

Tax Transparency Report

For year ended 30 June 2021





Woolworths Group is led by its purpose, to create better experiences together for a better tomorrow. Guided by our Agile Ways-of-Working and Core Values, we want our actions to have a positive impact every day and to define what makes Woolworths Group different. Customer demands are changing rapidly and the retail environment is evolving, and in this environment we will continue to transform the Group to better meet our customers' needs and work together to be COVIDSafe.

**We create better
experiences together
for a better tomorrow.**



A note from the Chief Financial Officer

Woolworths Group is a large and diverse business, serving millions of customers and hundreds of communities every week. We are mindful of our responsibilities as a significant contributor to the economy including being the largest private-sector employer in both Australia and New Zealand.

Woolworths Group pursues an approach to tax that is principled, transparent and sustainable for the long term. Our approach to tax management is to ensure full compliance with all statutory obligations, full disclosure to revenue authorities, maintenance of documented policies and procedures in relation to tax risk management and completion of risk assessments including escalation and reporting to the Board where appropriate. We have received a **high** level assurance rating from the Australian Taxation Office (ATO) with regard to the group's income tax affairs. This rating means that the ATO is satisfied that the correct Australian income tax outcomes were reported in our income tax return.

In this report you will find an overview of the Woolworths Group tax strategy, governance and tax contributions made to Australian Territory, State and Commonwealth governments.

The information provided in this Report is released on a voluntary basis in accordance with the recommendations and guidelines contained in the Board of Taxation's Voluntary Tax Transparency Code. It should be read with Woolworths Group's 2021 Annual Report which can be found on our website at www.woolworthsgroup.com.au

Woolworths Group has a strong commitment to transparency and compliance from a regulatory and financial perspective, including with respect to its tax strategy and compliance.

A handwritten signature in black ink, appearing to be 'S. Harrison', written over a light grey background.

Stephen Harrison
Chief Financial Officer

Tax Transparency Report

Tax policy, strategy, and governance

Woolworths Group's tax corporate governance and tax operating framework is guided by the Board's Tax Corporate Governance Policy. This policy, recommended by the Audit and Finance Committee (AFC) and approved by the Board, sets out the approach to be taken by the Group in conducting its tax affairs and dealings with tax risk and is periodically reviewed by the Group Tax team.

Woolworths Group pursues an approach to tax that is principled, transparent, and sustainable for the long term. The Group has implemented appropriate internal controls in relation to the identification and management of tax risk and a framework for escalation of tax matters to the Woolworths Group Board, as necessary.

The Woolworths Group Board operates several Committees that oversee key business risks including the AFC which oversees financial risk management and the effectiveness of internal controls across the Group, including tax. There is regular reporting on tax matters to the AFC.

A low risk tax strategy is adopted by the Woolworths Group to ensure there is no damage to its reputation or risk profile with the Australian Taxation Office (ATO).

Woolworths Group ensures that, as a minimum, the tax position adopted with regard to particular issues or transactions is more likely than not to be correct. This is achieved through:

- Early engagement of the Group Tax team in the formative consideration and practical implementation of transactions;
- Using external advisors to assist the Group Tax team in areas that are complex or uncertain; and,
- Obtaining tax rulings from the ATO on complex and uncertain areas of the law.

Engagement with revenue authorities

Woolworths Group seeks a proactive and cooperative relationship with the ATO and other relevant taxation authorities with which it interacts and seeks to maintain this relationship through regular communication, particularly with regard to significant transactions that the group has entered into or is considering entering into.

Woolworths Group is a key taxpayer for Goods and Services Tax (GST) and is a key member of relevant food industry groups.

For income tax purposes, the ATO adopts a periodic assurance process combined with specific issue reviews. As such, the Woolworths Group is engaged in ongoing dialogue with the ATO regarding its review processes, particularly in relation to income tax.

Woolworths Group has received a **high** level of assurance rating with respect to its income tax affairs as part of the ATO's Justified Trust review. This is the highest-level rating.

Where appropriate, the Woolworths Group also seeks to engage in consultation with the Government on tax matters, particularly with regard to improvements to existing processes and commentary on proposed tax changes.

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Reconciliation of accounting profit to income tax expense

The reconciliation of accounting profit to tax expense contained in this Report was previously published in Woolworths Group's 2021 Annual Report in note 3.7.2. The disclosure was prepared for the statutory accounts in accordance with the relevant Australian Accounting Standards. These statutory accounts reflect Woolworths Group Limited and its subsidiaries for the 52 week period ended 27 June 2021.

Income tax expense, reported on a company's income statement, is calculated by multiplying accounting profit for the year, adjusted for non-temporary differences, by the relevant corporate tax rate (30 per cent in Australia).

	F21 (52 WEEKS) \$M	RESTATED F20 ¹ (52 WEEKS) \$M
Profit before income tax - continuing operations	2,210	1,355
Profit before income tax - discontinued operations	740	430
Profit before income tax	2,950	1,785
Income tax expense using the Australian corporate tax rate of 30%	885	536
<i>Tax effect of amounts which are not (taxable)/deductible in calculating taxable income:</i>		
Non-deductible expenses	29	39
Non-assessable income	(89) ²	-
Unrecognised tax losses from the current year	3	4
Impact of differences in offshore tax rates	(5)	(6)
Other	(2)	(5)
	821	568
Adjustments relating to prior periods	(10)	8
Income tax expense	811	576

¹ On 18 June 2021, Woolworths Group obtained shareholder approval for the separation of Endeavour Group which resulted in two of the Group's separate major business lines, Endeavour Drinks and Hotels, being classified as discontinued operations. As such, the F20 results have been restated in the F21 annual report for Woolworths Group Limited.

² This non-assessable income relates mainly to the accounting gain recorded on the deemed disposal of the equity accounted investment in the Quantum group. During the year, Woolworths increased its ownership in the Quantum group from 47% to 75% resulting in the investment in the Quantum group no longer being classified as an equity accounted investment.

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Reconciliation from income tax expense to current year income tax payable

	F21 (52 WEEKS) \$M	F20 (52 WEEKS) \$M
Income tax expense	811	576
Net deferred tax benefit/(expense)	162	120
Adjustments to current tax of prior periods	10	(8)
Current year income tax payable	983	688

Effective company tax rates for Australian and global operations

Effective tax rate is calculated as income tax expense divided by profit before tax.

	F21 (52 WEEKS) \$M	(RESTATED) F20 (52 WEEKS) \$M
Effective Tax Rate – Australia³		
Australian Operations (Group total including discontinued operations)	26%	31%
Effective Tax Rate – Group³		
Group Operations ⁴ (Group total including discontinued operations)	27%	32%

³ The impact of the accounting gain on the deemed disposal of the equity accounted investment in the Quantum group (refer to footnote 2 above), a gain which is not assessable for tax purposes, has reduced the FY21 effective tax rate below 30%.

⁴ Group Operations includes the Group's offshore businesses in New Zealand, Hong Kong and China.

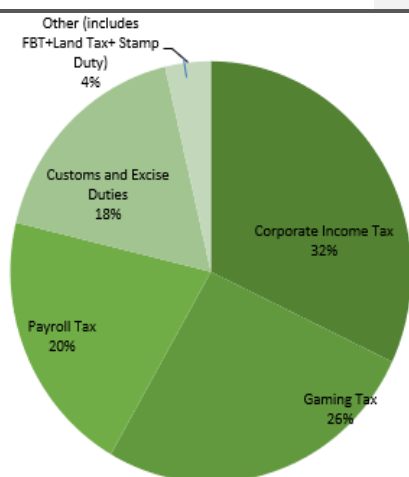
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Tax Contribution Summary

The following tables and diagrams detail the types of taxes paid and collected by Woolworths Group Limited and its subsidiaries (including controlled non-wholly owned subsidiaries) to and/or on behalf of Australian Federal, State and local governments in the 2021 financial year. For FY21, controlled non-wholly owned subsidiaries and the Woolworths Group ownership percentage includes Endeavour Group Limited (85.4%) and Statewide Independent Wholesalers Limited (60%). Tax payments made by the Quantum Group have not been included as the group's controlling interest was only acquired in the last month of the 2021 financial year.

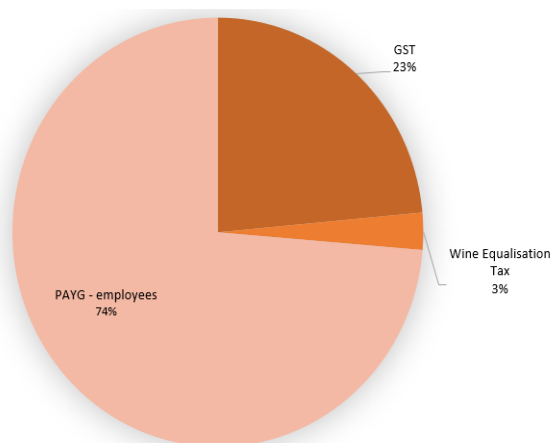
Taxes paid by Woolworths Group and Controlled non-wholly owned subsidiaries

2021	\$M
Corporate Income Tax ⁵	637
Other taxes:	
Gaming Tax ⁷	522
Payroll Tax	406
Customs and Excise Duties	349
Other (incl. Fringe Benefits Tax (FBT))	73
Total taxes paid	1,987



Taxes Collected by Woolworths Group and Controlled non-wholly owned subsidiaries

2021	\$M
Net GST ⁶	505
Wine equalisation tax	60
PAYG - employees	1,580
Total taxes collected	2,145



⁵ Corporate Income Tax paid reflects FY21 income tax instalments paid during the year.

⁶ The net GST represents GST collected on Australian sales less the input tax credits claimed on supplies.

⁷ The gaming tax was paid by Australian Leisure and Hospitality Group Pty Limited.

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International related party dealings

Woolworths Group operates in Australia, New Zealand and across the Asian region. The nature of activities outside of Australia are summarised below:

New Zealand

Active trading operations -
Supermarkets

Hong Kong

Co-ordinating the sourcing of
trading stock for Australia and
New Zealand

Active trading operations-
beverage distribution business

China

Active trading operations -
food and beverage distribution
business

The key business dealings between Woolworths Group Australian operations and overseas controlled entities are summarised below:

- Providing management and administration services
- Sales and purchases of trading stock to and from overseas controlled entities
- Recharges of costs relating to information technology and insurance costs incurred by Woolworths Group Australia
- Employment related recharges of costs incurred by Woolworths Group Australia on behalf of overseas subsidiaries
- Revenue and expenditure relating to financing arrangements with New Zealand subsidiaries.

All international related party dealings are conducted in accordance with arm's length principles and methodologies as prescribed by the Australian transfer pricing laws and in accordance with the Organisation of Economic Cooperation and Development (OECD) guidelines.

Further information

Further information and publications about Woolworths Group and its operations are available from the Group's website www.woolworthsgroup.com.au