

WOOLWORTHS LIMITED

**James Strong – Chairman’s Address Extraordinary General Meeting 2012
Adelaide Convention Centre, Adelaide
Thursday, 22 November 2012**

****CHECK AGAINST DELIVERY****

Chairman’s speech

As you will be aware, this meeting concerns your company's gaming operations, which form part of our hotels division. In particular, at the core of the matters to be considered today, is how your company promotes responsible gambling and seeks to respond to problem gambling.

I encourage shareholders to talk to our staff here today from our hotels division if you would like more information about the wide range of measures we have to promote responsible gambling at our hotels, here in Adelaide and across the country.

If you would like advice or assistance with problem gambling issues I can also recommend you get in touch with gamblers’ help agencies which are Australia’s leading counselling services in this area.

We have a very constructive partnership with gamblers’ help agencies. They provide education for our hotel managers and staff and through them we are able to offer support to our patrons including referrals to these agencies for confidential counselling.

The Board has spent time this year with representatives from gamblers’ help as well as with people who have been directly affected by problem gambling. Their experiences have been traumatic and moving and in some cases tragic.

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Earlier this month the Chief Executive Grant O'Brien and I met Senator Nick Xenophon and two people who had experienced acute problems from gambling. I want to thank Senator Xenophon and all of the people who have shared their stories with us.

Those meetings were not the directors' first exposure to problem gambling. But they prompted us to reflect again on what the company is doing and to consider what else could be done to help minimise problem gambling.

I know many of you are here today because you are concerned about problem gambling in this country and among you there will be people who are worried about your own gambling and people who have also been affected as family and friends of those who have gambling problems.

It is important that all shareholders understand that the company takes its responsibilities in this area very seriously.

Among those here today is David Schwarz who works for us as Responsible Gambling Ambassador. David, as most of you will know, is a former AFL footballer. But, many of you may not know that David is a reformed problem gambler. David lost everything he had when he was gambling.

These days David provides education for our hotel managers and staff and visits our venues to raise awareness among patrons about the importance of asking for help if their gambling is becoming a problem.

Please take the opportunity today to talk to David or one of our staff.

I would now like to turn to the resolution in the Notice of Meeting.

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Before we open the meeting up to questions, I would like to summarise the key points and make a few observations.

It is important shareholders understand what they are being asked to consider.

The resolution was put forward by the activist group GetUp on behalf of about 200 shareholders who represent about 0.05% of the company's shareholders and they own about 0.02% of the company's shares.

We respect and understand that some shareholders have issues with gambling.

But, there are also many, many shareholders who don't.

Our job today is to consider only the resolution being put to Woolworths shareholders.

The broader debate about problem gambling warrants a comprehensive debate by the whole community – including, of course, the whole industry, federal and state governments, community groups, welfare agencies and other interested parties.

The resolution being put to this meeting is a proposal under which there would be restrictions on the operation of poker machines ONLY at hotels owned by Woolworths through its hotels division, the ALH joint venture.

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The proposed restrictions are that:

One. The maximum bet on our poker machines would be restricted to \$1 at a time

Two. The maximum net amount that our poker machines could take is restricted to \$120 an hour

And three. That the maximum amount of time that we could operate our poker machines is restricted to 18 hours in any 24 hour period.

The Board has considered these proposed measures very carefully and taken account of the available evidence and research.

The Board does not believe the proposed measures will have any meaningful impact on problem gambling in Australia, which is, after all, what they are purported to achieve.

Let me take a few minutes to explain how and why the Board reached this view and why the Board is recommending that shareholders vote against the resolution.

Our first concern is that the measures being proposed will only apply to Woolworths in isolation.

No other hotel, casino or licensed club in Australia would have the same restrictions imposed on them and they would be under no obligation to implement any similar measures.

To put that in context, Woolworths operates about 6% of the poker machines in this country.

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That means shareholders are being asked to impose on your own company restrictions that won't apply to the other 94% of poker machines in Australia we don't operate in the hotels we don't own.

The restrictions being proposed will also not apply to casinos, such as Crown, Jupiters or the Adelaide Casino.

One of the people I met with Senator Xenophon recently had direct experience of problems associated with gambling at Adelaide Casino.

Our major competitor Coles owns hotels with poker machines but the proposal doesn't make any mention of them and won't affect them at all.

And, licensed clubs - that account for about 55% of Australia's poker machines, won't be affected at all, either.

I should add that these proposed measures also won't apply to any other forms of gambling including for example, betting on sports, betting online or betting on mobile phones, which are growing in popularity very rapidly.

If it is only Woolworths' hotels that are required to have \$1 bet limits in isolation, one obvious outcome would likely be that people who want to bet more than a dollar per spin will simply go to the nearest pub, club or casino not owned by Woolworths where there are no restrictions.

The Board cannot see how singling out Woolworths – which has such a low share of the poker machine market - will alleviate problem gambling in Australia.

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There is a lot of information in the Notice of Meeting sent to shareholders.

Some of that refers to a report published by the Productivity Commission in 2010 and GetUp seems to have relied heavily upon that report in formulating its position.

We acknowledge that the measures proposed in the resolution reflect some of the many recommendations made by the Productivity Commission.

But, the Productivity Commission certainly did not recommend that such measures would only apply to one company.

In any event, the Productivity Commission report is not the only analysis out there. Far from it. In the past decade there have been about 500 reports published on problem gambling in Australia. Some of those are highly critical of the Productivity Commission, describing its analysis as flawed and unreliable.

What you will find in those 500 reports is a confusing, inconclusive, complex and contradictory array of findings and recommendations.

The conclusion we came to is that there simply isn't reliable or conclusive evidence that demonstrates that the measures being proposed in this motion will have any impact on problem gambling.

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The Productivity Commission's own report says, and I quote:

“there are continuing uncertainties about which gambling policies can effectively reduce harm and that this is, in part, testimony to insufficient policy focussed research over the past decade”.

End quote

So even though the Productivity Commission made recommendations that formed the basis for what GetUp has proposed, shareholders need to understand the broader context in which those recommendations were made.

It is that broader context that the Board carefully considered, rather than just accepting the views of one particular report without question.

The Board accepts absolutely that problem gambling is a serious community issue.

As a responsible company, we have long held the view that it is both desirable and appropriate for Woolworths to go above and beyond the legal and regulatory requirements to ensure that our hotels uphold responsible standards in service of alcohol and in providing gaming facilities.

To us the only acceptable form of gambling is responsible gambling.

This is why our hotels have a whole range of measures to promote responsible gambling, and to minimise problem gambling.

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We have a detailed Responsible Hotel and Gaming Charter that governs everything we do.

All our hotel managers are required to undertake additional training above that required by regulation so that we live up to our stated objective to be the most responsible operator of hotels in the country.

This training is mandatory for all of our hotel managers. And we train our staff to identify people who exhibit problem gambling behaviour so that they can help those people get the help they need.

We have a range of relationships with community and welfare groups and we work closely with Gamblers' Help as I mentioned before.

In Queensland we are just starting a program in which chaplains from The Salvation Army will regularly visit our venues to talk to patrons about their gambling.

The performance of our hotel managers is assessed against this charter and that performance assessment has an impact on their remuneration and promotion prospects.

We also conduct internal and external audits of our hotel operations to make sure they are upholding the standards expected of them and, twice a year, we conduct random, unannounced spot checks of each of our hotels to make sure they are complying with our policies and procedures.

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Our hotels are safe, family friendly environments where people meet socially. We serve over 300,000 meals a week at our hotels. And, we have more than 1400 accommodation rooms.

We have many more security cameras and security staff than we are required to have because we think the safety of our patrons is very important. There are, for example, more than 10,000 CCTV cameras at our hotels across Australia.

We don't conduct promotions that encourage excessive drinking or gambling; in fact we actively discourage both.

Earlier this year we announced that we would become the first major hotel operator in Australia to introduce a system called voluntary pre-commitment.

This will allow patrons who want to play poker machines to decide in advance how much time and or money they want to spend gambling. Once they have reached their limits the machines lock them out.

Early this month, the Federal Government introduced legislation into Parliament to implement this system on all poker machines Australia-wide by the end of 2016. Woolworths will have done so by 2014 – 2 years ahead of legislative requirements.

The point is, that the company is already going above and beyond what is required by regulation and above and beyond what the Government's new legislation will require.

As I mentioned earlier, we operate about 6% of the poker machines across the whole country. That's about 11,000 machines.

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That might sound like a lot, but in NSW alone, RSL clubs operate more than double the number we have nationally - with more than 25,000 machines.

NSW rugby league clubs collectively operate more than 10,000. By contrast, in NSW, we operate about 1400 machines.

Even the clubs associated with the Catholic Church have more machines in NSW than we do.

Licensed clubs across the country operate about 55% of Australia's poker machines. Clubs earn about 61% of their income from poker machines. Casinos almost 80%.

I don't think on any objective basis we could say that hotels on their own are the problem, let alone just the hotels that are managed by Woolworths.

If we are serious as a community about minimising problem gambling then I think it is self evident that this needs to involve everyone with a stake in the issue. .

It really starts with the Federal Government which has the power to put in overarching legislation. The States which regulate gaming, need to get on board.

Reforms won't work unless the Federal and State governments work together and can agree on the right package of reforms.

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The Productivity Commission accepted that principle. Of course, the Productivity Commission had its own views on what that package should involve, and your company does not agree with a number of the components of that package, including those that have been put forward in the resolution being considered today. Nor to the best of our knowledge do the Federal or State governments, I might add.

The simple fact is because there is simply not enough reliable evidence to know which new measures will be effective.

This explains why the Federal Government as part of its recent package of reforms pledged a significant sum to establish an Australian Gambling Research Centre to undertake proper research to be used as the basis for sound decision making about what action is needed.

We think this is a very encouraging move and we applaud the Government for taking this initiative.

So, if I could briefly summarise before we move to discussion:

The debate today is around a motion that will apply only to Woolworths in isolation, without delivering a broader social benefit to the community who would continue to have access to unrestricted machines

Woolworths is committed to being Australia's most responsible operator of hotels and gaming facilities.

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Our measures to promote responsible gambling are above and beyond that required by regulation and we take pride in being, we believe, a leader in promoting responsible gambling.

And finally the reforms announced by the Federal Government support exactly what we are doing as a business and our approach to this issue.

Thank you for your patience.

We will be using electronic voting technology to conduct the poll for this meeting. Shareholders, corporate representatives, attorneys and proxyholders attending this meeting have been provided with a handset with a keypad, and a smartcard. The handset will be used to record your voting intentions on the resolution to be put to the meeting. Representatives from Computershare, the company's registry, will also be available during the vote to assist shareholders if required. If you are unable to remain for the duration of this meeting and vote on the resolution when the poll is taken, you will still be able to register your voting intention on a voting card at a desk located just outside the auditorium when you leave. I now invite a representative from Computershare to give us an explanation on the use of the handset, as well as a short demonstration.