

# NOTICE OF EXTRAORDINARY GENERAL MEETING

Notice is given that an Extraordinary General Meeting of shareholders of Woolworths Limited (*Woolworths* or the *Company*) will be held on 22 November 2012 at Adelaide Convention Centre, North Terrace, Adelaide, South Australia commencing at 8.30am (Adelaide time). The Extraordinary General Meeting precedes the Annual General Meeting of the Company that is scheduled to commence at 11.00am on the same day.

The meeting has been called following a request pursuant to section 249D of the Corporations Act 2001 (Cth) (the *Corporations Act*) by at least 100 shareholders entitled to vote at the meeting.

## AGENDA

Shareholders are being asked to consider and, if thought fit, to pass as a special resolution the following resolution proposed by activist group GetUp Ltd and included in the section 249D request.

### **Your Board unanimously recommends shareholders vote AGAINST the resolution.**

The resolution proposed by GetUp Ltd is as follows:

*"That the Company's Constitution be altered by inserting the following new clause 1A:*

#### **1A Objects and Purposes of the Company**

1A.1 *Subject only to clause 1A.2, the objects and purposes of the Company are not limited in any way.*

1A.2 *With effect from 1 January 2016, excluded from the objects and purposes of the Company are (whether directly or indirectly, including through any entity over which it is capable of exercising control):*

(a) *the ownership of any electronic gaming machine offering games to the public:*

- i. *at a cost of more than \$1 per button push; and/or*
- ii. *by which the machine is capable of generating net revenue at an average rate of more than \$120 per hour; and/or*
- iii. *for more than 18 consecutive hours in a 24 hour period; and/or*

(b) *the operation of any electronic gaming machine offering games to the public:*

- i. *at a cost of more than \$1 per button push; and/or*
- ii. *by which the machine is capable of generating net revenue at an average rate of more than \$120 per hour; and/or*
- iii. *for more than 18 consecutive hours in a 24 hour period; and/or*

(c) *the derivation of any income, revenue, or benefit from, any electronic gaming machine offering games to the public:*

- i. *at a cost of more than \$1 per button push; and/or*
- ii. *by which the machine is capable of generating net revenue at an average rate of more than \$120 per hour; and/or*
- iii. *for more than 18 consecutive hours in a 24 hour period.*

1A.3 *Each dollar amount in clause 1A.2 is taken to be adjusted, from time to time, in line with any adjustment in the All Groups Consumer Price Index that is the weighted average of the eight capital cities published by the Australian Statistician each quarter after 1 January 2016.*

1A.4 *Notwithstanding anything to the contrary in this Constitution, the Company may not exercise the powers in section 124(1) of the Corporations Act 2001 (Cth) for any object or purpose excluded from the objects and purposes of the Company by clause 1A.2."*

Further information is available in the Explanatory Notes accompanying this Notice.

Dated: 5 October 2012

By order of the Board



P J Horton  
Company Secretary

#### EXPLANATORY NOTES

On 25 June 2012, Woolworths received a request under section 249D of the Corporations Act to convene an Extraordinary General Meeting of the Company. The request was received from an organisation called GetUp Ltd (GetUp), which had sought and obtained the signatures of 210 shareholders. The purpose of the request was for a special resolution to be put to shareholders at a meeting to amend the Company's Constitution.

The 210 shareholders solicited by GetUp constitute around 0.05% of the Company's approximately 417,000 shareholders and in aggregate those shareholders own about 0.02% of the Company's shares. Under the Corporations Act an extraordinary general meeting can be requested if a minimum of 100 shareholders support such an action.

In connection with the request to convene the meeting, the Company also received a request under section 249P of the Corporations Act to distribute a statement prepared by GetUp to the Company's shareholders. A copy of the statement prepared by GetUp and included in the section 249P request is included in the appendix to this notice.

#### THE RESOLUTION

The resolution to be put to the meeting relates to a proposed amendment to the Company's Constitution, involving the insertion of an 'Objects and Purposes' provision as a new clause 1A.

The proposed clause, if inserted, would place limits on the Company's ownership and operation of electronic gaming machines, and its generation of revenue from such machines. Electronic gaming machines are also known as and referred throughout these explanatory notes as poker machines.

The measures in the resolution, if implemented, would only apply to the Company in isolation, and not to any other operator of poker machines in Australia. Woolworths operates approximately 6% of poker machines in Australia.

**Your Board unanimously recommends shareholders vote AGAINST the resolution.**

#### THE COMPANY'S POSITION

1. Woolworths owns around 4% of hotels in Australia and our hotels operate about 6% of Australia's poker machines. The proposed measures will only affect Woolworths in isolation and not any other competing hotels, licensed clubs or casinos that operate poker machines. Equally, there is no reliable evidence that the proposed measures will have any impact on problem gambling.
2. Your Board believes the resolution proposed by GetUp will place Woolworths at a competitive disadvantage and could reduce the value of your investment in the Company. Therefore, the Board believes the proposed resolution is not in the best interests of shareholders.
3. Woolworths' Board and management recognises that problem gambling is a serious community issue and ensure the Company takes its obligations to promote responsible gambling very seriously. Our hotels are professionally managed within strict guidelines to ensure we achieve our stated objective to be the most responsible hotel operator in the country.
4. Woolworths is an industry leader in hotel management, staff training and the responsible oversight of gaming. All poker machines at hotels owned by the Company are being modified so that patrons can set limits on how much time and money they spend gambling. All our poker machines will comply with this system by 2014, two years before the Federal Government proposes to introduce it nationally.
5. Problem gambling is a complex social issue, requiring an integrated package of measures from the Federal Government that are implemented with strong co-operation from the States and with support from the hotel and gaming industries and the wider community.

**Woolworths owns around 4% of hotels in Australia and our hotels operate about 6% of Australia's poker machines.**

Poker machines are one of many forms of gambling in Australia today. It is estimated that there are about 200,000 poker machines in Australia.<sup>1</sup> Most poker machines are operated in Australia by licensed clubs, hotels and casinos.

Other forms of gambling widely available in Australia include betting on horse racing, lotto games, lottery tickets including "scratchies", games such as Keno, and table games available at casinos.<sup>2</sup>

In recent years there has also been a marked increase in telephone and online betting, on a wide range of sporting events.<sup>2</sup> Many online gaming services available in Australia are operated by foreign unregulated entities.

Woolworths operates 323 hotels - around 4% of Australia's total number of hotels - through its Australian Leisure and Hospitality (ALH) joint venture. The Company's hotels operate about 6% of Australia's poker machines.

Woolworths' major competitor also operates hotels with poker machines, and a second competitor which operates supermarkets, has recently announced its intention to acquire hotels, including hotels that have poker machines.

The hotels business has enabled Woolworths to open 59 Dan Murphy's and 448 BWS retail liquor outlets, many of which are attached to the Company's hotels, and this is now a substantial business for the Company.

**The proposed measures will only affect Woolworths in isolation and not any other competing hotels, licensed clubs or casinos that operate poker machines. Equally, there is no reliable evidence that the proposed measures will reduce problem gambling.**

The measures proposed by GetUp and included in the resolution will restrict the operation of poker machines at the Company's hotels but not restrict the approximately 94% of poker machines in Australia not owned or operated by the Company. Your Board does not believe that singling out Woolworths will alleviate problem gambling in Australia.

The measures will not apply to any licensed clubs, such as RSL and Leagues clubs, bowling clubs and other similar venues. Similarly, the measures will not apply to casinos such as Crown. Other hotels and pubs in Australia that are not owned by Woolworths will also not be affected and will be under no obligation to introduce them.

Similarly, the proposed measures will not affect any other legal and widely available forms of gambling on which there are no betting limits.

Your Board believes that imposing a restriction only on one form of gambling, and only on Woolworths, is unreasonable. This is particularly given that the Board is not aware of and does not believe there is any reliable evidence that the proposed measures will have any meaningful impact on problem gambling in this country. This is discussed further below in these explanatory notes.

**Your Board believes the resolution proposed by GetUp will place Woolworths at a competitive disadvantage and could reduce the value of your investment in the Company. Therefore, the Board believes the proposed resolution is not in the best interests of shareholders.**

The Board believes that, if implemented, the measures proposed in the resolution will not discourage problem gambling in Australia. Rather, the Board expects that patrons who are discouraged by restrictions at the Company's hotels, are likely to patronise other readily accessible venues and other readily accessible and legal forms of gambling that are not subject to the same restrictions. This would reduce revenue and earnings from the Company's hotel operations. This reduction would not necessarily be confined to income from gaming facilities but is likely to have a flow-on effect in reducing income from other sources such as food and beverage sales and revenue from entertainment provided at the Company's hotels. Revenues and earnings for competitors, whose venues were not restricted in the same way, would be likely to increase.

Therefore, the Board believes that the measures, if implemented, could place the Company at a significant commercial disadvantage, relative to its competitors, without adequate evidence that the restrictions imposed on the Company's operations would serve a greater community benefit. The Board considers that the proposed measures are not based on reliable evidence as to their effectiveness, or on any meaningful evaluation of their relative social costs and benefits. The proposed measures are not supported by any political, community or industry consensus.

While it is not possible to precisely quantify the potential financial impact on Woolworths, the Board believes it could be significant given that the hotels and packaged liquor business is now a substantial and growing part of the Company. It follows that a decline in revenues and earnings for the Company, all other things being equal, could result in a decline in the Company's share price, and this would reduce the value of shareholders' investments in the Company. On this basis, the Board has concluded that the proposed resolution to amend the Company's Constitution is not in the best interests of shareholders.

1 Australian Government Productivity Commission Inquiry Report Volume 1, p6

2 Ibid; p4, 5, 8

**Woolworths' Board and management recognises that problem gambling is a serious community issue and ensure the Company takes its obligations to promote responsible gambling very seriously. Our hotels are professionally managed within strict guidelines to ensure we achieve our stated objective to be the most responsible hotel operator in the country.**

Woolworths' Board and management believes responsible gambling is the only acceptable form of gambling. As a result, the Company exceeds its legal and regulatory obligations in terms of how it manages its hotel and gaming operations.

For example, the Company:

- Conducts comprehensive training, including additional, mandatory full day training for hotel managers and key gaming staff at hotels;
- Has a Hotel and Gaming Charter for hotel managers and staff and conducts rigorous internal and external audits to ensure that its standards are being adhered to;
- Is in the process of screening and separating gambling areas from other areas of its hotels so they are not visible to children;
- Partners with expert groups including Gamblers' Help in each State to provide counselling services to patrons; and
- Is entering a partnership with The Salvation Army for its chaplains to visit the Company's hotels, on a regular roster to provide support and referrals to staff and patrons to appropriate services as part of a pilot program.

These measures are in addition to numerous Federal and State regulations aimed at reducing problem gambling such as:

- Providing a self-exclusion program at each venue;
- Training all staff in the responsible service of gambling products;
- Only paying large wins to patrons by cheque;
- Having limits on amounts that can be withdrawn from ATM and EFTPOS facilities;
- Not allowing gamblers to use credit when gambling;
- Not locating ATMs in areas set aside for gambling. In Victoria, in line with regulatory requirements, no ATMs are located in venues with poker machines;
- Providing information on counselling services to all patrons; and
- Imposing advertising restrictions on material promoting gambling.

The Company's hotels provide safe, professionally managed, family friendly environments that are properly supervised. For example, there are more than 10,000 CCTV cameras at the Company's hotels to monitor the behaviour of patrons. The Company also employs a much larger number of security staff than is legally required to ensure the safety of its patrons.

The Company's hotels employ more than 16,000 people, serve around 300,000 meals a week and offer more than 1,400 rooms for accommodation.

For the past five years the Company has worked with former high-profile AFL footballer Mr David Schwarz, a reformed problem gambler, as the Company's Responsible Gambling Ambassador. Mr Schwarz provides education for hotel staff and raises awareness among patrons about the importance of "asking for help if your gambling becomes a problem". Interested community groups, welfare agencies and local government representatives are invited to attend many of these meetings. Mr Schwarz's role also includes being available for Woolworths staff to discuss any gambling problems they or their families and friends may be experiencing.

In addition to complying with extensive regulatory requirements in each jurisdiction, Woolworths participates in many State and local government working groups to assist in identifying and developing appropriate responsible gambling initiatives which are designed to reduce the level of problem gambling, and the Company was a member of the Federal Government's Ministerial Expert Advisory Group on Gambling.

**Woolworths is an industry leader in dealing with problem gambling. All poker machines at hotels owned by the Company will be modified so that patrons can set limits on how much time and money they spend gambling. All our poker machines will comply with this system by 2014, two years before the Federal Government proposes to introduce it nationally.**

The Federal Government and the Productivity Commission agree that pre-commitment schemes could be one of a package of reforms that may help reduce problem gambling in Australia.<sup>3</sup>

While the Federal Government has proposed that such a scheme should be operational by 2016, the Company will introduce this initiative by January 2014. By then, all poker machines at the Company's hotels will be modified so that patrons can elect to set limits on how much they gamble.

This means the Company will be the first national operator of hotels to implement this reform and the Company will do so two years ahead of the date proposed for its introduction by the Federal Government.

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<sup>3</sup> Ibid; p3, 27

**Problem gambling is a complex social issue, requiring an integrated package of measures from the Federal Government that are implemented with strong co-operation from the States and with full support from the hotel and gaming industries and the wider community.**

The Company recognises that problem gambling is a serious community issue and that a small proportion of people are harmed by their gambling activities.

While problem gambling is not restricted to one form of gambling, the Company recognises that poker machines may be an addictive form of gambling for certain people.

The Board believes that the hotel and gaming industry as well as Federal and State Governments, communities, families and individuals have a shared responsibility to tackle problem gambling. It is only through concerted and co-ordinated action by all parties that efforts to address problem gambling will be effective.

In 2010 the Productivity Commission undertook a study into Gambling. Its 1,110 page report estimated that:

- about 25-30% of adult Australians play poker machines at least once a year; and
- of the people who play poker machines, about 1.5% could be regarded as problem gamblers – equal to about 0.7% of the adult population.<sup>4</sup>

The Company believes individuals have the right to choose to gamble as a legal and legitimate form of social activity and entertainment.

**Problem gambling affects all forms of gambling and is not restricted to poker machines.**

To date, no clear political or community consensus has emerged about the best way to tackle problem gambling.

In its 2010 report the Productivity Commission issued a wide range of observations and recommendations. The report said:

*“A key challenge is to identify policies most likely to be effective in reducing the harms associated with gambling, while preserving most of the benefits. This is a complex task for public policy. The coverage and design of regulation require particular care to ensure that the benefits exceed the costs, and that account is taken of what is often imperfect evidence.”<sup>5</sup>*

The Productivity Commission also found that:

- Gambling is a common recreational pursuit for many people, with around 70% of Australians participating in some form of gambling in the year before the report was published;<sup>5</sup>
- Hotels derive about 28% of their income from gambling, while clubs derive about 61% and casinos about 78% of their income from gambling;<sup>6</sup>
- Gambling accounts for about the same amount of household expenditure as sales of alcohol;<sup>7</sup>

- Most people gamble responsibly, enjoy gambling and are not harmed by it;<sup>8</sup>
- Problem gambling can also be a symptom, with people who are identified as problem gamblers also being known to suffer from other health problems, unemployment, financial distress, relationship issues, psychological disorders and other problems;<sup>9</sup> and
- Poker machines can be an addictive form of gambling for a small minority of people and the impact on this minority can be significant.<sup>10</sup>

The Board shares the view of others in the community that there is a need for a more effective range of measures to reduce the prevalence of problem gambling and alleviate problems experienced by problem gamblers and their families.

However, the Board believes any such measures should be aimed directly at reducing problem gambling among the small minority of people that are problem gamblers, without at the same time restricting the enjoyment and responsible gambling of the vast majority of people that participate in recreational gambling.

**The Board notes that the Productivity Commission believes that a range of measures are required to address problem gambling and that policy responses need to substantially involve Federal and State Governments.<sup>11</sup>**

The Productivity Commission report also found that, while it was not possible to be definitive, it is likely that the prevalence of problem gambling in Australia has declined over the past decade and that a smaller proportion of the population now plays poker machines regularly.<sup>12</sup>

This is supported by the Roy Morgan Gambling Monitor published in August 2012 that showed that the percentage of Australians who had gambled in the last 12 months had fallen – from 76% a decade ago to 62% in 2012.

For example, the Roy Morgan report showed that, in June 2012, 53% of Australians had bought a lottery or scratch ticket in the previous 12 months, down from 67% in December 2002, and that 25% of Australians had played poker machines in the previous 12 months, down from 37% in December 2002.

Roy Morgan said that its report showed:

*“A gradual decline over the past decade in gambling participation by Australians. All forms of gambling have become less popular, with poker machines showing the steepest decline.”<sup>13</sup>*

At the same time, your Board believes that it is fair to describe the current availability of reliable evidence about problem gambling in Australia as inadequate.

4 Ibid; p2, 7  
5 Ibid; p5  
6 Ibid; p6  
7 Ibid; p7

8 Ibid; pp 2, 5, 10, 24  
9 Ibid; pp 9, 17-19, 34  
10 Ibid; pp 11, 13-14  
11 Ibid; pp 2, 5  
12 Ibid; p 15  
13 Roy Morgan Single Source August 17, 2012

The Productivity Commission report describes gambling as “one of the most regulated industries in Australia” but also found that there was insufficient evidence about the effectiveness of some regulations and that there were different regulations in different States and Territories that did not appear justified. The report said:

*“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...”<sup>14</sup>*

**Additionally, the Productivity Commission acknowledged that, to date, there has not been a systematic national investigation into problem gambling that could provide the basis for a comprehensive and coherent set of Federal and State Government policies to reduce problem gambling.**

In its report the Productivity Commission said:

*“Governments have struggled with the challenges and contradictions posed by gambling... There is a need for the Australian Government to take a greater leadership role in pushing for, or sustaining reforms... In addition, it is important that the Australian Government actively engage with state and territory governments in the development of new standards...”<sup>15</sup>*

The Overview section of the Productivity Commission report concludes as follows:

*“In summary, the Commission is proposing a comprehensive, co-ordinated, carefully sequenced package of reforms to gambling regulation [and that] the objectives of the Commission’s proposals are to ... above all ... reduce the harms from gambling while preserving its entertainment value as much as possible. A package of measures is more likely to be effective than any single measure alone.”<sup>16</sup>*

Your Board agrees that a package of measures is needed to address problem gambling, not simply one measure directed at the Company.

**There is no reliable evidence that the measures in the resolution proposed by GetUp will be effective.**

Part of the resolution that shareholders are being asked to consider would restrict betting on the Company’s poker machines to a maximum bet of \$1 per button push.<sup>17</sup>

Your Board does not accept that such a measure would be an appropriate or effective means of addressing problem gambling in Australia.

Furthermore, while the Productivity Commission commented that there may be “considerable piecemeal evidence available”, in reality there is limited reliable empirical research to support the effectiveness of measures such as imposing maximum bet limits of \$1 per button push.

Moreover, analysis of the 2006-07 Queensland Gambling Prevalence Report indicates that only 5% of those who bet more than \$1 per button push were problem gamblers and that betting limits would have a far greater impact on responsible recreational gamblers, who would have their legitimate, non-problematic activity curtailed.

Restrictions on one form of gambling at only hotels owned and operated by the Company would be likely to result in some patrons choosing to gamble on poker machines at venues not owned by the Company, where these restrictions would not apply.

There is also a risk that regulation of one form of gambling would encourage gamblers to migrate to less regulated or unregulated forms of gambling such as online gaming services.

To the best of the Company’s knowledge, neither the Federal Government nor any State Government currently supports the introduction of a \$1 maximum bet limit. The Board believes this is because there is a lack of evidence that such a measure would be effective, especially in isolation from other reforms.

Since the Productivity Commission’s 2010 report, the Federal Government has developed and put forward a range of other regulatory measures aimed at helping problem gamblers, and a timetable has been established for their introduction.

The Federal Government recently released draft legislation for such a range of new measures. The Government is aiming to require, by the end of 2013, pre-commitment technology to be available on every gaming machine made in or imported to Australia, and, by the end of 2016, all machines to be part of a State-linked pre-commitment system.

Pre-commitment technology would allow gamblers to set limits on the amount of time and money they spend gambling before they commence gambling on a poker machine.

The draft legislation also calls for a trial of mandatory pre-commitment technology to be implemented so that its effectiveness can be evaluated. The Federal Government is also proposing that, by the end of 2016, poker machines display electronic warnings that would alert gamblers to how much they are spending and are likely to spend during their current gambling session.

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14 Productivity Commission OP. Cit, P21

15 Ibid; p38

16 Ibid; p40

17 Ibid; 11.16 -11.29

The draft legislation also envisages that, by 1 February 2013, a \$250 daily withdrawal limit on ATMs in gaming premises will be imposed, except in casinos and in communities where this may cause unreasonable inconvenience.

The Board believes these measures have merit and are worth evaluating in more detail.

The Company has been trialling pre-commitment technology and will introduce the system on all of its poker machines nationally by 2014, two years before the Federal Government's proposed timetable for its introduction.

This initiative is consistent with the recommendations of the Productivity Commission, which proposed a staged approach to reform commencing with the introduction of partial pre-commitment and a concurrent trial of full pre-commitment, with the co-operation of the States.<sup>18</sup>

The amendment to the Company's Constitution that has been proposed by GetUp and included in the resolution is out of step with all of these proposed initiatives. None of the measures proposed by GetUp is included in the Federal Government's draft legislation.

A statement prepared by GetUp, setting out its position in support of the resolution, is appended to this notice.

#### **SUMMARY**

Woolworths owns of around 4% of hotels in Australia and these hotels operate about 6% of Australia's poker machines. The Company is engaged in a range of initiatives aimed at tackling problem gambling in a balanced and appropriate manner, and is continuing to develop and pursue new initiatives of this nature. Woolworths exceeds the regulatory requirements that govern the operation of poker machines and is committed to be the most responsible hotel and gaming operator in Australia.

The measures in the resolution proposed by GetUp would entrench restrictions on the Company in isolation from its competitors, in a manner that is inflexible and that inhibits the ability of the Company's Board and management to fulfil their general responsibility to manage the Company's business in the interests of all shareholders and to adapt to changing circumstances and requirements.

The Board believes that the proposed measures could reduce the value of your investment in the Company, are not in shareholders' best interests and would not have any meaningful impact on problem gambling in Australia.

#### **Recommendation:**

**The Board unanimously recommends that shareholders vote AGAINST the proposed amendment to the Constitution.**

#### **ELIGIBILITY TO VOTE**

Regulation 7.11.37 of the *Corporations Regulations 2001* (Cth) permits the Company to specify a time, not more than 48 hours before a general meeting, at which a "snapshot" of shareholders will be taken for the purposes of determining shareholder entitlements to vote at the meeting.

The Company's Directors have determined that all shares of the Company that are on issue at 7.00pm (Sydney time) on 20 November 2012 shall, for the purposes of determining voting entitlements at the meeting, be taken to be held by the persons registered as holding the shares at that time.

This means that any person registered as the holder of an ordinary share in the capital of the Company at 7.00pm (Sydney time) on 20 November 2012 is entitled to attend and vote at the meeting in respect of that share, subject to the notes below.

#### **PROXIES**

A shareholder entitled to attend and vote at the meeting is entitled to appoint not more than two proxies.

A proxy need not be a shareholder of the Company, and may be either an individual or a corporation. Where a shareholder appoints a corporation as its proxy, that corporation will need to ensure that it follows the procedures set out below to appoint an individual as its corporate representative to exercise its powers at the meeting.

Where two proxies are appointed by a shareholder, the shareholder may specify the proportion or number of votes which each proxy is appointed to exercise. If no proportions or numbers are specified, each proxy may exercise half of the shareholder's votes. An additional proxy form will be supplied by the Company's share registrar, Computershare Investor Services Pty Limited, on request for the purpose of appointing a second proxy.

A shareholder can direct their proxy to vote for or against, or to abstain from voting on, the resolution by marking the appropriate box opposite that item in the proxy form or selecting the appropriate option for that item online (as outlined below). Shareholders are encouraged to direct their proxies how to vote on the resolution.

Where a proxy holds two or more appointments which provide different directions how to vote on the resolution, the proxy must not vote in that capacity on a show of hands on the resolution. Accordingly, any direction to such a proxy on how to vote on the resolution will not be effective on a show of hands. Similarly, if a proxy is also a shareholder, then any direction to the proxy may not be effective on a show of hands. Any directions provided to a proxy will be effective if a poll is held, subject to the other provisions of these notes.

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18 Ibid; p27-29

A proxy need not vote in that capacity on a show of hands on the resolution nor (unless the proxy is the Chairman of the meeting and is directed how to vote) on a poll. However, if the proxy's appointment directs the proxy how to vote on the resolution, and the proxy decides to vote in that capacity on the resolution, the proxy must vote the way directed (subject to the other provisions of these notes).

If an appointed proxy does not attend the meeting, then the Chairman of the meeting will be taken to have been appointed as the proxy of the relevant shareholder in respect of the meeting. In addition, if a proxy attends the meeting and the proxy's appointment directs how to vote on the resolution, but the proxy does not vote on the resolution on a poll, then the Chairman of the meeting will be taken to have been appointed as the proxy of the relevant shareholder in respect of the poll on the resolution.

If the Chairman of the meeting is appointed, or taken to be appointed, as a proxy, but the appointment does not direct how to vote on the resolution, then the Chairman intends to exercise the relevant shareholder's votes against the resolution (subject to the other provisions of these notes).

To appoint a proxy, a shareholder can use the proxy form accompanying this notice. Replacement proxy forms can also be obtained on request from the Company's Share Registrar.

A shareholder can also make a proxy appointment online by visiting the website [www.investorvote.com.au](http://www.investorvote.com.au) and following the instructions provided. To use this online facility, the shareholder will need their six digit control number, their Shareholder Reference Number (SRN) or Holder Identification Number (HIN) and their postcode, as shown on the proxy form accompanying this notice. The shareholder will be taken to have signed the proxy form if they lodge it in accordance with the instructions on the website.

Note that a proxy cannot be appointed online by a person acting on behalf of a shareholder under a power of attorney or similar authority. The online proxy facility may also not be suitable for some shareholders who wish to split their votes on the item of business or appoint two proxies with different voting directions. Shareholders should read the instructions for the online proxy facility carefully before making a proxy appointment using the facility.

In the case of certain intermediaries (such as custodians, nominees, non-broker participants and some financial advisers) who participate in the Intermediary Online system of the Company's share registrar, proxy appointments can also be submitted online by visiting the website [www.intermediaryonline.com](http://www.intermediaryonline.com) and following the instructions provided.

To be effective, online proxy appointments must be made through the relevant webpage above by no later than 9.00am (Sydney time) on 20 November 2012. Proxy appointments will not be able to be made online after that time.

To be effective, a proxy form must be received no later than 9.00am (Sydney time) on 20 November 2012 at the registered office of Woolworths, or by the Company's Share Registrar using the return-addressed envelope (reply-paid for mailing in Australia) enclosed with this notice or at an address or facsimile number below:

**By Mail**

Woolworths Limited  
c/- Computershare Investor Services Pty Limited  
GPO Box 242  
Melbourne, Victoria 3001  
Australia

**By Hand**

Computershare Investor Services Pty Limited  
Level 4, 60 Carrington Street  
Sydney, New South Wales  
Australia

**By Facsimile**

(within Australia) 1800 783 447  
(outside Australia) +61 3 9473 2555

Proxy forms received after that time will be invalid.

If a proxy form is signed on behalf of an individual or a corporation under power of attorney or other authority, the power of attorney or other authority under which the proxy form is signed, or a copy of that power of attorney or other authority, certified as a true copy by statutory declaration, must accompany the proxy form unless the power of attorney or other authority has previously been noted by the Company's share registrar.

**CORPORATE REPRESENTATIVES**

A shareholder, or proxy, that is a corporation and entitled to attend and vote at the meeting may appoint an individual to act as its corporate representative.

Evidence of the appointment of a corporate representative must be in accordance with section 250D of the Corporations Act and be lodged with the Company before the meeting or at the registration desk on the day of the meeting.

If the appointment of a corporate representative is signed under power of attorney or other authority, the power of attorney or other authority under which the appointment is signed, or a copy of that power of attorney or other authority, certified as a true copy by statutory declaration, must accompany the appointment unless the power of attorney or other authority has previously been noted by the Company's share registrar.

**ATTORNEYS**

A shareholder entitled to attend and vote at the meeting is entitled to appoint an attorney to attend and vote at the meeting on the shareholder's behalf.

An attorney need not be a shareholder of the Company.

The power of attorney appointing the attorney must be duly signed and specify the name of each of the member, the Company and the attorney, and also specify the meetings at which the appointment may be used. The appointment may be a standing one.

To be effective, the power of attorney must also be returned in the same manner, and by the same time, as outlined above for proxy forms.

## APPENDIX

# Statement from GetUp to Woolworths Shareholders

## Section 249P Statement to Members from GetUp

Dear fellow Woolworths Limited member,

### Extraordinary General Meeting and Constitutional Amendment

We are calling an Extraordinary General Meeting (EGM) and proposing an amendment to Woolworths' constitution. If passed, the amendment will prohibit our company from making more than \$1 per button push and from making more than \$120 per hour (on average) from each poker machine owned or operated by it. It would also prohibit our company from running poker machines for more than 18 consecutive hours in a 24 hour period.<sup>1</sup> This prohibition would take effect from 1 January 2016, giving our company ample time to update machine software.

### Background

Australia has more high loss poker machines per capita than any other country in the world. Our company owns or operates more poker machines than any other entity in Australia. Presently, our company's machines can take as much as \$10 per button push and can easily take \$1500 in an hour.<sup>2</sup> According to the Productivity Commission, \$1 bet limits would help mitigate the consequences of poker machines for problem gamblers without reducing the enjoyment of recreational gamblers, 88% of whom rarely bet more than \$1 per button push, rarely losing more than \$120 per hour.<sup>3</sup>

### Why are we doing this?

An EGM to propose a constitutional amendment is a measure we only take because efforts to engage with our company's board of directors have been to no avail.

#### *The Ethical Case*

We are taking this measure because we are opposed to the company we own taking sizable amounts of money from problem gamblers. These people suffer from a damaging addiction and can least afford to lose their money.<sup>4</sup> On the best estimates of economists, Woolworths collected over \$130 million from problem gamblers in the 2010-2011 financial year.

That jobs, homes, families, and, in some tragic cases, lives are ruined by problem gambling at our company's machines is unacceptable. We are asking for our company to do the right thing and make its dangerous poker machines safer.

#### *The Business Case*

The family friendly Woolworths brand stands to be irrevocably tarnished by association with dangerous, high loss poker machines that devastate thousands of Australian families. These machines are frowned upon by 70% of Australians.<sup>5</sup> As Woolworths' relationship with such machines becomes more and more public, Australians who are uncomfortable with this involvement could choose to shop elsewhere.<sup>6</sup> In the 2010-2011 financial year, a decrease in our company's 'Australian Food and Liquor' revenue of just 2% would have amounted to a loss to our company of \$723 million. That cost dwarfs the cost to our company of making its machines safer (see below).

Secondly, our company relies on its social licence to operate to be able to get development approvals for new stores, amongst other things. If our company antagonises the community and loses this social licence, running the business will be difficult.

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1 This was recommended in: Productivity Commission, Gambling (26 February 2010) 14.1.

2 Ibid; 2 and 11.7

3 Ibid; 11.10-11.11.

4 17.2% of mental health patients assessed by The Alfred Hospital, Melbourne over a six month period were problem gamblers: Department of Justice, Victoria, Problem gambling in people presenting to a public mental health service (October 2011) 1.

5 Stop The Loss Coalition, Media Release: Survey Reveals Support for Stronger Poker Machine Reform (24 April 2012), <[https://www.dropbox.com/s/wmcyw1fs1u5x933/STOP%20THE%20LOSS\\_SURVEY%20REVEALS%20MAJORITY%20SUPPORT%20FOR%20STRONGER%20POKER%20MACHINE%20REFORM.pdf](https://www.dropbox.com/s/wmcyw1fs1u5x933/STOP%20THE%20LOSS_SURVEY%20REVEALS%20MAJORITY%20SUPPORT%20FOR%20STRONGER%20POKER%20MACHINE%20REFORM.pdf)> at 28 MAY 2012.

6 Steven Munchenburg, 'Reputational Risk' (2010) 124/5, in Finance - The magazine for Finsia members 24.

Thirdly, it seems that with so many Australians in favour of poker machine reform,<sup>7</sup> the government will eventually legislate for safer poker machines. Our company should make the transition to safer machines on terms and a timeline set by us, the owners of the company, rather than on terms and a timeline set by the government. This will ensure the most cost effective transition possible.

Finally, research indicates that corporate social performance is positively correlated with corporate financial performance.<sup>8</sup> Our constitutional amendment, if passed, would improve Woolworths' social performance.

#### **What will be the cost to our company of making its poker machines safer?**

Based on available data, economists estimate that the lost revenue from cleaning up our poker machines would represent just 0.25% of our company's 2010 2011 revenue (calculated using industry benchmarks).

According to poker machine expert Dr Charles Livingstone, industry best practice is to update software on machines every five years. That is, 20% of our company's machines most likely have their software updated each year as standard practice. By 1 January 2016, 70% of our company's machines could have their software updated to make them safer at no extra cost to the company. For the 30% of machines that may not have been naturally updated by then, The Australia Institute estimates that the maximum cost of an update would be \$4000 per machine.<sup>9</sup> This is an acceptable and reasonable cost for our company to keep its social licence to operate.

#### **This issue goes beyond facts and figures: it's about real people**

**GetUp member Clelia knows first hand the harm that comes from poker machine addiction.** High loss poker machines across Sydney's west, including at the Granville Hotel, which our company is trying to acquire from the Laundry Group,<sup>10</sup> consumed Clelia's son in law's earnings until he became so desperate that he saw no way out. Sacit committed suicide on the Australia Day weekend, 2008, leaving behind three young children who will never know their father.

**For more stories like Clelia's, visit:  
[www.getup.org.au/pokiesstories](http://www.getup.org.au/pokiesstories).**

**At the EGM, we urge you to vote FOR our constitutional amendment to stop our company taking sizable amounts of money from problem gamblers and hurting people like Clelia, and to protect and advance your financial interests.**

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7 Above n 4.

8 Eg: Marc Orlitzky, Frank L. Schmidt and Sara L. Rynes, 'Corporate Social and Financial Performance: A Meta analysis' (2003) 24 Organization Studies 403.

9 The Australia Institute, Rubbery Figures (January 2012) 7.

10 ACCC, ALH Group Pty Ltd (75% owned by Woolworths Ltd) - proposed acquisition of Hotels and takeaway liquor stores in NSW, ACCC <<http://www.accc.gov.au/content/index.phtml/itemId/1018025>> at 30 May 2011.

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