

# Board Charter

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Woolworths Limited

Approved by the Board on 30 May 2014

### **1 Introduction**

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The Board's role is to represent and serve the interests of shareholders by overseeing and appraising the Company's strategies, policies and performance. The Board's principal objective is to maintain and increase shareholder value while ensuring that the Group's overall activities are properly managed.

The Board has adopted this Board Charter to outline the manner in which its role, powers and responsibilities will be exercised and discharged, having regard to principles of good corporate governance, international best practice and applicable laws.

This Charter includes an overview of:

- Board composition and process;
- The relationship and interaction between the Board and management; and
- The authority delegated by the Board to management and Board Committees.

The Board Charter and the charters adopted by the Board for its standing Committees have been prepared and adopted on the basis that strong corporate governance can add to the performance of the Company, create shareholder value and engender the confidence of the investment market.

This Charter is to be reviewed by the Board as required and at least annually.

### **2 Board composition**

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#### **2.1 Board composition and size**

- The Board is appointed by the shareholders. Non-executive Directors are engaged through a letter of appointment.
- The size and composition of the Board is determined by the Board, subject to the limits contained in the Company's Constitution and the shareholders.
- It is the Board's policy that it should be composed of a majority of independent Non-executive Directors who, with the executive Directors, comprise an appropriate mix of skills to provide the necessary breadth and depth of knowledge and experience to meet the Board's responsibilities and objectives. It is intended that the Board will be made up of Directors with a broad range of skills, expertise and experience, and from a diverse range of backgrounds, including gender.
- The Board, together with the Nomination Committee, will review the background, skills, experience and independent status of Directors on the Board and determine whether the composition and mix of those backgrounds, skills, experience and independence remain appropriate

for the Company's strategy, subject to limits imposed by the Constitution and the terms served by existing Non-executive Directors (see further section 2.3).

### 2.2 Director independence

- The Board regularly reviews the independence of each Non-executive Director in light of information relevant to this assessment as disclosed by each Non-executive Director to the Board.
- The Board only considers Directors are capable of being considered independent where they are independent of management and free of any interest, position, association or business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the exercise of their unfettered and independent judgment and their capacity to act in the best interests of Woolworths' shareholders.
- In addition, in assessing independence the Board will consider whether Directors have during the previous three years, been independent of management and free of any interest, position, association or business or other relationship of a type described above.

### 2.3 Re-election of Directors and term of service

- Under the ASX Listing Rules, no Director (other than the CEO) may hold office without re-election past the third Annual General Meeting (AGM) following their last election or re-election, or three years, whichever is longer.
- Prior to each AGM, the Board (together with the Nomination Committee) will determine whether it will recommend to shareholders that they vote in favour of each Director standing for re-election, having regard to any matters the Board considers relevant, including the Director's annual performance assessment and (in the case of a Non-executive Director) the length of the Director's term of service.
- The Board has established a policy that in general the maximum term of service for a Non-executive Director will be the period ending immediately after the ninth AGM following their first election by shareholders.
- Where necessary for the orderly management of retirement of Non-executive Directors in accordance with its policy, the Board (together with the Nomination Committee) may determine that the maximum term of service for a particular Non-executive Director should be a shorter period. Any such determination of the Board will be reflected in its recommendation to shareholders in relation to the re-election of that Director at the relevant AGM.
- The Board (together with the Nomination Committee) may also approve, on its own initiative and in special circumstances, a longer term of service for a particular Non-executive Director where it considers that would benefit the Company.

- Despite the above, in circumstances where a person is appointed as Chair while already serving as a Non-Executive Director it is the Board's expectation that the Chair will serve in that capacity for up to a period of about 5 years. Accordingly, the maximum term of service of that person as a Non-executive Director may need to be extended to a period sufficient to accommodate that expectation.

### **3 Board responsibilities**

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#### **3.1 Board key responsibilities**

The Board is accountable to shareholders for Woolworths' performance. The Board's responsibilities include:

- Strategy – reviewing strategic direction and approving corporate strategic initiatives developed by management;
- Financial performance – reviewing Woolworths' budget, monitoring management and financial performance;
- Risk management – together with the Audit, Risk Management and Compliance Committee and the People Policy Committee – overseeing the effectiveness of risk management and compliance in the organisation, including the safety and health governance arrangements;
- Financial and other reporting – including considering and approving Woolworths' half-yearly and annual financial statements, and monitoring and reviewing management processes aimed at ensuring the integrity of financial and other reporting;
- Board performance and composition – together with the Nomination Committee, evaluating the performance of the Board on at least an annual basis and determining its size and composition having regard to the matters in sections 2.1 and 2.3;
- Chair performance – together with the Nomination Committee (and in the absence of the Chair), evaluating the performance of the Chair on at least an annual basis;
- Leadership selection – evaluating the performance of and selecting the CEO, and selection of the Finance Director (CFO) and the Company Secretary;
- Succession and remuneration planning – together with the Nomination Committee and People Policy Committee as appropriate – planning for Board, CEO and executive succession and remuneration, and setting Non-executive Director remuneration within shareholder approved limits;
- Social responsibility – considering the social, ethical and environmental impact of Woolworths' activities and operations and setting standards and monitoring compliance with the Company's social responsibilities and practices;

- Major expenditure and capital initiatives in excess of the authority levels delegated to management - approving major capital expenditure, acquisitions and divestitures, and monitoring capital management;
- Corporate Governance – reviewing and monitoring the Company's corporate governance policies and practices;
- External Auditor - together with the Audit, Risk Management and Compliance Committee, selecting and recommending to shareholders the appointment of the external auditor; and
- Performing such other functions as are prescribed by law or are assigned to the Board.

### **3.2 Directors**

- Directors will act at all times with honesty and integrity and will observe the highest standards of ethical behaviour.
- Directors will carry out their duties in accordance with the law and the Company's corporate governance framework and policies, including without limitation the Company's Code of Conduct and Securities Dealing Policy.
- Directors will ensure that no decision or action is taken that has the effect of prioritising their personal interests over the Company's interests.
- Directors should avail themselves as appropriate of induction and orientation programs and continuing education, training or development programs arranged for them by the Company.
- The Board collectively, its standing Committees and each Director individually, has the right to seek independent professional advice, as considered necessary, at the Company's expense, subject to prior consultation with the Chair. If appropriate, any advice so received will be made available to all Directors.

## **4 Relationship between the Board and management**

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### **4.1 Overview**

- Subject to formal delegations of authority, the Board has delegated the management function to the CEO. However, ultimate responsibility for strategy and control rests with the Directors.
- The Board approves corporate objectives for the CEO to satisfy and, jointly with the CEO, develops the duties and responsibilities of the CEO.
- The CEO is accountable to the Board for the exercise of the delegated authority and, with the support of senior management, must report to the Board on the exercise of the authority through reports, briefings and presentations to the Board.

- The Board requires succinct, clear, verifiable and high quality reports and information from management that will enable the Board to discharge its duties effectively.
- The Board adopts appropriate structures and procedures to ensure it retains its independence from management. This includes the separation of the roles and responsibilities of the Chair and the CEO.

### 4.2 CEO

The day-to-day management and operations of the Company are the responsibility of the CEO, who reports to the Board on key management and operational issues, including:

- developing and implementing corporate strategies and making recommendations to the Board on significant corporate strategic initiatives;
- developing Woolworths' annual budget and managing day-to-day operations within the budget approved by the Board;
- maintaining effective risk management and compliance management frameworks;
- appointing and determining the terms of appointment of senior management, developing and maintaining succession plans, and evaluating the performance of key executives;
- keeping the Board and market fully informed about material continuous disclosure; and
- managing day-to-day operations in accordance with standards for social, ethical and environmental practices.

## 5 Committees

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- The Board from time to time establishes Committees to streamline the discharge of its responsibilities and support the Board in matters that require more intense review.
- There are four standing Committees:
  - People Policy Committee
  - Audit, Risk Management and Compliance Committee
  - Nomination Committee
  - Superannuation Plan Policy Committee
- It is intended that each Non-executive Director will be appointed to at least one of these Committees.
- Each standing Committee adopts a formal charter setting out the matters relevant to the composition, responsibilities and administration of the Committee.

- The Board may also delegate specific functions to ad hoc Committees on an 'as needs' basis.

## **6 Board process**

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- The Board will meet regularly and Directors will allocate sufficient time to perform their duties effectively.
- Periodically, Non-executive Directors will meet without Executive Directors or management present.
- Directors will use all reasonable endeavours to attend Board meetings in person, however attendance may also be via other forms of technology permitted by the Company's constitution.
- The Company's Constitution governs the regulation of Board and Committee meetings and proceedings, including the procedure for passing circular resolutions outside of meetings.
- Directors will discuss, debate, challenge and critique key strategic and Company issues at Board meetings.
- In addition to attending formal Board and Board Committee meetings, the Directors undertake other duties including attending strategic review sessions, research and retail market studies.

## **7 Role of the Chair**

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- The Board will appoint one of its members to be Chair.
- It is intended that the Chair should be an independent Non-executive Director.
- The Chair represents the Board to the shareholders and communicates the Board's position.
- The Chair has an important role in leading the Board and facilitating, encouraging and providing constructive discussion and debate during Board meetings.
- The Chair is responsible for assessing the development requirements of the Non-executive Directors and agreeing and reviewing development plans for each Non-executive Director.
- The Chair is responsible for monitoring the contribution of individual Directors and counselling them on any areas which might improve Board performance and effectiveness.
- The remuneration of the CEO is the responsibility of the Chair in direct consultation with the full Board. The CEO's performance is evaluated by the Chair in conjunction with the People Policy Committee and the Non-executive Directors.

## **8 Role of the Company Secretary**

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- The Board will appoint at least one Company Secretary.
- The Company Secretary is accountable to the Board, via the Chair.
- All Directors will have direct access to the Company Secretary.
- The Company Secretary is responsible for coordination of all Board business, including agendas, board papers, minutes, communication with regulatory bodies and ASX, and all statutory and other filings.
- The Company Secretary oversees and regularly reviews the Director induction process.
- The Company secretarial function supports Directors by providing:
  - continuing education to update and enhance their knowledge as the business environment changes;
  - access to information in appropriate form, currency and quality, including procedures to cover additional requests of management; and
  - access to independent professional advice, where requested.