked Bonds may be issued in a range of currencies, tenors, credit structures and can be executed in various markets.



# Section 3

## Sustainability Linked Bond Framework

Woolworths Group has chosen to create a Sustainability Linked Bond Framework (the “**Framework**”) in order to align its sustainability plan with its long term financing strategy.

Integration of sustainability targets and goals across all aspects of our business will strengthen alignment towards achievement of the goals. In late 2020, Woolworths Group released its Sustainability Plan 2025 which provides guiding principles, goals and detailed commitments that Woolworths Group aims to achieve by 2025.

As Australia and New Zealand’s largest retailer, Woolworths Group cares deeply about its impact on people and the planet, and we want to go further than just minimising harm - we want to create good. This will be done through ongoing improvement of how Woolworths Group conducts its own business, including how it engages its people and the communities in which it operates.

Woolworths Group’s aspiration is that any issuance related to this Framework and any related financing transactions will generate momentum within its sector and those adjacent, and encourage others, some of whom who have already made significant transition related commitments, to do the same.

This section outlines how Woolworths Group will address considerations taken into account when executing Sustainability Linked Bonds (“**SLB**”) and how the SLBs will be aligned to the Sustainability Linked Bond Principles 2020<sup>1</sup> or as the Principles may be subsequently amended.

All Sustainability Linked Bonds will adhere to the following governance structure:

1. Selection of Key Performance Indicators (KPIs)
2. Calibration of Sustainability Performance Targets (SPTs)
3. Bond characteristics
4. Reporting
5. Verification

1. [icmagroup.org/assets/documents/Regulatory/Green-Bonds/June-2020/Sustainability-Linked-Bond-PrinciplesJune-2020-100620.pdf](https://icmagroup.org/assets/documents/Regulatory/Green-Bonds/June-2020/Sustainability-Linked-Bond-PrinciplesJune-2020-100620.pdf)





# Section 3

## Sustainability Linked Bond Framework

### 1. Selection of Key Performance Indicators (KPIs)

SLBs issued under this framework will use the below selected KPI which address one of the core environmental and social aspects of Woolworths Group.

#### KPI 1: Absolute Greenhouse Gas (GHG) emissions (Scope 1 and 2, in tCO<sub>2</sub>e)

Rationale: Climate change is a material sustainability issue for Woolworths Group. As of 2021, Woolworths Group has already reduced its emissions by 27 percent from 2015 levels through initiatives to improve energy efficiency.

In September 2020, Woolworths Group set an ambitious target of reducing its absolute Scope 1 and Scope 2 greenhouse gas emissions from its own operations by 63 percent by 2030 from a 2015 baseline and this target was endorsed by the global Science Based Targets initiative (“SBTi”) - a first for an Australian retailer. The target has been validated by the SBTi as being consistent with the contribution that Woolworths Group needs to make to align with the Paris Agreement’s most ambitious goal of limiting climate change to 1.5 degrees.

To achieve the 1.5 degrees limit target, net positive carbon emissions will be required. This is why Woolworths Group has also set a 2050 (or earlier) goal, encompassing Scope 1 and Scope 2 emissions, to go beyond net zero. Woolworths Group’s ambition is to remove more emissions from the atmosphere than it is responsible for. Woolworths Group’s strategy to achieve this will continue to evolve over this time horizon and will be communicated in sustainability updates and annual reports.

Woolworths Group’s main sources of Scope 1 (direct) emissions include emissions from refrigerant gases, natural gas, transport fuel, stationary LPG and diesel for onsite back-up generators, while Scope 2 (indirect) emissions are those associated with electricity use. Purchased electricity represents approximately 80% of the Group’s combined Scope 1 and Scope 2 emissions, followed by refrigerant gases.

Given the demerger of Endeavour Group, and recent acquisitions (to the extent applicable), Woolworths Group will need to rebase its greenhouse gas emissions target for the new scope of business but this will continue to be in-line with a Science Based Target of limiting climate change to 1.5 degrees. In addition, as part of the rebasing of the GHG emissions reduction target, a more recent baseline may be selected but the 2030 target will still be in line with a Science Based Target of limiting climate change to 1.5 degrees.

### 2. Calibration of Sustainability Performance Targets

Woolworths will continuously strive to improve its performance across the KPIs and in line with the Groups strategy.

#### KPI 1: Absolute Greenhouse Gas (GHG) emissions (Scope 1 and 2, in tCO<sub>2</sub>e)

SPT 1: 2030 GHG Scope 1 & Scope 2 emissions reduction, expressed as a percentage, in line with 1.5 degrees Paris Agreement Scenario as verified by SBTi, with straight line interpolation of the 2030 GHG Scope 1 and Scope 2 emissions reduction target if the testing date is set prior to 2030.

Performance against the SPT’s will be disclosed on an annual basis following the publication of Woolworths Group Sustainability Report, the SPTs will be updated for future transactions as and when there is a material change in our performance against the KPIs. For clarity, to the extent an SPT is used for a financing transaction, the SPT will apply for the life of the financing transaction.

Woolworths will seek an annual independent assessment from a qualified external source that the SPTs are ambitious, meaningful and aligned with the Sustainability Linked Bond Principles.



# Section 3

## Sustainability Linked Bond Framework

### 3. Bond Characteristics

The potential KPIs for the SLB(s) will support Woolworths Group in achieving its medium and long term sustainability ambitions, and supporting the global transition to a low carbon economy, and the proceeds of any SLBs will be used for general corporate purposes unless otherwise stated.

Woolworths Group performance against the SPT(s) will be reported on [woolworthsgroup.com.au/page/investors/Debt\\_Investors](https://www.woolworthsgroup.com.au/page/investors/Debt_Investors) and will be accompanied with external assurance verifying the company's performance.

In the event that Woolworths Group does not achieve the SPT by the target date a coupon adjustment, or a premium payment as the case may be, or other penalty mechanism will be applied to the SLB(s). The relevant KPI, SPTs, step-up margin amount or the premium payment amount, or other penalty mechanism as applicable, will be specified in the relevant documentation of the specific transaction.

It should be noted that the parameters of the KPI's or calibration of the SPT's may change if there is a material change to Woolworths Group's current business operations and any such change will be communicated as part of Woolworths Group's continuous disclosure obligations via the Australian Securities Exchange (ASX).

### 4. Reporting

Information relating to Woolworths Group's sustainability performance is published in the Group's annual sustainability reports and on the sustainability section of the Woolworths Group website [woolworthsgroup.com.au/page/community-and-responsibility/group-responsibility/](https://www.woolworthsgroup.com.au/page/community-and-responsibility/group-responsibility/). In case of material developments, ad-hoc disclosures of this nature will be made via the ASX as per the company's continuous disclosure obligations.

In line with the fourth component of the Sustainability Linked Bond Principles, Woolworths Group will provide annual disclosures in relation to SPTs used in SLB and will be verified by a third party ("**assurance**"). These disclosures will include the following:

- up-to-date information on the performance of the selected KPI, including baseline where relevant
- a limited assurance report relative to each SPT outlining the performance against the SPT and the related impact, and timing of such impact, on the bond's financial and/or structural characteristics
- any information enabling investors to monitor the level of ambition of each SPT (e.g., any update in the issuers' sustainability strategy or on the related KPI/ESG governance, and more generally any information relevant to the analysis of each KPI and SPT).

When feasible and possible, the annual disclosure will also provide:

- a qualitative or quantitative explanation of the contribution of the main factors, including Merger and Acquisition ("**M&A**") activities, behind the evolution of performance/KPI
- illustration of positive sustainability impacts of performance improvements
- any re-assessments of each KPI and/or restatement of the SPT's and/or proforma adjustments of any baselines or KPI scope.



# Section 3

## Sustainability Linked Bond Framework

### 5. Verification

Woolworths Group will receive independent limited assurance on the company's performance against the KPIs listed in section 1 at least once a year up to the maturity of the last outstanding SLB. The assurance report will be provided alongside the updated annual disclosures which can be viewed at [woolworthsgroup.com.au/page/investors/Debt\\_Investors](https://www.woolworthsgroup.com.au/page/investors/Debt_Investors)





# Section 4

## Second Party Opinion

### External Review

Woolworths Group has obtained a Second Party Opinion from Sustainalytics to confirm the alignment of this Sustainability Linked Bond Framework with the Sustainability Linked Bond Principles and also assessed its environmental/social added value.

The second party opinion will be available on [woolworthsgroup.com.au/page/investors/Debt\\_Investors](https://www.woolworthsgroup.com.au/page/investors/Debt_Investors)

Woolworths Group will seek an annual independent assessment from a qualified external source that the SPTs are ambitious, meaningful and aligned with the Sustainability Linked Bond Principles. The assessment will be available on [woolworthsgroup.com.au/page/investors/Debt\\_Investors](https://www.woolworthsgroup.com.au/page/investors/Debt_Investors).



# Section 5

## Definitions

Term	Meaning
AWEI	Australian Workplace Equality Index
Carbon dioxide equivalent (CO <sub>2</sub> -e)	A standard measure used to compare the emissions from various greenhouse gases based on their global warming potential. For example, one tonne of methane emissions is equivalent to 21 tonnes of carbon dioxide emissions.
Customer fulfilment centre (CFC)	Dedicated online distribution centre
Direct to boot	Where a customer places an order online and drives to a dedicated area where a team member places the order directly in the customer's boot
EBIT	Earnings before interest and tax
Endeavour Group	Endeavour Group Limited ACN 159 767 843
Free cash flow	Cash flow generated by the Woolworths Group after equity related financing activities including dividends and repayment of lease liabilities
Net Promoter Score (NPS)	A loyalty measure based on a single question where a customer rates a business on a scale of zero to 10. The score is the net result of the percentage of customers providing a score of nine or 10 (promoters) less the percentage of customers providing a score of zero to six (detractors)
Return on Funds Employed (ROFE)	Calculated as EBIT before significant items for the previous 12 months as a percentage of average (opening, mid and closing) funds employed including significant items provisions
Scope 1 emissions	Direct greenhouse gas emissions from sources owned or controlled by the company, such as combustion facilities (e.g. generators) and combustion of fuels in company-owned or company-controlled transport (e.g. cars and trucks).

Term	Meaning
Scope 2 emissions	Indirect greenhouse gas emissions from the generation of purchased electricity, heat, cooling or steam. Purchased electricity is defined as electricity that is bought or otherwise brought into the organisational boundary of the entity.
Scope 3 emissions	Other indirect greenhouse gas emissions that are a consequence of a company's activities, but that arise from sources that other entities own or control. Scope 3, like Scope 2, is a category of indirect emissions and covers all other indirect emissions from sources that are not owned or controlled by a company, but that occur as a result of its activities. Examples include emissions from waste disposal to landfill.
Sustainable Development Goals (SDG)	17 global goals set by the United Nations in 2015 to define global sustainable development priorities and aspirations for the planet
Share	A fully paid ordinary share in the capital of Woolworths Group
S.T.A.N.D	Woolworths Group program which provides Support Through Australian Natural Disasters
Voice of Customer (VOC)	Externally facilitated survey of a sample of Woolworths Group customers where customers rate Woolworths Group businesses on several criteria. Expressed as the percentage of customers providing a rating of six or seven on a seven point scale
Voice of Team (VOT)	Survey measuring sustainable engagement of our team members as well as their advocacy of Woolworths Group as a place to work and shop. The survey consists of nine sustainable engagement questions, three key driver questions and two advocacy questions
WGEA	Workplace Gender Equality Agency
Woolworths Group	Woolworths Group Limited ABN 88 000 014 675



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