

notice of annual general meeting 2010

Notice is given that the eighty-fifth Annual General Meeting of shareholders of Woolworths Limited (Woolworths or the Company) will be held on 18 November 2010 at Auditorium 1 (Level 2), State Library of Queensland, Cultural Centre, Stanley Place, South Bank, Brisbane, Queensland commencing at 11.00am (Brisbane time).

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 27 June 2010.

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 27 June 2010 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 elect as a Director Ms (Carla) Jayne Hrdlicka who is eligible for election in accordance with Article 10.7 of the Company's Constitution and, being eligible, offers herself for election.
- (b) To elect as a Director Mr Stephen Mayne who is eligible for election in accordance with Article 10.5 of the Company's Constitution and, being eligible, offers himself for election.
- (c) 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, being eligible, offers himself for re-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 Notes to the Notice convening this meeting is approved for 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 that 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.

5. Alterations to the Constitution

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

"That the Company's Constitution be altered by amending Articles 16.4 and 10.9 in the manner set out in the Notes to the Notice convening this meeting."

6. 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 \$1,000,000 per annum to \$4,000,000 per annum."

Voting Exclusion Statement

The Company will disregard any votes cast on the resolution associated with agenda item 6 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.

Dated: 29 September 2010

By order of the Board



P J Horton
Company Secretary

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 'snap-shot' 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) or 6.00pm (Brisbane time) on Tuesday 16 November 2010 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) or 6.00pm (Brisbane time) on Tuesday 16 November 2010, is entitled to attend and vote at the Annual General Meeting in respect of that share.

Proxies

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

A proxy need not be a shareholder of the Company. A shareholder 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 no proportions are specified, each proxy may exercise half of the shareholder's votes.

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.investorvote.com.au. To use this online facility, you will need your six digit Control Number, 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 shareholders 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 appointment using this 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 webpage www.intermediaryonline.com and following the instructions provided.

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 shareholder, or a proxy for another shareholder, 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 relevant webpage above by no later than **12.00 noon (Sydney time) or 11.00am (Brisbane time) on Tuesday 16 November 2010**.

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 **12.00 noon (Sydney time) or 11.00am (Brisbane time) on Tuesday 16 November 2010** by Woolworths' Share Registrar, Computershare Investor Services Pty Limited (using the reply-paid envelope enclosed or by facsimile to (03) 9473 2555) 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) (**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 27 June 2010) 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 2010 Financial Statements and Reports.

2. Remuneration Report

The Company's Remuneration Report for the period ended 27 June 2010 is set out on pages 37 to 55 of the 2010 Annual Report. The Remuneration Report is also available on Woolworths' website at 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 hold shares in the Company or 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 certain senior executives 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 certain senior executives of the Company; and
- sets out remuneration details for each Director, the Key Management Personnel and the five highest paid executives of the Company (including the value of any options 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 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

The order in which candidates are listed in this Notice and on the Proxy Form has been determined by the auditor conducting a ballot.

In accordance with Article 10.7 of the Company's Constitution, Ms Hrdlicka has been appointed as a Director, as an addition to the existing Directors to fill the vacancy created by the retirement of Ms Alison Mary Watkins.

In accordance with Article 10.3, Ms Hrdlicka is eligible for election and has submitted herself for election at the Annual General Meeting.

In accordance with Article 10.5, Mr Mayne is eligible for election and has submitted himself for election at the Annual General Meeting.

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 (ASX) 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, Mr Ian John Macfarlane is to retire at the Annual General Meeting.

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

The Board's policy on Board composition is to ensure that the Board comprises an appropriate mix of skills so as to provide the necessary breadth and depth of knowledge and experience which is required to meet the Company's responsibilities and objectives.

There are three candidates standing for two available Board positions. Accordingly, if more than two candidates receive more votes "for" than "against", only the two candidates who receive the greatest number of votes "for" will be elected to the Board.

This item of business will be determined by a poll.

The following voting system will be adopted in relation to Resolutions 3(a) to (c):

- Shareholders may vote in favour of or against as many candidates as they wish.
- To be elected, a candidate must receive more votes in favour of their election than against.
- If more than two candidates receive an excess of votes in favour over votes against, the two candidates with the most votes in favour will be elected (votes against the candidates will be disregarded for this part of the count).

Mr James Strong, Chairman, and the other Directors, intend to vote open proxies given to them "against" the election of Mr Mayne and "for" the election of Mr Macfarlane and Ms Hrdlicka.

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 is a graduate of The Colorado College, Colorado Springs, Colorado, USA and The Tuck School of Business Administration at Dartmouth College. Prior to her appointment as a Director of the Company, she was a Senior Partner at Bain & Co and vice president of their Sydney office, where she led the Asian Region Customer Strategy practice for eight years. She was also a founding member of the Bain's Global Women's Leadership Council.

In August 2010, Ms Hrdlicka joined Qantas Airways Limited to run Group Strategy. She is also a member of the Sydney University Medical School Dean's Advisory Board.

Ms Hrdlicka was appointed a Director of the Company in August 2010. Age: 48.

Stephen Mayne BCom
External Nominee

The following statement is based on information provided by Mr Mayne with his nomination. The biographical details have not been verified independently by Woolworths.

Stephen Mayne is a Walkley Award-winning business journalist, an elected local government councillor in the City of Manningham and a professional shareholder advocate who publishes the corporate governance ezine www.maynereport.com.

Mr Mayne has stated that he is standing on a platform that Woolworths divests its gambling interests or, in the alternative, publicly pledge to implement a system of compulsory, non-transferable and binding pre-commitment for gamblers. Age: 41.

Ian John Macfarlane AC BEc (Hons), MEC
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), Leighton Holdings Limited (since 2007) and the Lowy Institute for International Policy (since 2003). He is a member of the International Advisory Board of Goldman Sachs (since 2007), the International Advisory Board of Temasek Holdings (Private) Limited (since 2010) 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).

Mr Macfarlane was appointed a Director of the Company in January 2007. Age: 64.

Recommendations

- (a) The Directors, having conducted an assessment of the skills and experience of Ms Hrdlicka, believe that it is in the interests of shareholders that she be elected as a member of the Board and recommend (Ms Hrdlicka abstaining from voting) that shareholders vote in favour of the resolution.
- (b) The Directors, having regard to the scale and complexity of the Company's business, believe that Mr Mayne does not have the experience and skills required of a Director of Woolworths Limited. Directors are expected to have the necessary breadth and depth of knowledge and experience in order to understand all facets of the business, industry and environment in which the Company operates. Further, the Directors do not in any way endorse the platform on which Mr Mayne is standing. In particular, the Directors note that the Company's Hotel business has developed and published a Hotel and Gaming Charter which addresses, among other things, voluntary pre-commitment for gaming (the Charter is available at www.alhgroup.com.au). Therefore, the Directors do not believe that it is in the best interests of shareholders that he be elected as a member of the Board and recommend that shareholders vote against this resolution.
- (c) The Directors, having conducted an assessment of the performance of Mr Macfarlane (in his absence), believe that it is in the interests of shareholders that he be re-elected as a member of the Board and recommend (Mr Macfarlane abstaining from voting) that shareholders vote in favour of the resolution.

The following summarises the Directors' recommendations in relation to voting on the election of candidates to the Board, as detailed above:

Candidates whom the Directors recommend you vote FOR:

- (Carla) Jayne Hrdlicka
- Ian John Macfarlane

Candidates whom the Directors recommend you vote AGAINST:

- Stephen Mayne

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 and again at the 2007 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.

Re-approval of the Plan by shareholders in 2007 included re-approval under an exception to 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.

The resolution associated with agenda item 4 seeks to refresh shareholder approval for a further three years so that securities issued to employees 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.

Summary of the Plan

Under the Plan:

- **Board Discretion** – the Board may offer options (**Options**) over ordinary fully paid shares in the Company (**Shares**), 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 to attract, motivate and retain Executives, the Board has been 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.
- **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 or transfer 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.
- **Financial Assistance** – Woolworths may provide financial assistance to Employees through 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 Employees under the Option Sub-Plan.

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.
- **Financial Assistance** – Woolworths would be providing financial assistance in funding the Shares Trust to acquire Shares or otherwise procuring the transfer of Shares 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 the 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.
- **Financial Assistance** – the Performance Share Sub-Plan involves the giving of financial assistance in connection with the acquisition of Shares, by providing either directly or indirectly, funds to the Plan Trustee to acquire Shares for allocation to Employees.

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 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.

Incentives given under the Plan

Since the approval of the Plan in 2007, 33,997,750 Options have been issued to Employees under the Options Sub-Plan, 2,011,233 Performance Rights have been issued to Employees under the Performance Rights Sub-Plan, Nil Performance Shares have been issued to Employees under the Performance Shares Sub-Plan and Nil has been awarded to Employees under the Award 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 six 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.

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

Accordingly, the Non-Executive Directors of Woolworths unanimously recommend that shareholders 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, 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. Alterations to the Constitution

The resolution associated with agenda item 5 relates to Articles 16.4 and 10.9 of the Company's Constitution which concern, respectively, the apportionment of dividends and superannuation contributions.

It is proposed that the Company's Constitution be altered as follows:

- by deleting the words 'the profits of the Company are divisible among the Members so that,' from Article 16.4; and
- by deleting the words 'A contribution made by the Company under this article is not remuneration to which article 10.8 applies if the contribution is excluded from the amount to be approved by shareholders under the Listing Rules' from Article 10.9.

The proposed amendments are explained below.

5.1 Article 16.4 – Apportionment of Dividends

The proposed alteration to Article 16.4 relates to recent changes to the dividend payment rules under the Corporations Act, and is designed to ensure that the Constitution is consistent with those changes.

Prior to those changes being made, the law provided that a company could only pay dividends to shareholders out of profits of the company. Under recently enacted changes to the Corporations Act, this requirement has been removed, such that dividends can now be paid by a company otherwise than out of its profits. Under the new rules, a company can pay a dividend if:

- (a) the company's assets exceed its liabilities immediately before the dividend is declared and the excess is sufficient for the payment of the dividend;
- (b) the payment of the dividend is fair and reasonable to the company's shareholders as a whole; and
- (c) the payment of the dividend does not materially prejudice the company's ability to pay its creditors.

In order to ensure that the Constitution operates consistently with the new rules, it is proposed that Article 16.4 be amended to remove references to profits in relation to the payment of dividends. The amendment will ensure that, however dividends are paid under the new Corporations Act rules, those dividends will be paid consistently with the apportionment principles in Article 16.4, and that the Company will not be artificially limited in its ability to pay dividends under the new rules.

5.2 Article 10.9 – Superannuation Contributions

The proposed alteration to Article 10.9 reflects a recent update to the ASX Listing Rules.

ASX Listing Rule 10.17 provides that a company cannot increase the total amount of Directors' fees payable to Non-Executive Directors without the approval of its shareholders. A recent addition to Listing Rule 10.17 confirms that the total amount of Directors' fees payable includes superannuation contributions made by the Company for the benefit of Non-Executive Directors.

In order to ensure that the Constitution reflects this addition, it is proposed that Article 10.9 be amended to remove the possibility of excluding superannuation contributions to Non-Executive Directors from the total amount of Directors' fees payable.

Recommendation

The Board unanimously recommends that shareholders approve the proposed alterations to the Constitution.

6. Fees Payable to Non-Executive Directors

In accordance with ASX 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 – Mr James Strong, Mr John Astbury, Mr Leon L'Huillier, Mr Ian Macfarlane, Ms Diane Grady, Dr Roderick Deane and Ms (Carla) Jayne Hrdlicka.

The current maximum aggregate amount which may be paid to Non-Executive Directors per annum is \$3,000,000. This amount was last increased in November 2007 when it was approved by shareholders at the Annual General Meeting that year.

The purpose of the resolution associated with agenda item 6 is to approve an increase in the maximum aggregate amount of remuneration which may be paid to Non-Executive Directors by \$1,000,000 per annum to \$4,000,000 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 \$4,000,000 or higher.

In determining the proposed increase in aggregate fees to Non-Executive Directors, the following matters are also considered relevant:

- (a) The Company has continued to grow and diversify, requiring increased commitment from Non-Executive Directors on the Board and its Committees, and on the Boards and Committees of its joint venture companies;
- (b) 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 more than 21% to \$51.694 billion;
 - the Group's earnings before interest and tax (EBIT) has increased 46% to \$3.082 billion;
 - the Group's net profit after tax (NPAT) has increased in excess of 56% to \$2.020 billion;
 - the Company's Earnings Per Share (EPS) has increased in excess of 50% to 164.0 cents; and
 - the Company's Dividend Per Share (DPS) has increased in excess of 55% to 115.0 cents;

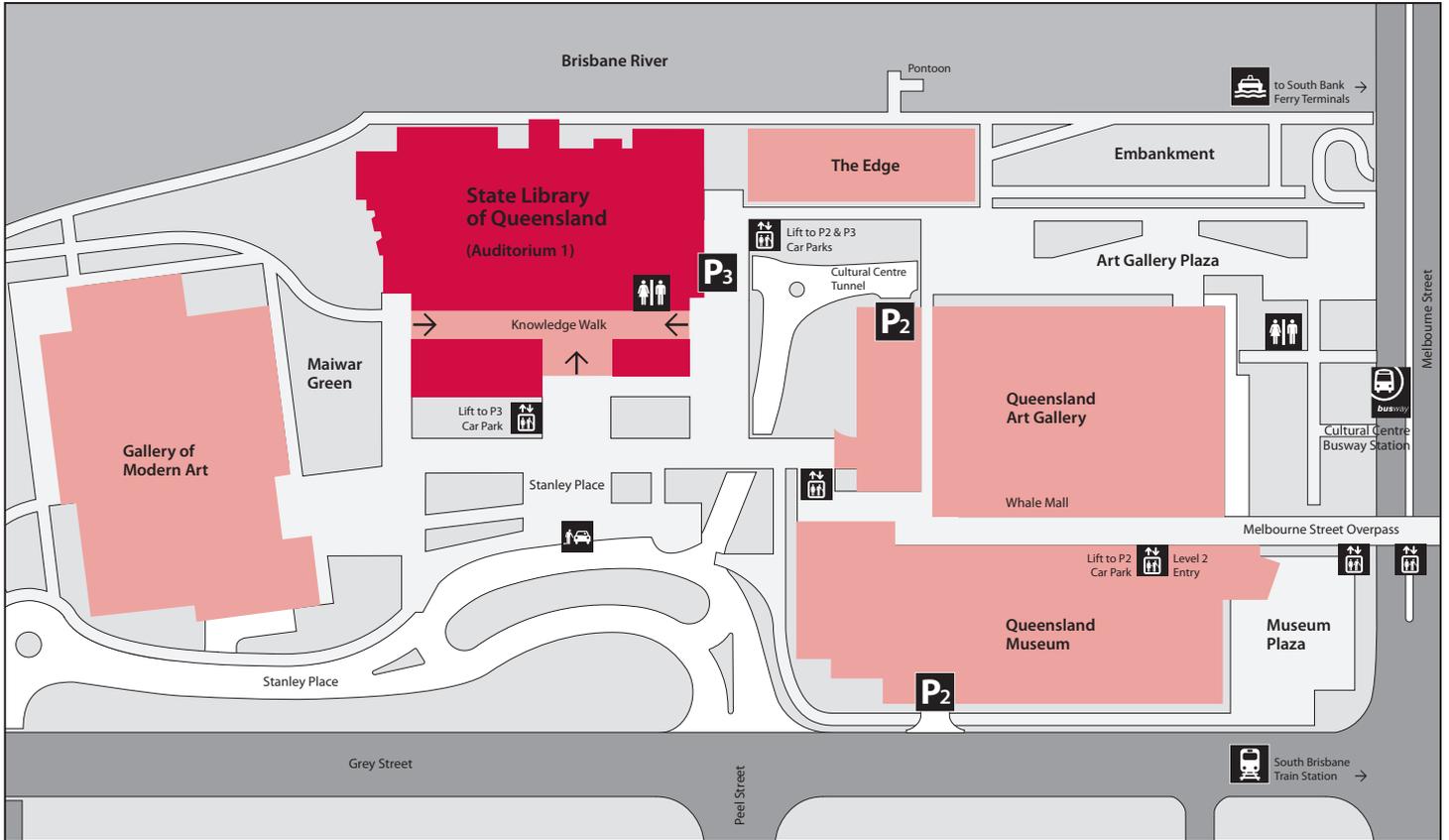
(These results are taken from the audited financial statements for the Company and the Group for the 2007 to 2010 financial years)
- (c) the significant increase in the workload of standing Board Committees;
- (d) the additional Board activities arising from strategic initiatives; and
- (e) the need to provide the Board flexibility to increase the number of Non-Executive Directors – should it decide to do so in the future, either permanently or for an appropriate period of time – having regard to the increased size and complexity of the Company, and to allow for future Board succession.

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 at 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 27 June 2010 is detailed in the Remuneration Report of the Company's 2010 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.



AGM Location

Auditorium 1 (Level 2)
State Library of Queensland
Cultural Centre
Stanley Place, South Bank
Brisbane, Queensland

18 November 2010
Commencing at 11.00am (Brisbane time).

Transport

The visitor drop-off area in Stanley Place is accessible via Grey Street, Montague Road, the Cultural Centre tunnel or Peel Street.

Paid parking is available at local car parks identified on the map above. Parking is recommended at the Queensland Art Gallery/ Queensland Museum car parks accessible via Grey Street or the Cultural Centre tunnel. For information on parking fees, telephone (07) 3840 7942.

For public transport information call TransLink on 13 12 30 or visit the TransLink website at www.translink.com.au