

**WOOLWORTHS LIMITED** A.B.N. 88 000 014 675  
**NOTICE OF ANNUAL  
GENERAL MEETING 2007**

Notice is given that the eighty-second Annual General Meeting of members of Woolworths Limited will be held on 16 November 2007 at the Parkside Auditorium, Sydney Convention and Exhibition Centre, Darling Harbour, Sydney, NSW commencing at 11.00am.

**AGENDA**

**Ordinary Business**

**1. Financial Statements and Reports**

To receive and consider the Financial Report of the Company and the Reports of the Directors and Auditor for the financial period ended 24 June 2007.

**2. 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 financial year ended 24 June 2007 be adopted”.

*Note: the vote on this resolution is advisory only and does not bind the Directors or the Company.*

**3. Election of Directors**

- (a) To re-elect as a Director Ms Diane Jennifer Grady who retires by rotation in accordance with Article 10.3 of the Company’s Constitution and being eligible offers herself for re-election.
- (b) To elect as a Director Mr Ian John Macfarlane who is eligible for election in accordance with Article 10.7 of the Company’s Constitution and being eligible offers himself for election.
- (c) To elect as a Director Ms Alison Mary Watkins who is eligible for election in accordance with Article 10.7 of the Company’s Constitution and being eligible offers herself for election.

## Special Business

### 4. 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 (Plan) described in the Explanatory Notes to the Notice convening this meeting is approved for all purposes (including the issue of securities under the Plan for the purposes of Australian Securities Exchange Listing Rule 7.2, exception 9).”

#### Voting Exclusion Statement

The Company will disregard any votes cast on the resolution associated with agenda item 4 by any Director (except one who is ineligible to participate in any employee incentive scheme in relation to the Company) and any associate of those directors. However, the Company need not discard a vote if:

- it is cast by a Director or an associate of a Director as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- it is cast by a Director who is chairing the 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.

### 5. Fees payable to non-executive Directors

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:  
“That in accordance with Australian Securities Exchange Listing Rule 10.17 and the Company’s Constitution the aggregate maximum amount of remuneration of the non-executive Directors be increased by \$1,250,000 per annum to \$3,000,000 per annum.”

#### Voting Exclusion Statement

The Company will disregard any votes cast on the resolution associated with agenda item 5 by any of the Directors and any associate of a Director. However, the Company need not discard a vote if:

- it is cast by a Director or an associate of a Director as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- it is cast by a Director who is chairing the 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.


### 6. Adoption of New Constitution

To consider and, if thought fit, to pass the following resolution as a special resolution:

“That the Constitution of the Company is repealed and the Constitution in the form tabled at the meeting, and initialled by the Chairman for the purposes of identification, is adopted as the Constitution of the Company, with effect from the close of this meeting.”

Dated: 10th October 2007

By order of the Board



**P J Horton**  
Company Secretary

### Eligibility to Vote

Regulation 7.11.37 of the *Corporations Regulations 2001* permits the Company to specify a time, not more than 48 hours before the 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 quoted on ASX at 7.00pm (Sydney time) on Wednesday 14 November 2007 shall, 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 Wednesday 14 November 2007, is entitled to attend and vote at the Annual General Meeting in respect of that share.

### Proxies

A Member entitled to attend and vote is entitled to appoint not more than two proxies.

A proxy need not be a Member of the Company. A Member who is entitled to cast two or more votes may appoint two persons and may specify the proportion or number of votes which each proxy is appointed to exercise.

If you wish to appoint a proxy, you can use the Proxy Form accompanying this Notice.

You can also submit your proxy appointment online by visiting the webpage: [www.computershare.com/au/proxy/wow](http://www.computershare.com/au/proxy/wow). To use this online facility, you will need your Shareholder Reference Number (SRN) or Holder Identification Number (HIN) and postcode, as shown on your proxy form. You will be taken to have signed the proxy form if you lodge it in accordance with the instructions on the website. A proxy cannot be appointed electronically by a person appointed by a shareholder under a Power of Attorney or similar authority.

The online proxy facility may not be suitable for some members who wish to split their votes on an item of business or appoint two proxies with different voting directions. Please read the instructions for the online proxy facility carefully before you lodge your proxy using this facility.

On a show of hands, every person present and qualified to vote shall have one vote. If you have appointed a proxy and the proxy appointed is also a Member, or a proxy for another Member, any direction to the proxy on how to vote may not be effective on a show of hands. Your directions will be effective if a poll is held.

To be effective, your online proxy appointment must be lodged through the above webpage by no later than **48 hours prior to the Meeting**.

To be effective, your Proxy Form and the Power of Attorney or other authority (if any) under which it is signed or a copy of the Power of Attorney or other authority, certified as a true copy by Statutory Declaration, must be received no later than **48 hours prior to the Meeting** by Woolworths' Share Registrar, Computershare Investor Services Pty Limited, (using the reply paid envelope enclosed) or by facsimile to (03) 9473 2118 or at the Registered Office of Woolworths Limited, 1 Woolworths Way, Bella Vista NSW 2153.

### Notes

#### 1. Financial statements and reports

As required by section 317 of the *Corporations Act 2001* (Cth), the Financial Report, Directors' Report and Auditors' Report of the Company and the consolidated entity for the most recent financial year will be laid before the 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 meeting.

#### 2. Remuneration Report

The Company's Remuneration Report for the period ended 24 June 2007 is set out on pages 45 to 61 of the 2007 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 certain senior executives whose remuneration arrangements are required by law to be disclosed.

At Woolworths, all of our employees play an important role in delivering the Company's financial performance and our 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 which our remuneration policies serve to drive and support. In recognising the importance of our people to our success, over 40,000 current Woolworths' employees participate in various equity-based schemes, sharing in the Company's success and aligning their interests with that of other shareholders. The Company's remuneration policy is aligned with both our financial and strategic

business objectives and recognises that people are a major contributor to sustained improvements in performance.

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 senior managers of the company;
- explains the relationship between the Board's remuneration policy and the Company's performance;
- details and explains any performance conditions applicable to the remuneration of Directors and senior managers of the Company; and
- sets out remuneration details for each Director and the five specified senior executives of the Company (including the value of any options granted to those persons).

As required by the *Corporations Act 2001* (Cth), a non-binding resolution to adopt the Remuneration Report is to be put to shareholders at the 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.*

### 3. 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 Australian Securities Exchange Listing Rule 14.4, which prohibits Directors 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 Diane Grady is to retire at the Annual General Meeting on 16 November 2007 (Annual General Meeting).

In accordance with Article 10.3 of the Company's Constitution, Ms Grady is eligible for re-election and has submitted herself for re-election at the Annual General Meeting.

In accordance with Article 10.7 of the Company's Constitution, both Mr Ian Macfarlane and Ms Alison

Watkins have been appointed as a Director, as an addition to the existing Directors.

In accordance with Article 10.3 of the Company's Constitution, both Mr Macfarlane and Ms Watkins are eligible for election and have submitted themselves for election at the Annual General Meeting.

Details of the candidates are set out below:

#### **Diane Jennifer Grady BA (Hons), MA, MBA Member, Audit, Risk Management and Compliance Committee, and Corporate Governance Committee**

Ms Grady is an independent non-executive Director with extensive experience on major public company and not-for-profit Boards. She is currently a Director of Bluescope Steel Ltd, a senior advisor to McKinsey & Co and a member of the ASIC Business Consultative Panel. Previously Ms Grady was a partner with McKinsey & Co consulting over 15 years to clients in a broad range of industries on strategic and organisational issues. At McKinsey, she was a worldwide leader of the Firm's Organisation and Change Management practice. In Australia, Ms Grady led the Consumer Goods, Retailing and Marketing Practice where she assisted clients with growth and customer service strategies.

Ms Grady earned an MBA from Harvard Business School, a Masters in Chinese Studies from the University of Hawaii (East West Centre Fellowship) and a Bachelor of Arts degree from Mills College, Oakland, California (History Prize).

Ms Grady was appointed a Director of Woolworths Limited in July, 1996. Age 59.

#### **Ian John Macfarlane AC, BEc (Hons), MEd Member, Audit, Risk Management and Compliance Committee, and Corporate Governance 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. During this time with the RBA, Mr Macfarlane was the inaugural Chairman of the Asian Consultative Council for the Bank of International Settlements.

Mr Macfarlane held several senior positions within the RBA since joining it 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 ANZ Banking Group Limited since February 2007, Leighton Holdings Limited since June 2007 and the Lowy Institute for International Policy since 2004. He is a member of the International Advisory Board of Goldman Sachs International.

He was appointed a Director of Woolworths Limited in January 2007. Age 61.

**Alison Mary Watkins BComm, ICAA, FSIA, AICD Member, People Policy Committee and Corporate Governance Committee**

Ms Watkins holds a Bachelor of Commerce from the University of Tasmania, is a member of the Institute of Chartered Accountants of Australia and a Fellow of the Financial Services Institute of Australasia.

Ms Watkins is a non-executive Director of Just Group Limited (since March 2004) and a non-executive Director of National Food Industry Strategy Limited.

Her recent career includes several years in leadership roles in agriculture and food processing industries, where she was Chief Executive Officer of Berri Limited from 2002 to 2005 and Chairman of Mrs Crocket's Kitchen Pty Ltd during 2005 and 2006. She was a member of the Corish Review Group which developed a national policy blueprint for agriculture and food processing during 2005. Previously, Ms Watkins held senior roles with ANZ Banking Group Limited, including Managing Director, Regional Banking and Group General Manager Strategy and Mergers & Acquisitions. Ms Watkins also represented ANZ Banking Group Limited on the board of ETRADE Australia Securities Limited. She has 10 years of experience as a management consultant with McKinsey and Company, from 1989 to 1999, and became a partner of the firm in 1996.

Ms Watkins was appointed a Director of Woolworths Limited in January 2007. Age 44.

**Recommendation**

*The Directors, having conducted an assessment of the performance of Ms Grady, believe that it is in the interests of shareholders that she be re-elected as a member of the Board and recommend (with Ms Grady abstaining from voting in respect of her own appointment) that you vote in favour of the corresponding resolution.*

*The Directors, having conducted an assessment of the skills and experience of Mr Macfarlane and Ms Watkins, believe that it is in the interests of shareholders that each candidate be elected as a member of the Board and recommend (with Mr Macfarlane and Ms Watkins abstaining from voting in respect of their own appointment) that you vote in favour of the corresponding resolution.*

**4. Woolworths Long Term Incentive Plan**

**Why shareholder approval is being sought**

As shareholders will be aware, the Woolworths Long Term Incentive Plan (Plan) for the Senior Executive and Senior Management of Woolworths (Employees) was approved by shareholders at the 2004 Annual General Meeting. The Plan is designed to assist with the attraction, motivation and retention of Employees, align the interests of Employees and shareholders by matching rewards with the long-term performance of Woolworths and accordingly, drive Woolworths' improved performance.

At the same time the Plan was approved by shareholders, shareholder approval of the Plan was also obtained under an exception to Australian Securities Exchange (ASX) Listing Rule 7.1 which restricts (in certain circumstances) the issue of new securities in any year 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 Listing Rule 7.1. Approval under the exception lasts for three years. Woolworths seeks shareholder approval to refresh that approval for a further three years.

The Board is also mindful of the need for Woolworths to stay competitive and retain high calibre employees in the current competitive environment in the retail sector and changes in industry structure and has accordingly determined to amend the performance hurdles for future grants to be made under the Plan. The performance hurdles currently intended for grants of Options during the 2009 financial year (hereinafter referred to as the "2008 Option Grant" or "2008", as appropriate) are described below at Appendix A.

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 follows.

**Summary of the Plan**

Under the Plan:

- **Board discretion** – the Board may offer options over ordinary fully paid Shares (Options), rights to receive ordinary fully paid Shares by way of issue or transfer for no cash payment (Performance Rights), beneficial interests in ordinary fully paid Shares (Performance Shares), or cash awards (Awards) (together, the Sub-plans, details of which are contained below);



- **subject to rules and terms** – a grant of Options, Performance Rights, Performance Shares or Awards under the Plan is subject both to the Plan Rules and the terms of the specific grant;
- **5% threshold** – the Board will ensure that the number of Shares, the subject of a Plan grant, when added to the total number of unissued Shares or Shares held in trust, the subject of a Plan grant, will not exceed 5% of the total number of issued Shares at the date on which the grant is made;
- **eligible to participate** – the Board has the discretion to determine which Employees are eligible to participate in the Plan;
- **purchase on-market or issue new Shares** – the Board can decide whether to purchase Shares, the subject of the Plan, on-market or issue new Shares;
- **non transferable** – an Option, Performance Right, Performance Share or Award granted to an Employee is only exercisable by an Employee or a legal personal representative of the Employee and is not transferable, except with express approval of the Board or its delegate or by force of law on death or legal incapacity;
- **early exercise** – early exercise of the Options, Performance Rights, Performance Shares or Awards may be permitted in accordance with the Plan rules and at the discretion of the Board, or its delegate, in certain defined circumstances (including on a takeover, scheme of arrangement or winding up of Woolworths, subject to Board or its delegate’s approval and upon death, retirement, ceasing employment because of illness, incapacity, redundancy of an Employee or where otherwise permitted by the Board or its delegate). Unexercised Options, Performance Rights, Performance Shares or Awards of Employees whose employment is terminated for cause may only be exercised if permitted at the discretion of the Board or its delegate; and
- **performance hurdles** – the vesting or exercise of Options, Performance Rights, Performance Shares or Awards is conditional on the achievement of performance hurdles 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 will relate to material improvements in the Company’s relative performance, only rewarding superior performance by Woolworths. In setting the performance hurdles for 2008 to attract, motivate and retain Executives, the Board will be mindful of the level of volatility in the retail sector and generally low rates of unemployment. The performance hurdles set by the Board will be disclosed each year in the Annual Report.

The following is a summary of the key rules of the Sub-plans.

#### **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 and payment of the exercise price.

**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.

**Performance Hurdles** – the Board has determined that the vesting or exercise of Options is conditional on the achievement of performance hurdles set out in the terms and conditions of the specific grant.

The performance hurdles for grants of Options during 2008 are described below at Appendix A.

**Exercise of Options** – the Board will prescribe a date or dates on which Options become exercisable. On or after the prescribed date, and provided all other vesting or exercise conditions prescribed by the Board have been achieved, the Employee may acquire that number of Shares by exercising the same number of Options. An Option will lapse if it is not exercised within the life of the Option.

**Entitlement on Exercise** – on exercise of Options, Woolworths will issue the Shares resulting from the exercise of Options to the person exercising the Options.

**Reconstruction and Bonus Issues** – an Employee’s entitlement to Shares under an Option will be adjusted to take account of capital reconstructions and bonus issues as if the Option had been exercised before the determination of entitlements in respect of those issues.

**Restriction on Disposal of Shares** – the Board may impose a restriction on disposal of Shares issued on exercise of an Option.

#### **Performance Rights Sub-plan**

The Performance Rights Sub-plan delivers a contractual right to a future grant of a Share to the right holder at a future date, subject to the performance hurdles being met. Each Performance Right can be exercised for no monetary payment and, upon exercise, each Performance Right entitles the right holder to the issue or transfer of one Share.

**Performance Hurdles** – the Board has determined that the vesting or exercise of Performance Rights is to be conditional on the achievement of performance hurdles set out in the terms and conditions of the specific grant.

**Exercise of Performance Rights** – the Board will prescribe a date or dates on which Performance Rights become exercisable. On or after the prescribed date, and provided all other vesting and exercise conditions prescribed by the Board have been achieved, the Employee may acquire Shares by exercising the Performance Right. A Performance Right will lapse if it is not exercised within the life of the Performance Right.

**Reconstruction and Bonus Issues** – an Employee's entitlement to Shares under a Performance Right will be adjusted to take account of capital reconstructions and bonus issues as if the Performance Right had been exercised before the determination of entitlements in respect of those issues.

**Restriction on Disposal of Shares** – the Board may impose a restriction on disposal of Shares acquired by an Employee on exercise of a Performance Right.

#### **Performance Share Sub-plan**

The Performance Share Sub-plan provides for the grant of Shares to Employees to be held by the trustee of the Performance Share Sub-plan. The entitlement of an Employee to Performance Shares is subject to performance hurdles being achieved. It is expected that Employees will not be required to make any payment in respect of the acquisition of Performance Shares. Employees will receive dividends and have voting rights and other rights attaching to the Shares that have been allocated to the Employee under the Sub-plan.

**Plan Trustee will Acquire Shares** – Woolworths will give the Sub-plan trustee sufficient funds to acquire the 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** – after acquiring all Shares during a particular acquisition period, the trustee of the Performance Share Sub-plan will hold the Shares on trust for those Employees participating in the particular offers in respect of which the Shares are acquired.

**Conditions of Grant** – the ability of an Employee to withdraw Shares from the Performance Share Sub-plan will be subject to the performance hurdles or other conditions set out in the terms and conditions of grant being met or the Shares may be forfeited. The Shares will also be subject to forfeiture at the discretion of the Board, or its delegate, by an Employee in a number of circumstances including in the case of dishonesty, fraud or breach of duty by the Employee.

**Withdrawal of Shares** – generally, the Shares may only be withdrawn from the Performance Share Sub-plan by an Employee on satisfaction of all vesting and performance conditions and the expiry of any non-disposal period.

#### **Award Sub-plan**

Unlike the other Sub-plans, the Award Sub-plan involves cash awards, subject to specified performance hurdles being met, rather than the acquisition of Shares by Employees. The Award Sub-plan recognises that in some circumstances a cash award may be more cost effective for the Company and a better Employee retention tool for certain Employees than the other Sub-plans.

**Entitlement on Vesting of Award** – once all vesting and performance conditions for a grant of an Award are met, an Employee is entitled to an amount of cash (Payout) determined by the Board and calculated in accordance with the formula set out in the invitation to the Employee to apply for the Award. The Awards will also be subject to forfeiture by an Employee in a number of circumstances including in the case of dishonesty, fraud or breach of duty by the Employee, at the discretion of the Board, or its delegate.

**Performance Hurdles** – the Board has determined that the vesting or exercise of Awards is to be conditional on the achievement of performance hurdles set out in the terms and conditions of the specific grant.

**Reconstruction and Bonus Issues** – in the case of a bonus issue or reconstruction, the Payout formula that applies to the Award may be adjusted as reasonably determined by the Board to ensure that the number of Shares the subject of a Payout is affected in the same manner as the changes to the number of Shares held by a holder of Shares.

#### **Number of securities issued under the Plan**

Since the approval of the Plan in 2004, 15,225,500 Options have been issued to Employees under the Options Sub-plan, 1,590,000 Performance Rights have been issued to Employees under the Performance Rights Sub-plan and nil Performance Shares have been issued to Employees under the Performance Shares Sub-plan.

## Recommendation

*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 key executives 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 three years from implementation due to:*

- the design of the Plan linking executive reward to increases in shareholder value;*
- the rigorous performance hurdles under the Schemes for both the Earnings Per Share (EPS) and Total Shareholder Return (TSR) measures;*
- full disclosure of the Plan in the Company's shareholder reports; and*
- the retention of key executives despite a highly competitive and challenging retail industry response to the Woolworths' key business initiatives.*

*The Plan will enable the Company to continue to attract, motivate and retain Executives in the current competitive environment in the retail sector and generally low unemployment rates.*

*Accordingly, the non-executive Directors of Woolworths unanimously recommend that you vote in favour of the resolution associated with agenda item 4.*

*Copies of the Woolworths Long Term Incentive Plan Rules are available on Woolworths' website at [www.woolworthslimited.com.au](http://www.woolworthslimited.com.au), 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.*

## 5. Fees payable to non-executive Directors

In accordance with Australian Securities Exchange Listing Rule 10.17 and Article 10.8 of the Company's Constitution, any proposed increase in the total amount of fees payable to the non-executive Directors of the Company must be approved by ordinary resolution of the Company in general meeting.

There are currently seven non-executive Directors of the Company – Messrs J A Strong, J F Astbury, L M L'Huillier, Ms D J Grady, Dr R S Deane, I J Macfarlane and Ms A M Watkins.

The current maximum aggregate amount which may be paid to non-executive Directors per annum is \$1,750,000. This amount was last increased in November 2005 when it was approved by shareholders at the Annual General Meeting that year.

The purpose of the resolution associated with agenda item 5 is to approve an increase in the maximum aggregate amount of remuneration which may be paid to non-executive Directors by \$1,250,000 per annum to \$3,000,000 per annum. If approved, this would be the total amount that could be divided among all of the non-executive Directors and would not be the amount payable to each non-executive Director.

The Board's remuneration policy for non-executive Directors aims to ensure that Woolworths can attract and retain suitably skilled, experienced and committed individuals to serve on the Board. Non-executive Directors do not receive performance-related remuneration and are not entitled to receive performance-based shares, or options over shares, in the Company.

The Board has obtained independent advice on non-executive Director remuneration from expert remuneration consultants, Egan Associates, which included a review of the current and projected level of non-executive director remuneration in Australian companies of comparable size and complexity. The proposed increase is in line with the approach taken by several other comparable Australian companies who have a maximum annual aggregate amount of fees payable to non-executive Directors of \$3,000,000 or higher.



In determining the proposed increase in aggregate fees to non-executive Directors, the following issues are also considered relevant:

- (i) the increase in the key performance indicators for the Company over the period since the previous increase in non-executive Directors' fees shows:
  - total Group sales have increased by more than 35% to \$42.477 billion;
  - the Group's earnings before interest and tax (EBIT) has increased by in excess of 62%;
  - market capitalisation (broadly, the market value of the Company's issued share capital) has increased in excess of 107%;
  - the Company's Earnings Per Share (EPS) has increased in excess of 37%; and
  - the Company's Total Shareholder Return (TSR) has increased in excess of 73%(These results are taken from the audited financial statements for the Company and the Group for the 2005 to 2007 financial years);
- (ii) the significant increase in the workload of standing Board Committees; and
- (iii) the additional Board activities arising from strategic initiatives.

It is important for shareholders to note that this is a proposal which will provide the Board with the scope to increase non-executive Directors' fees within a maximum aggregate amount over time. If shareholders approve the proposed maximum aggregate amount of non-executive Directors' fees, the actual fees paid will not increase to this maximum in one step. Rather, there will be a series of adjustments over time, based on appropriate external advice and the Company's remuneration policy. When the new maximum aggregate amount approved by shareholders is reached some time in the future, shareholder approval will be necessary for any further increase in that amount.

The remuneration of the non-executive Directors for the year ended 24 June 2007 is detailed on page 56 of the Company's Annual Report.

#### Recommendation

*With the non-executive Directors noting their interest in the matter, the Board unanimously recommends that shareholders approve the increase in the maximum aggregate fees for non-executive Directors.*

## 6. Adoption of New Constitution

The Company's current Constitution was adopted by members at the 2006 Annual General Meeting. Since then, there have been a number of regulatory changes, as well as revised Corporate Governance Principles and Recommendations issued by the ASX Corporate Governance Council. Accordingly, the Board considers that it is appropriate for the Company to take this opportunity to update the Constitution to reflect these and other recommended changes consistent with best practice in Australia. To assist members, the proposed principal amendments to the Constitution are summarised below.

A copy of the new Constitution, marked-up to show the proposed amendments, can be obtained prior to the Meeting as follows:

- from the Company's website [www.woolworthslimited.com.au](http://www.woolworthslimited.com.au);
- in person from Woolworths' registered office at 1 Woolworths Way, Bella Vista, NSW 2153; or
- at no charge by writing to the Company Secretary at that address.

A copy of the proposed amended Constitution will also be available for inspection at the Annual General Meeting.

### Direct Voting

The Corporate Governance Principles and Recommendations recently released by the ASX Corporate Governance Council encourage listed companies to consider how best to take advantage of new technologies to communicate more effectively with shareholders and to improve access for shareholders unable to be physically present at meetings. Guidelines issued by the Council suggest that companies should consider allowing shareholders to lodge direct votes or proxies electronically, subject to the adoption of satisfactory authentication procedures. Direct voting enables a shareholder to vote on resolutions to be considered at a meeting without the need to attend the meeting (and without the need to appoint a proxy over whom the shareholder may have no control). A direct vote would usually be submitted before the meeting electronically, or by post or fax. Direct voting is similar to voting by postal vote in an election.

The proposed changes to the Constitution include a provision whereby Directors may approve, consistently with the Corporations Act, other means (including electronic) for the casting and recording of votes by shareholders at a general meeting. This would enable the Directors to provide for direct voting, or to establish an online voting system, should the Directors wish to establish one or more of these voting arrangements in the future.

### **Time period for nomination of Directors**

ASX Listing Rule 14.3 previously stated that the Company must accept nominations for election of Directors up to 35 business days (in the case of a meeting that members have requested directors to call, 30 business days) before the date of a general meeting at which directors may be elected. This Listing Rule has subsequently been amended and now allows a company's constitution to specify a longer period.

Under the proposed amendment, the time period is increased from 35 business days to 45 business days in which the Company must accept nominations for election of directors. This new time period is in line with what is now generally accepted as a reasonable time period. The long lead times involved in the production and printing of a notice of meeting and required notice periods under the Corporations Act require a longer period, whilst not being so long as to deny shareholders a reasonable opportunity to nominate a person for election as a Director.

### **Directors' and Officers' Indemnity**

Consistent with market practice, the indemnity provision has been amended to clarify that the Company is obliged to provide an indemnity to a current or former Director or Secretary or officer of the Company (or of a wholly-owned subsidiary of the Company) under prescribed circumstances. In addition, the indemnity provisions have been amended to expressly state that the indemnity will not apply to the extent that the person is otherwise entitled to be indemnified by another person (including by an insurer under an insurance policy).

### **Preference Share Terms**

The preference share provisions have been amended to make a number of changes to the rules governing preference shares, including providing flexibility to issue different ranking preference shares and to provide the Directors with the power to determine the redemption amount under the terms of issue. The previous requirement that the issue of preference shares requiring shareholder approval at a general meeting has been omitted, given that the Corporations Act provides companies with the power to issue preference shares.

### **Miscellaneous Amendments**

The amended Constitution also includes a number of technical and drafting amendments.

### **Recommendation**

*The Directors unanimously recommend that you vote in favour of the resolution associated with agenda item 6.*

## Appendix A

### **Performance Hurdles for grants made under the Plan during the 2009 financial year (the “2008 Option Grant” or “2008”, as appropriate).**

It is currently intended that only Options will be granted under the Plan during 2008. Accordingly, only the currently intended performance hurdles for grants of Options in 2008 (2008 Performance Hurdles) are outlined below.

#### **2008 Performance Hurdles**

Under the Plan, Options are granted but only vest subject to the achievement of specific performance hurdles. The 2008 Performance Hurdles set by the Board for grants of Options during 2008 are for:

- 50% of the grant, the Earnings Per Share (EPS) performance hurdle (EPS Tranche); and
- the remaining 50% of each grant, a market comparative Total Shareholder Return (TSR) performance hurdle (TSR Tranche),

each subject to the vesting scale outlined below and measured over a four year period from the grant date.

#### **EPS performance hurdle**

EPS is the non-dilutive EPS which is measured as the net profit of the consolidated entity after outside equity interests divided by the weighted average number of shares on issue (including ordinary shares and dividend reinvestment allotments, but excluding shares held by Woolworths’ custodian) over the performance period.

For Options granted during 2008, it is currently intended that the EPS Tranche partially vests upon Woolworths attaining average annual EPS growth of equal to or greater than 10.0%. EPS growth equal to 10.0% over the performance period will result in 12.5% of the Options granted during 2008 vesting, while EPS growth equal to or greater than 15% over the performance period will result in 50% of the Options granted in 2008 vesting.

#### **TSR performance hurdle**

The TSR performance hurdle currently intended for the 2008 Option Grant requires a minimum TSR at the 51st percentile measured against comparator companies comprised of the S&P/ASX 100 Industrials Index, excluding companies in the ASX Banks and Finance Accumulation Index, ASX All Resources and ASX Trusts and any companies in the comparator group that are under takeover, have merged, had a share reconstruction or been de-listed as at the measurement date. The maximum TSR vesting requires TSR at the 75th percentile.

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

The 2008 Performance Hurdles are subject to the vesting scale measured over a four year period from the date of grant but will be subject to early testing on the third anniversary of the date of grant and vesting may occur subject to the performance hurdles outlined above being met.

If the minimum vesting hurdles are met on the third anniversary of the date of grant for the EPS Tranche then those Options meeting the vesting hurdle shall vest and any Options in the EPS Tranche not meeting the vesting hurdle shall be forfeited. If the minimum vesting hurdles are met on the third anniversary of the date of grant for the TSR Tranche then those Options meeting the vesting hurdle shall vest and any Options in the TSR Tranche not meeting the vesting hurdle shall be forfeited. If the minimum vesting hurdles are not met on the third anniversary for the EPS Tranche those Options shall remain unvested. If the minimum vesting hurdles are not met on the third anniversary for the TSR Tranche those Options shall remain unvested.

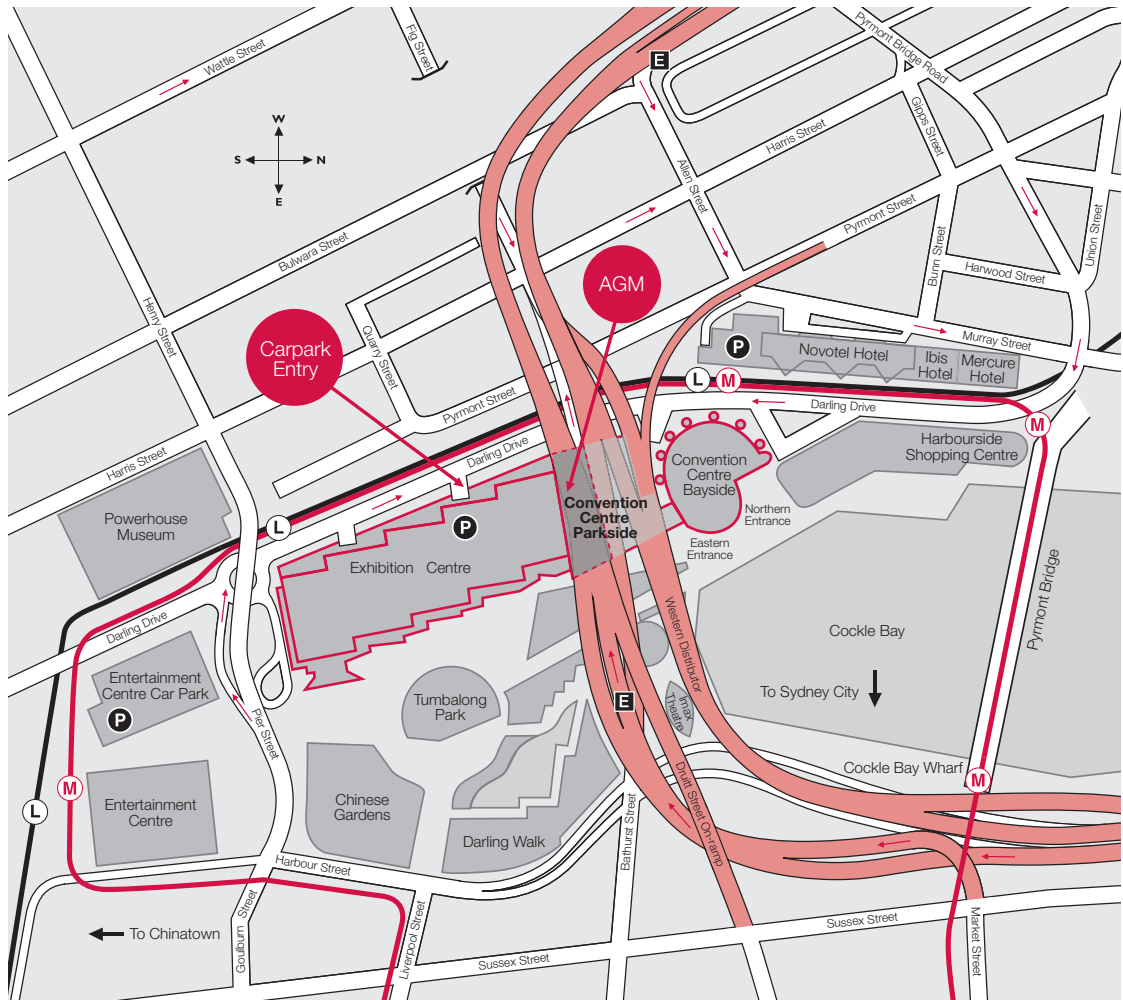
If the minimum vesting hurdles were not met and the Options remain unvested the 2008 Performance Hurdles will be tested on the fourth anniversary of the date of grant and vesting may occur on this date subject to the performance hurdles outlined above being met. Any Option that does not vest on the fourth anniversary of the date of grant will be forfeited.

Options granted during 2008 which have vested but remain unexercised expire after the earlier of 5.5 years from the date of grant, or up to 12 months after termination of employment.

Whilst the Board has retained the discretion to review the performance hurdles applicable to a grant of Options, it is intended that the performance hurdles for future years will also be TSR and EPS based. These performance hurdles, together with the relevant exercise periods and expiry dates, will be disclosed each year in the Annual Report.

Map Key

- P** Parking
- E** Freeway Exit
- Suggested Travel Route
- M** Metro Monorail Stop
- L** Metro Lightrail Stop



**AGM LOCATION**

**Parkside Auditorium**

Level 2, Sydney Convention and Exhibition Centre (South)  
 Darling Harbour, Sydney  
 Friday 16 November 2007  
 Commencing at 11.00am (Sydney time).

**Transport**

Buses will be provided to transport shareholders to and from the meeting.

- To the meeting – buses depart from Central Railway Station, Country Terminal entrance on western side of the station (off Pitt Street). Access via escalator.  
 Departing at:  
 - 9.30am  
 - 10.00am  
 - 10.30am

- From the meeting – buses depart from Darling Harbour Convention Centre North, Darling Drive, and return to Central Railway Station.  
 Departing at:  
 - 12.30pm  
 - 1.00pm  
 - 1.30pm  
 - 2.00pm  
 - 2.30pm