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WOOLWORTHS LIMITED

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ABN 88 000 014 675



Notice is given that the 88th Annual General Meeting of shareholders of Woolworths Limited (**Woolworths** or the **Company**) will be held on 26 November 2013 at The Concourse, 409 Victoria Avenue, Chatswood, New South Wales commencing at 11.00am (AEDST).

## AGENDA

### 1. FINANCIAL AND OTHER REPORTS

To receive and consider the Financial Report of the Company and the Reports of the Directors and the Auditor for the financial year ended 30 June 2013.

### 2. ELECTION OF DIRECTORS

- (a) To re-elect as a Director Ms Carla (Jayne) Hrdlicka, who retires by rotation in accordance with Article 10.3 of the Company's Constitution and ASX Listing Rule 14.4 and, being eligible, offers herself for re-election.
- (b) To re-elect as a Director Mr Ian John Macfarlane, who retires by rotation in accordance with Article 10.3 of the Company's Constitution and ASX Listing Rule 14.4 and, being eligible, offers himself for re-election.

### 3. APPROVAL OF WOOLWORTHS LONG TERM INCENTIVE PLAN

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

“That the Woolworths Long Term Incentive Plan, as described in the Explanatory Notes accompanying the Notice convening this meeting, be approved for the issue of securities under that Plan for the purpose of ASX Listing Rule 7.2, exception 9.”

*Please note that the Company will disregard any votes cast on this resolution by certain persons. Details of the voting exclusions applicable to this resolution are set out in the “Voting exclusions” section on pages 6 to 7 below.*

#### 4. LONG TERM INCENTIVE PLAN ISSUES TO EXECUTIVE DIRECTORS

##### **(a) Managing Director and Chief Executive Officer**

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

“That the grant of 161,780 Performance Rights to the Managing Director and Chief Executive Officer of the Company, Mr Grant O’Brien, under the Woolworths Long Term Incentive Plan, as described in the Explanatory Notes accompanying the Notice convening this meeting, be approved for all purposes, including for the purpose of ASX Listing Rule 10.14.”

*Please note that the Company will disregard any votes cast on this resolution by certain persons. Details of the voting exclusions applicable to this resolution are set out in the “Voting exclusions” section on pages 6 to 7 below.*

##### **(b) Finance Director**

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

“That the grant of 84,139 Performance Rights to the Finance Director of the Company, Mr Tom Pockett, under the Woolworths Long Term Incentive Plan, as described in the Explanatory Notes accompanying the Notice convening this meeting, be approved for all purposes, including for the purpose of ASX Listing Rule 10.14.”

*Please note that the Company will disregard any votes cast on this resolution by certain persons. Details of the voting exclusions applicable to this resolution are set out in the “Voting exclusions” section on pages 6 to 7 below.*

#### 5. ADOPTION OF REMUNERATION REPORT

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

“That the Remuneration Report (which forms part of the Directors’ Report) for the year ended 30 June 2013 be adopted.”

*Please note that the vote on this resolution is advisory only and does not bind the Directors or the Company.*

*Please also note that the Company will disregard any votes cast on this resolution by certain persons. Details of the voting exclusions applicable to this resolution are set out in the “Voting exclusions” section on pages 6 to 7 below.*

Dated: 21 October 2013

By order of the Board



**PJ HORTON**

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COMPANY SECRETARY

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### 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 24 November 2013 will, for the purposes of determining voting entitlements at the Annual General 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 24 November 2013 is entitled to attend and vote at the Annual General Meeting in respect of that share, subject to the other provisions of these notes.

### PROXIES

A shareholder entitled to attend and vote at the Annual General Meeting is entitled to appoint no more than two proxies.

A proxy need not be a shareholder of the Company, and may be either an individual or a corporation. A corporation appointed as proxy will need to appoint an individual as its corporate representative, as outlined below, to exercise its powers at the Annual General Meeting.

A shareholder entitled to cast more than one vote on a resolution may appoint two proxies, in which case the shareholder should specify the proportion or number of votes that 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 hard copy 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, or the second proxy can be appointed online (as outlined below).

Shareholders are encouraged to direct their proxies how to vote on each resolution. A shareholder may provide such a direction by marking the appropriate box opposite the relevant resolution in the proxy form or selecting the appropriate option for that resolution online (as outlined below). If a proxy appointment does direct the relevant proxy how to vote on a resolution, then (subject to the other provisions of these notes, including the voting exclusions noted below):

- where the proxy is the Chairman of the Annual General Meeting, the proxy need not vote in that capacity on a show of hands on the resolution, but must do so on a poll, and in either case when voting must do so as directed;
- where the proxy is not the Chairman of the Annual General Meeting, the proxy need not vote in that capacity on a show of hands nor on a poll on the resolution, but if the proxy does vote, then the proxy must do so as directed; and
- where the proxy holds two or more appointments that provide different directions how to vote on the resolution, the proxy must not vote any of those appointments on a show of hands on that resolution. Accordingly, any direction to such a proxy on how to vote on that 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.

If an appointed proxy does not attend the Annual General Meeting, then the Chairman of the Annual General Meeting will be taken to have been appointed as the proxy of the

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relevant shareholder in respect of the Annual General Meeting. In addition, if a proxy attends the Annual General Meeting and has been directed how to vote on a resolution, but the proxy does not vote on that resolution on a poll, then the Chairman of the Annual General Meeting will be taken to have been appointed as the proxy of the relevant shareholder in respect of that poll.

If the Chairman of the Annual General Meeting is appointed, or taken to be appointed, as a proxy, but the appointment does not direct how to vote on a resolution, then the Chairman intends to exercise the relevant shareholder's votes in favour of the relevant resolution (subject to the other provisions of these notes, including the voting exclusions noted below).

To appoint a proxy, a shareholder may use the hard copy proxy form accompanying this notice (as applicable). Hard copy proxy forms can also be obtained on request from the Company's share registrar.

A shareholder may 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 a resolution or appoint two proxies with different voting directions. Shareholders using the online proxy facility

should read the instructions 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 website above by no later than **11.00am (AEDST) on 24 November 2013**. Proxy appointments will not be able to be made online after that time.

To be effective, a hard copy proxy form must be received no later than **11.00am (AEDST) on 24 November 2013**:

- 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  
or (outside Australia) +61 3 9473 2555

Proxy forms received after that time will be invalid.

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## **CORPORATE REPRESENTATIVES**

A shareholder, or proxy, that is a corporation and entitled to attend and vote at the Annual General 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 2001* (Cth) and be lodged with the Company before the Annual General Meeting or at the registration desk on the day of the Annual General Meeting.

## **ATTORNEYS**

A shareholder entitled to attend and vote at the Annual General Meeting is entitled to appoint an attorney to attend and vote at the Annual General 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 shareholder, 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.

## **EVIDENCE OF SIGNING AUTHORITY**

If a proxy form or appointment of a corporate representative 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 relevant instrument is signed, or a copy of that power of attorney or other authority, certified as a true copy by statutory declaration, must accompany the instrument

unless the power of attorney or other authority has previously been noted by the Company's share registrar.

## **VOTING EXCLUSIONS**

The *Corporations Act 2001* (Cth) and the ASX Listing Rules require that certain persons must not vote, and the Company must disregard any votes cast by or on behalf of certain persons, on four of the resolutions to be considered at the Annual General Meeting. These voting exclusions are described below.

## **ITEMS 3, 4(A) AND 4(B)**

The following persons may not vote, and the Company will disregard any votes cast by the following persons, on each of the resolutions on items 3, 4(a) and 4(b):

1. Any Director who is eligible to participate in any Woolworths employee incentive scheme (and any associate of such a Director). However, the Company need not disregard a vote if:
  - it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
  - it is cast by the Chairman of the Annual General Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.
2. Any key management personnel (**KMP**) member (and any closely related party of a KMP member) that is appointed as a proxy where the proxy appointment does not specify the way the proxy is to vote on the relevant resolution, unless:
  - the proxy is the Chairman of the Annual General Meeting; and
  - the proxy appointment expressly authorises the Chairman to exercise the proxy even if that resolution is connected directly or indirectly with the remuneration of a KMP member.

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### ITEM 5

The following persons may not vote, and the Company will disregard any votes cast by the following persons, on the resolution on item 5:

1. Any KMP member whose remuneration details are included in the Remuneration Report (and any closely related party of such a KMP member, and any person voting on behalf of such a KMP member or closely related party), unless the person does so as a proxy and:
  - the vote is not cast on behalf of any KMP member whose remuneration details are included in the Remuneration Report (or any closely related party of such a KMP member); and
  - either:
    - that person is appointed as a proxy by writing that specifies how the proxy is to vote on the resolution on item 5; or
    - that person is the Chairman of the Annual General Meeting and the proxy appointment expressly authorises the Chairman to exercise the proxy even if that resolution is connected directly or indirectly with the remuneration of a KMP member.
2. Any KMP member whose remuneration details are not included in the Remuneration Report (and any closely related party of such a KMP member) that is appointed as a proxy where the proxy appointment does not specify the way the proxy is to vote on the resolution on item 5, unless:
  - the proxy is the Chairman of the Annual General Meeting; and
  - the proxy appointment expressly authorises the Chairman to exercise the proxy even if that resolution is connected directly or indirectly with the remuneration of a KMP member.

For the purposes of these voting exclusions:

- The KMP are those persons having authority and responsibility for planning, directing and controlling the activities of the Woolworths consolidated group, either directly or indirectly. This includes all Directors (executive and non-executive) and all members of the Management Board reporting to the Managing Director and Chief Executive Officer. The KMP for the Woolworths consolidated group during the year ended 30 June 2013 are listed in Note 24 to the Financial Statements for the year ended 30 June 2013 contained in the Company's 2013 Annual Report.
- A closely related party of a KMP member means:
  - a spouse or child of the member; or
  - a child of the member's spouse; or
  - a dependant of the member or of the member's spouse; or
  - anyone else who is one of the member's family and may be expected to influence the member, or be influenced by the member, in the member's dealings with the entity; or
  - a company the member controls.

The Company will also apply these voting exclusions to persons appointed as attorney by a shareholder to attend and vote at the Annual General Meeting under a power of attorney - on the basis that references to persons attending and voting as proxy are read as references to persons attending and voting as attorney and references to an instrument under which the proxy is appointed are read as references to the power of attorney under which the attorney is appointed.

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## EXPLANATORY NOTES

### 1. FINANCIAL AND OTHER REPORTS

As required by section 317 of the *Corporations Act 2001* (Cth) (**Corporations Act**), the Financial Report, Directors' Report and Auditor's Report of the Company and the consolidated entity for the most recent financial year (namely the period ended 30 June 2013) will be laid before the Annual General Meeting. Shareholders will be provided with the opportunity to ask questions about the reports.

There is no requirement for a formal resolution on this item. Accordingly, there will be no formal resolution put to the Annual General Meeting in respect of the 2013 Financial Report and other reports.

### 2. ELECTION OF DIRECTORS

In accordance with Article 10.3 of the Company's Constitution, which provides for the retirement of each Director who has held office without re-election beyond the third annual general meeting following the Director's appointment or last election or for at least three years, and in accordance with ASX Listing Rule 14.4, which prohibits a Director from holding office (without re-election) past the third annual general meeting following the Director's appointment or three years, whichever is the longer, Ms Carla (Jayne) Hrdlicka and Mr Ian John Macfarlane are to retire at the Annual General Meeting.

In accordance with Article 10.3 of the Company's Constitution, Ms Hrdlicka and Mr Macfarlane are eligible for re-election and each has submitted themselves for re-election at the Annual General Meeting.

Details of the candidates are set out below.

**Carla (Jayne) Hrdlicka, BA, MBA**

**Non-executive Director**

Member: People Policy Committee and Nomination Committee.

Ms Hrdlicka holds a Bachelor of Arts degree (honours) in Economics and Business Administration from the Colorado College, Colorado Springs, Colorado USA and an MBA from Dartmouth College, Hanover, New Hampshire USA.

Ms Hrdlicka is an experienced executive and advisor. She was a Senior Partner with management consulting firm Bain & Company where she led the Asia region Customer Strategy practice for eight years. She is a recognised leader globally on the topic of customer-led growth and loyalty. She held numerous leadership positions within the firm, including being a founding member of the Bain's Global Women's Leadership Council. Ms Hrdlicka has worked across many industries and geographies and has extensive experience in consumer products, retail and alcoholic beverages. She was also a member of the Sydney Medical School Dean's Advisory Board.

Earlier in her career, Ms Hrdlicka left consulting to spend six years running businesses in the publishing and marketing industries. She ran two significant transformations as an operations executive and ultimately as Chief Executive Officer.

In August 2010, Ms Hrdlicka joined Qantas Airways Limited as Group Executive Strategy and Information Technology and in July 2012 she was appointed Chief Executive Officer of Jetstar Group.

Ms Hrdlicka was appointed a Director of the Company in August 2010.

Age: 51.

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### **Ian John Macfarlane, AC**

#### **Non-executive Director**

Member: Audit, Risk Management and Compliance Committee and Nomination Committee.

Mr Macfarlane is a graduate of Monash University in Melbourne. He was Governor of the Reserve Bank of Australia (RBA) from 1996 until 2006. He held several senior positions with the RBA after joining in 1979. Prior to the RBA, he worked in the Economics Department of the OECD in Paris and at the Institute for Economics and Statistics at Oxford University.

Mr Macfarlane is also a Director of Australia and New Zealand Banking Group Limited (since 2007) and of the Lowy Institute for International Policy (since 2003). He is a member of the International Advisory Board of Goldman Sachs (since 2007) and the International Advisory Board of the China Banking Regulatory Commission (since 2010). Mr Macfarlane is also a member of the Asian Advisory Board of CHAMP Private Equity (since 2008). He was a Director of Leighton Holdings Limited from 2007 to March 2013.

Mr Macfarlane was appointed a Director of the Company in January 2007.

Age: 67.

#### **Recommendation:**

The Directors, having conducted an assessment of the performance of Ms Hrdlicka and Mr Macfarlane (in each case in the relevant Director's absence), believe that it is in the interests of shareholders that each be re-elected as a member of the Board and recommend (with each of Ms Hrdlicka and Mr Macfarlane abstaining in respect of their own re-election) that shareholders vote in favour of the corresponding resolution.

### **3. APPROVAL OF WOOLWORTHS LONG TERM INCENTIVE PLAN**

#### **Why shareholder approval is being sought**

The Woolworths Long Term Incentive Plan (**Plan**) has operated since 2004. It is designed to assist with the attraction, motivation and retention of relevant employees of the Woolworths group, align the interests of those employees and shareholders by matching rewards with the long term performance of Woolworths and, accordingly, drive Woolworths' improved performance. The Plan has previously been approved by shareholders at each of the 2004, 2007 and 2010 Annual General Meetings.

Re-approval of the Plan by shareholders in 2010 was for the purpose of an exception to ASX Listing Rule 7.1, which restricts (in certain circumstances) the issue of new securities in any 12 month period to 15% of issued shares without shareholder approval.

The applicable exception is contained in ASX Listing Rule 7.2, exception 9. The effect of shareholder approval under that exception is that any issues of securities under the Plan are treated as having been made with the approval of shareholders for the purposes of ASX Listing Rule 7.1. Approval under the exception lasts for three years.

The resolution on item 3 seeks to refresh shareholder approval for a further three years so that securities issued pursuant to the Plan are not included within the limit of 15% of issued shares that can be issued without shareholder approval.

In accordance with ASX Listing Rule 7.2, exception 9, a summary of the key terms of the Plan and the number of securities issued under the Plan is set out below.

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### Summary of the Plan

Under the Plan:

- **Board discretion** – the Board may offer options (**Options**) to acquire by issue fully paid ordinary shares in the Company (**Shares**), rights to receive Shares by issue or transfer for no cash payment (**Performance Rights**), beneficial interests in Shares (**Performance Shares**), or cash awards (**Awards**) under separate sub-plans established under the Plan (together, the **Sub-Plans**, further details of which are set out below);
- **Terms of grant** – a grant of Options, Performance Rights, Performance Shares or Awards under the Plan is subject both to the rules of the Plan and the terms of the specific grant;
- **Eligibility to participate** – the Board has the discretion to determine which full-time or part-time employees of the Woolworths group are eligible to participate in the Plan;
- **Performance hurdles and other vesting conditions** – subject to the terms of the Plan, the vesting and, as applicable, exercise of Options, Performance Rights, Performance Shares or Awards is conditional on the achievement of performance hurdles, and the satisfaction of any other vesting conditions, set out in the terms and conditions of the specific grant. The performance hurdles under the Plan will be set from time to time by the Board, and as applicable disclosed each year in the Company's Annual Report;
- **Early exercise, withdrawal and payment** – early exercise of Options and Performance Rights, early withdrawal of Performance Shares, and early payment of Awards, may be permitted at the discretion of the Board, if the relevant holder ceases employment with any participating Woolworths group company in circumstances such as death, retirement, ceasing employment because of illness, incapacity or redundancy or where otherwise permitted by the Board or its delegate (such as on a transfer of business). Such early exercise, withdrawal or payment, however, is subject to the satisfaction of the applicable performance hurdles and any other vesting conditions at the time of cessation and is pro-rated for the time served. Early exercise, withdrawal or payment (as applicable) may also be permitted on a takeover, scheme of arrangement, or winding-up of Woolworths, subject to the Board or its delegate's approval. Early exercise, withdrawal or payment (as applicable) of Options, Performance Rights, Performance Shares or Awards of persons whose employment is terminated for cause may only occur if permitted at the discretion of the Board or its delegate (and again subject to the satisfaction of the applicable performance hurdles and any other vesting conditions at that time);
- **Delivery of Shares** – in the case of Performance Rights and Performance Shares, the Board can decide whether to purchase Shares on-market or to issue new Shares to satisfy those incentives. The satisfaction of Options involves the issue of new Shares by the Company;
- **Lapse and forfeiture** – an Option or Performance Right will lapse if it is not exercised within the exercise period determined by the Board on grant. However, in the case of death or cessation of employment of the relevant Plan participant, the lapse date may be brought forward. Similarly, an Award may lapse or a Performance Share may be forfeited earlier in those circumstances. Subject to the Board determining an earlier lapse or forfeiture date (as applicable), an Option,

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Performance Right or Award lapses, and a Performance Share is forfeited, at the latest of:

- the expiry of 12 months after the relevant Plan participant's death, if death occurs before the relevant incentive lapses or is forfeited in accordance with the below;
- the expiry of three months after the relevant Plan participant ceases to be employed by the Woolworths group for any other reason; and
- in the case of Options, Performance Rights and Performance Shares, if the Board extends the time during which the Option or Performance Right may be exercised or the Performance Share may be withdrawn, the expiry of that time.

Lapse or forfeiture may also occur in other circumstances, including where there is dishonesty, fraud or breach of duty by a Plan participant; and

- **Restrictions on transfer** - an Option or Performance Right granted to a Plan participant is only exercisable by the participant or their legal personal representative. Options and Performance Rights and, while they are subject to the Plan, Performance Shares and Awards are not transferable, except with express approval of the Board or its delegate or by force of law on death or legal incapacity.

The following is a summary of the key additional rules of each Sub-Plan.

### **Option Sub-Plan**

The Option Sub-Plan delivers to the holder of an Option a right to acquire a Share at a future date, subject to performance hurdles being met, any other vesting conditions being satisfied, and payment of the exercise price. Upon exercise, each Option entitles the holder to the issue of one Share (subject

to adjustment in certain circumstances as permitted by the ASX Listing Rules).

- **Exercise price** - the exercise price will be calculated in accordance with the terms and conditions of the specific grant of Options and adjusted in accordance with the Plan Rules.
- **Exercise of Options** - the Board will prescribe a date or dates on which Options become exercisable. Subject to the Plan, on or after the prescribed date, and provided all other vesting and exercise conditions prescribed by the Board have been achieved and the Options have not otherwise lapsed, the relevant holder of Options may acquire Shares by exercising the Options and paying the exercise price.
- **Reorganisations and bonus issues** - a holder's entitlement to Shares under an Option will be adjusted to take account of bonus issues as if the Option had been exercised before the determination of entitlements in respect of those issues. The exercise price of the Option will be adjusted in the case of a discounted rights issue, in accordance with a formula prescribed by the ASX Listing Rules. In the case of reorganisation of the issued capital of the Company, the entitlement to Shares under an Option will be adjusted as required by the ASX Listing Rules from time to time.
- **Restriction on disposal of Shares** - the Board may impose a restriction on disposal of Shares issued on exercise of an Option.
- **Financial assistance** - Woolworths may provide financial assistance to holders of Options though the acquisition of its Shares upon exercise of Options under the Option Sub-Plan. Woolworths has no current intention to fund the exercise of any Options by holders under the Option Sub-Plan.

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### **Performance Right Sub-Plan**

The Performance Right Sub-Plan delivers a contractual right to a grant of a Share to the holder at a future date, subject to performance hurdles being met and any other vesting conditions being satisfied. It is expected that holders of Performance Rights will not be required to make any payment in respect of the exercise of the Performance Rights. Upon exercise, each Performance Right entitles the holder to the issue or transfer of one Share (subject to adjustment in certain circumstances as permitted by the ASX Listing Rules).

- **Exercise of Performance Rights** - the Board will prescribe a date or dates on which Performance Rights become exercisable. Subject to the Plan, on or after the prescribed date, and provided all other vesting and exercise conditions prescribed by the Board have been achieved and the Performance Rights have not otherwise lapsed, the relevant holder of Performance Rights may acquire Shares by exercising the Performance Rights.
- **Reorganisations and bonus issues** - a holder's entitlement to Shares under a Performance Right will be adjusted to take account of bonus issues as if the Performance Right had been exercised before the determination of entitlements in respect of those issues. In the case of reorganisation of the issued capital of the Company, the entitlement to Shares under a Performance Right will be adjusted as required by the ASX Listing Rules from time to time.
- **Restriction on disposal of Shares** - the Board may impose a restriction on disposal of Shares acquired on exercise of a Performance Right.
- **Financial assistance** - Woolworths would be providing financial assistance in funding the acquisition of Shares to deliver upon exercise of a Performance Right.

### **Performance Share Sub-Plan**

The Performance Share Sub-Plan provides for the allocation of Shares to relevant Plan participants to be held by the trustee of the Performance Share Sub-Plan, pending withdrawal by the Plan participant. The entitlement of a Plan participant to withdraw Performance Shares is subject to performance hurdles being met and any other vesting conditions being satisfied. It is expected that Plan participants will not be required to make any payment in respect of the acquisition of Performance Shares. Relevant Plan participants receive dividends and have the benefit of voting rights and other rights attaching to the Performance Shares that have been allocated to them.

- **Plan trustee to acquire Shares** - Woolworths will provide the Performance Share Sub-Plan trustee sufficient funds to acquire Performance Shares on-market at the prevailing market price on ASX or to subscribe for Shares to be issued by Woolworths, as determined by the Board.
- **Shares held on trust** - Performance Shares are held by the trustee of the Performance Share Sub-Plan on trust for the relevant Plan participants, pending withdrawal of those Performance Shares (by the Shares being transferred to or for the benefit of the participants, or sold on their behalf).
- **Withdrawal of Performance Shares** - subject to the Plan, the ability of a Plan participant to withdraw Performance Shares will be subject to all vesting conditions prescribed by the Board being achieved, and the Performance Shares having not otherwise been forfeited.
- **Financial assistance** - Woolworths would be providing financial assistance by providing funds to the Sub-Plan trustee to acquire Performance Shares for allocation to relevant Plan participants.

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### Award Sub-Plan

Unlike the other Sub-Plans, the Award Sub-Plan involves the award of cash to relevant Plan participants, subject to performance hurdles being met and any other vesting conditions being satisfied, rather than the acquisition of Shares.

The Award Sub-Plan recognises that in some circumstances a cash award may be more cost effective for the Company and a better retention tool for certain employees than the other Sub-Plans.

- **Entitlement on vesting of Award** - subject to the Plan, once all vesting conditions prescribed by the Board are achieved, the relevant Plan participant is entitled to payment of an amount of cash calculated in accordance with the formula determined by the Board at the time of grant of the Award.
- **Reconstructions and bonus issues** - in the case of a bonus issue or reconstruction of the issued capital of the Company that affects the number of Shares on issue, the payment formula that applies to an Award may be adjusted as reasonably determined by the Board.

### Incentives issued or awarded under the Plan

Since the approval by shareholders of the Plan in 2010, the following incentives have been issued or awarded under the Plan:

- no Options;
- 9,375,040 Performance Rights;
- no Performance Shares; and
- no Awards.

The Non-executive Directors of Woolworths believe that the Plan is an appropriately designed equity-based employee incentive scheme, having regard to the role of the Plan in the attraction, motivation and retention of relevant employees and in driving the improved performance of Woolworths.

The Board believes that the Plan has been integral to the Company's strong financial performance over the nine years from implementation due to:

- the design of the Plan linking executive reward to increases in shareholder value;
- the rigorous performance hurdles under the Plan, which have variously involved Earnings Per Share, Total Shareholder Return and Net Profit After Tax measures;
- full disclosure of the Plan in the Company's Annual Reports; and
- the retention of key executives despite a highly competitive and challenging retail industry.

### Recommendation:

Accordingly, the Non-executive Directors of Woolworths unanimously recommend that shareholders vote in favour of the resolution on item 3.

The executive Directors of Woolworths (namely the Managing Director and Chief Executive Officer, Mr Grant O'Brien, and the Finance Director, Mr Tom Pockett), do not make a recommendation in respect of the resolution in view of their existing participation, and prospective participation, in the Plan.

Copies of the Woolworths Long Term Incentive Plan Rules are available on Woolworths' website at [www.woolworthslimited.com.au](http://www.woolworthslimited.com.au) and at Woolworths' registered office at 1 Woolworths Way, Bella Vista, NSW 2153, or may be obtained by shareholders at no charge by writing to the Company Secretary at that address.

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### 4. LONG TERM INCENTIVE PLAN ISSUES TO EXECUTIVE DIRECTORS

#### **Why shareholder approval is being sought**

ASX Listing Rule 10.14 states that a listed company must not permit a Director to acquire securities under an employee incentive scheme without the approval of shareholders by ordinary resolution.

The purpose of the resolutions in relation to items 4(a) and 4(b) is to have shareholders approve the proposed grant under the Woolworths Long Term Incentive Plan to the Company's Managing Director and Chief Executive Officer, Mr Grant O'Brien, and to the Company's Finance Director, Mr Tom Pockett, of Performance Rights.

Subject to approval by shareholders, the Board proposes that under the Plan in respect of the 2014 financial year, the grants will comprise the issue of 161,780 Performance Rights to Mr O'Brien and 84,139 Performance Rights to Mr Pockett.

Performance hurdles will apply to the Performance Rights, as outlined in Appendix A.

In the Board's view, the performance hurdles that must be satisfied before Performance Rights are exercisable link the ultimate value of the Performance Rights to the continued growth of the Company's earnings and shareholder returns and therefore provide a major incentive for each of Mr O'Brien and Mr Pockett to ensure the Company continues its superior performance.

Issuing Performance Rights (and other forms of equity securities) to senior executives is a well established and standard component of the Company's remuneration structures and the Directors, other than Mr O'Brien and Mr Pockett (in view of their personal interests in the resolutions), believe it is appropriate for shareholders to approve the grants of

Performance Rights as contemplated by the resolutions in relation to items 4(a) and 4(b).

#### **Terms of the Performance Rights**

A summary of the key rules of the Plan (including the Sub-Plan under which the Performance Rights will be delivered, if approved by shareholders) is set out above in the Explanatory Notes for the resolution on item 3. Appendix A summarises the performance hurdles that will apply to the Performance Rights.

#### **Number of equity incentives issued under the Plan**

Under the Plan, Options, Performance Rights and Performance Shares may be issued to employees of the Woolworths group.

Since the initial approval by shareholders of the Plan in 2004, the following Options, Performance Rights and Performance Shares have been issued under the Plan:

- 41,640,200 Options;
- 14,179,554 Performance Rights; and
- no Performance Shares.

#### **Maximum number of Performance Rights to be issued to Mr O'Brien and Mr Pockett**

The maximum number of Performance Rights that may be acquired by Mr O'Brien and Mr Pockett if shareholder approval is provided at the Annual General Meeting is 245,919.

#### **Price of Performance Rights**

The Performance Rights will be issued at no cost to Mr O'Brien or Mr Pockett. Once the performance hurdles are met (or waived), the Performance Rights will be exercisable at nil cost.

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### **Other information relating to the potential grants of Performance Rights**

In accordance with ASX Listing Rules 10.14 and 10.15, the following additional information is provided for shareholders.

- No Director other than Mr O'Brien and Mr Pockett is currently eligible to participate in the grant of Options, Performance Rights or Performance Shares under the Plan.
- No Directors have received Options or Performance Shares under the Plan since the last approval given by shareholders under ASX Listing Rule 10.14 (namely, at the 2012 Annual General Meeting).
- No Directors other than Mr O'Brien and Mr Pockett have received Performance Rights under the Plan since the last approval given by shareholders under ASX Listing Rule 10.14. Mr O'Brien and Mr Pockett have received 122,470 and 88,401 Performance Rights, respectively, and the acquisition price for the Performance Rights was nil.
- Upon satisfaction (or waiver) of the relevant performance hurdles as referred to above, each of Mr O'Brien and Mr Pockett will be entitled to exercise each Performance Right granted to him and be issued with one Share (subject to the terms of the issue of the Performance Rights relating to bonus issues and capital reorganisations of the Company).
- No loan will be provided by the Company in relation to the grant or exercise of the Performance Rights proposed to be provided to Mr O'Brien or Mr Pockett.
- If shareholders approve the resolutions in relation to items 4(a) and 4(b), 161,780 Performance Rights will be issued to Mr O'Brien and 84,139 Performance Rights will be issued to Mr Pockett at nil cost by no later than 12 months after the passing of the resolutions.

### **Acceleration of vesting**

Under sections 200B and 200E of the Corporations Act, a company may only give a person a benefit in connection with their ceasing to hold a managerial or executive office in the company or a related body corporate if it is approved by shareholders or an exemption applies (for example, where the benefit does not exceed the payment limits set out in the Corporations Act, including where a benefit does not exceed one year's average base salary).

The term "benefit" is open to a wide interpretation and may include the early vesting of Performance Rights under the Plan. As discussed in the Explanatory Notes for the resolution on item 3 above, early vesting may occur upon the death of a participant under the Plan, or upon the participant otherwise ceasing to be employed by the Woolworths group (including by way of retirement, incapacity, redundancy, or transfer of business), or upon a takeover or change of control of the Company.

Early vesting of Mr O'Brien's and Mr Pockett's Performance Rights in those circumstances may amount to the giving of a termination benefit, requiring shareholder approval in accordance with the Corporations Act. Accordingly, shareholder approval is also sought for any such benefit which Mr O'Brien and Mr Pockett may receive under the Plan on cessation of their employment with the Woolworths group.

If shareholders approve the resolutions on item 4(a) and 4(b), the maximum number of Performance Rights (out of the grant contemplated by the resolution on item 4(a)) that may vest upon cessation of employment of Mr O'Brien will be 161,780 and the maximum number of Performance Rights (out of the grant contemplated by the resolution on item 4(b)) that may vest upon cessation of employment of Mr Pockett will be 84,139.

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However, the actual number that may vest upon cessation of employment (if any) will depend on a range of factors. Accordingly, the value of any consequent benefit that may be received as a result of early vesting upon cessation of employment cannot presently be ascertained. Matters, events and circumstances that will, or are likely to, affect the calculation of that value include the following:

- the number of unvested Performance Rights held by Mr O'Brien or Mr Pockett (as applicable) prior to the cessation of employment;
- the extent to which the relevant performance hurdles are met at the time;
- the period that has elapsed at that time since the effective grant date of the Performance Rights;
- the reasons for cessation of employment;
- the number of Performance Rights that vest; and
- the Company's share price at the date of vesting.

The Company will calculate the value of the benefit as being equal to the value of the number of Performance Rights that vest early, where that value is determined on the basis of the prevailing share price of the Company at the time.

### **Recommendation:**

The Directors (with Mr O'Brien and Mr Pockett abstaining in respect of their own proposed grant) recommend that shareholders vote in favour of the resolutions on items 4(a) and 4(b).

Mr O'Brien and Mr Pockett do not make a recommendation in respect of the resolution in respect of their own proposed grant in view of their respective personal interests in the relevant resolution.

Copies of the Woolworths Long Term Incentive Plan Rules are available as noted in the Explanatory Notes for the resolution on item 3 above.

### **5. ADOPTION OF REMUNERATION REPORT**

The Company's Remuneration Report for the period ended 30 June 2013 is set out on pages 50 to 76 of the 2013 Annual Report. The Remuneration Report is also available on Woolworths' website at [www.woolworthslimited.com.au](http://www.woolworthslimited.com.au).

The Remuneration Report includes an explanation of the Company's remuneration policy and the remuneration arrangements in place for Directors and other key management personnel.

At Woolworths, all employees play an important role in delivering the Company's financial performance, and remuneration policies have been developed to provide market competitive remuneration in order to sustain Woolworths' competitive advantage and protect the interests of shareholders.

Woolworths has an achievement and performance oriented culture that the Company's remuneration policies serve to drive and support. In recognising the importance of its people to the Company's success, over 45,000 current Woolworths group employees hold shares in the Company or participate in various equity based schemes, sharing in the Company's success and aligning their interests with those of other shareholders. The Company's remuneration policy is aligned with both its financial and strategic business objectives and recognises that people are a major contributor to sustained improvements in performance.

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Woolworths' remuneration policy for all executives ensures:

- remuneration is market competitive and designed to attract, motivate and retain key executives;
- demanding performance measures are applied to both short and long term "at risk" remuneration;
- short term performance is linked to both financial and non-financial performance measures; and
- long term performance is measured through shareholder value creation.

In summary, the Remuneration Report:

- explains the Board's policy for determining the nature and amount of remuneration of Directors and other KMP of the Company;
- explains the relationship between the Board's remuneration policy and the Company's performance;
- details and explains any performance hurdles applicable to the remuneration of Directors and other KMP of the Company; and
- sets out remuneration details for each Director and other KMP of the Company (including the value of any options and performance rights granted to those persons).

As required by the Corporations Act, a non-binding resolution to adopt the Remuneration Report is to be put to shareholders at the Annual General Meeting. The vote on this resolution is advisory only and does not bind the Directors or the Company.

### **Recommendation:**

The Directors recommend that shareholders vote in favour of the resolution to adopt the Remuneration Report.

## APPENDIX A

### PERFORMANCE HURDLES FOR GRANTS TO BE MADE TO EXECUTIVE DIRECTORS

Under the Plan, Performance Rights are granted but only vest subject to the achievement (or waiver in certain circumstances) of specific performance hurdles.

The performance hurdles (**Performance Hurdles**) set by the Board for the proposed grants of Performance Rights to Mr O'Brien and Mr Pockett are as follows:

- for 50% of the Performance Rights granted to each of them (**EPS tranche**), an Earnings Per Share (**EPS**) Performance Hurdle; and
- for 50% of the Performance Rights granted to each of them (**TSR tranche**), a market comparative Total Shareholder Return (**TSR**) Performance Hurdle.

In each case, satisfaction of the Performance Hurdle is subject to the vesting scale outlined below. The EPS and TSR Performance Hurdles are measured over a five year period from the effective grant date (i.e. 1 July 2013).

The Performance Hurdle is not retested if not met and any Performance Rights will lapse, subject to the waiver of Performance Hurdles to the extent permitted under the Plan.

### **EPS Performance Hurdle**

EPS is the non-dilutive EPS, which is measured as the net profit after income tax expense of the consolidated entity after non-controlling interests, divided by the weighted average number of shares on issue (including Shares and dividend reinvestment allotments and adjusted to remove treasury shares held by Woolworths Custodian Pty Ltd) over the relevant measurement period.

In relation to the proposed grants of Performance Rights to Mr O'Brien and Mr Pockett, the EPS tranche for each of them will vest (wholly or in part) upon Woolworths attaining a compound annual EPS growth

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rate of equal to or greater than 6% over the performance period, relative to the 2013 financial year. A compound annual EPS growth rate equal to or greater than 8% over the performance period will result in 100% of the Performance Rights in the EPS tranche vesting. Vesting will occur progressively on the basis determined by the Board up to 100% of the EPS tranche for a compound annual EPS growth rate between 6% and 8% over the performance period.

### **TSR Performance Hurdle**

Broadly, TSR measures the return received by shareholders from holding shares in a company over a particular period. TSR is calculated by taking into account the change in a company's share price over the relevant measurement period as well as the dividends received (and assumed to be reinvested back into the company's shares) during that period.

The TSR Performance Hurdle for the proposed grants of Performance Rights to Mr O'Brien and Mr Pockett compares the Company's TSR performance over the performance period against the TSR performance over the same period of a group of comparator companies. The group of comparator companies comprises S&P/ASX 100 companies, but excludes any non-comparable companies such as financial services and resources sector companies, trusts and any companies in the comparator group that are under takeover or takeover speculation, have merged, had a share reconstruction or been de-listed as at the measurement date.

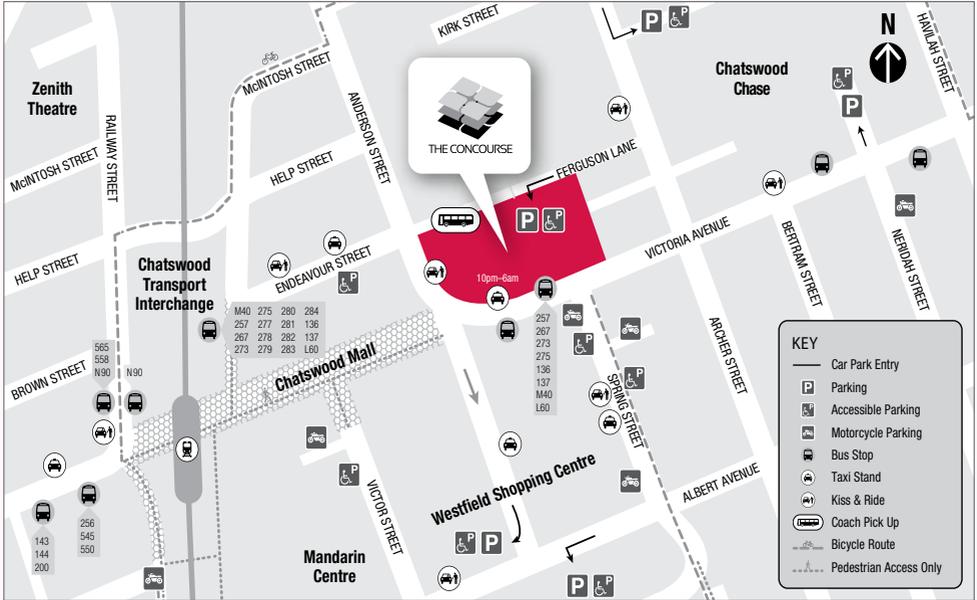
A minimum TSR ranking for Woolworths at the 51st percentile measured against the comparator companies is required for any Performance Rights in the TSR tranche for each of Mr O'Brien and Mr Pockett to vest. All of the TSR tranche will vest if Woolworths' TSR ranking is at or above the 75th percentile measured against the comparator companies. Vesting will occur progressively on the basis determined by the Board up to 100% of the TSR tranche for a TSR ranking for Woolworths between the 51st percentile and the 75th percentile.

### **Vesting, exercise period and expiry period**

If the Performance Hurdle for the EPS tranche for each of Mr O'Brien and Mr Pockett is met as at the fifth anniversary of the date of grant then the applicable number of Performance Rights will vest, with the balance lapsing. Similarly, if the Performance Hurdle for the TSR tranche is met as at the fifth anniversary of the date of grant then the applicable number of Performance Rights will vest, with the balance lapsing.

Performance Rights that vest but remain unexercised expire after 5.5 years from the effective grant date, subject to earlier lapse under the Plan.

## GETTING THERE



### AGM LOCATION

The Concourse, 409 Victoria Avenue  
Chatswood, New South Wales

### PARKING

The car park entrance is on Ferguson Lane via Archer Street only. The car park can only be accessed from the left lane of Archer Street. There is a luminous sign with number of available parking spaces at the intersection of Ferguson Lane and Archer Street.

Accessible parking spaces are available in The Concourse car park and in nearby Endeavour and Spring Streets.

For parking rates and opening times please visit [www.theconcourse.com.au/content/parking](http://www.theconcourse.com.au/content/parking)

### PUBLIC TRANSPORT

The Concourse is located within a 2-minute walk from major Chatswood transportation hubs, including Chatswood train station and Chatswood Transport Interchange. Buses M40, 273 and 200 depart regularly from CBD locations and stop in front of the precinct. For additional transport information, please refer to the map above, call NSW Transport Info line 131 500 or visit [www.131500.com.au/maps/interchange-guide](http://www.131500.com.au/maps/interchange-guide)

## 88TH ANNUAL GENERAL MEETING

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Tuesday, 26 November 2013

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11.00am (AEDST)

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The Concourse, 409 Victoria Avenue

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Chatswood, New South Wales 2067 Australia

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## MORE INFORMATION

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Please contact our share registrar,  
Computershare Investor Services Pty Limited

**PHONE:** 1300 368 664    **FAX:** 03 9473 2564

**MAIL:** GPO Box 242, Melbourne VIC 3001

**WEBSITE:** [www.woolworthslimited.com.au](http://www.woolworthslimited.com.au)

**CORPORATE RESPONSIBILITY INITIATIVES:**

[www.woolworthslimited.com.au/page/A\\_Trusted\\_Company/](http://www.woolworthslimited.com.au/page/A_Trusted_Company/)