

## **Shareholder Questions Received for Discussion at AGM:**

For the first time this year we gave shareholders the opportunity to submit written questions. We received several hundred responses and, whilst we obviously cannot answer each one, we will try to address the key themes.

### **1. ENVIRONMENT:**

**We received several questions about environmental sustainability and actions to reduce carbon emissions.**

As Michael noted in his address, the Woolworths Corporate Responsibility Report is now available and it details the progress we're making against our targets for carbon reduction, waste recycling, water usage and packaging. In the last two years, Woolworths has become globally acknowledged as a leader in retail sustainability, just this week we were recognised by the Ryerson University in Canada as an eco-friendly retailer. We are still the only retailer in Australia with clear performance targets for sustainability. I encourage all shareholders to read this report and to be very proud of the steps Woolworths is taking to reduce its impact on the world around us. Copies of the report are available as you leave the meeting.

### **2. REMUNERATION:**

**We received quite a number of questions about executive and board remuneration. For example, how remuneration is determined, how is it linked to performance and what guidelines exist to ensure pay levels are not excessive.**

Remuneration for senior executives is set by the People Policy Committee (Management do not set their own pay). The remuneration for the CEO must be approved by the Board. In setting remuneration the PPC obtains advice from an independent advisor. The advisor completes a thorough analysis of market remuneration practices and is available to discuss this analysis with the PPC

Senior executives receive a mix of fixed pay and short and long term incentives. In terms of value the short and long term incentives are designed to be equal in value on a per annum basis. This is designed to reward performance, without encouraging excessive risk taking or focusing on short term gains at the expense of longer term performance.

Finally, the design of variable pay programs at Woolworths ensure that executives can only maximise reward outcomes when they have delivered results that shareholders will be happy with. For example the short term incentive plan uses a range of financial and non-financial measures, so the Company will not pay large bonuses for simply delivering a strong sales performance at the expense of cost management.

In terms of Board remuneration, the Directors' fee structure is based on independent research and external professional advice. Fee levels are commensurate with the size and complexity of the organisation and the workload and responsibilities of the Directors. The current aggregate of fees payable to Directors was approved by shareholders at the 2007 AGM. There is a detailed report of our remuneration policies and practices in the Annual Report.

### **3. GAMING:**

**Shareholders will have received a copy of the 249P notice in relation to our gaming operations which we were required to distribute to all 400,000 shareholders on the basis of receiving a request to do so by slightly more than 100 shareholders.**

In regard to Woolworths' involvement in gaming, we have received both positive and negative comments from shareholders. Many shareholders understand the reasons why the company decided to enter into a joint hotel venture and acknowledge the responsible way in which we approach the management of this part of the business.

Woolworths and ALH have always been committed to providing responsible gaming in all venues. It needs to be recognised that many people see pubs and clubs as an integral part of their community that offers an entertainment option for their family. It is also always worth remembering that for the vast majority of those who play the pokies they are nothing more than another form of adult recreation. Just like alcohol, most enjoy them in a responsible fashion.

In terms of the gaming rooms there are very strict rules involving keeping ATMS out of sight and keeping children out of them. Our staff go to great lengths to ensure legislated requirements are strictly adhered to and our staff are fully trained on how to spot and handle someone with a gambling problem.

On top of that we have our own initiatives. Three years ago we set up a national programme and appointed former footballer, David Schwarz, as our Ambassador of Responsible Gambling. David, who overcame his own addiction to gambling, travels to our venues and talks to staff on the issues facing problems gamblers - what to look out for and what to consider – as well as raising customer awareness.

### **4. AUSTRALIAN PRODUCTS:**

**Several shareholders requested more information about our policies on sourcing Australian made products, particularly in our private label ranges.**

For our private label products, Woolworths positively discriminates towards Australian manufacturers and suppliers. The majority of our private label, about 70%, are products manufactured in Australia.

We only source products from overseas when local options are not viable. This can be because the product is not mass produced locally, the quality is not up to standard, the prices are too high or we simply cannot find a supplier for the product.

When Woolworths negotiates with potential vendors, we build in a generous percentage factor that favours local manufacturers and gives them a cost advantage over global producers. In fact, we also get criticised from overseas suppliers who say they cannot compete with the loading we place to favour local production.

## **5. SHAREHOLDER DISCOUNT CARD:**

**Several shareholders also raised the topic of why Woolworths does not offer shareholders a discount card.**

Woolworths has in excess of 400,000 shareholders, most of them mum and dad investors and we certainly hope that shareholders do give some consideration to their investment when making decisions about where to shop. We reward the loyalty of all our customers with fuel discounts and frequent flyer points. Given that Woolworths makes less than four cents in the dollar after tax, a shareholder discount scheme would be funded direct from the company's bottom line and we would far rather return those funds to shareholders via dividends.

## **7. FEMALE DIRECTORS/MANAGERS:**

**A number of you asked for more details about diversity management at Woolworths, particularly the gender ratios at management and board levels and the degree to which the company is actively promoting women into senior positions.**

Women constitute 55% of our total workforce and we are extremely proud of the progress we have made in the area of gender diversity, particularly in leadership roles. 22% of our Board is female and women make up 27% of our executive leadership team. We have very strong programs to mentor and coach women and have actively sought to remove barriers that might restrict career progression. The introduction of paid maternity leave 18 months ago has generated considerable interest from external female candidates for executive roles. The proportion of female applicants has risen from 32% to 45% over that period of time. We are also delighted to note that our HR director Kim Schmidt was recently awarded by the Equal Opportunities for Women in Australia organisation in recognition of the wonderful leadership she has demonstrated in advancing more women into management roles within the company.

## **8. SUPERMARKETS:**

**As you would imagine, quite a lot of questions related to the operation of our supermarkets business with a lot of comments about individual stores. All of those store specific comments will be forwarded to Greg's team however I will address a couple of the recurrent themes.**

### **a) Fresh food quality and pricing differences**

Each year Woolworths purchases billions of dollars worth of highly perishable, fresh food from farmers and growers right across Australia. We have very strict quality specifications and work hard to maintain that quality standard through what is a very complex supply chain.

In terms of localised price differences, we often supplement our produce supplies with daily spot buys from the local central markets in each state. For example, we might pick up a few boxes of zucchini that a wholesaler needs to sell quickly but we only have enough to supply five stores. Those five stores will therefore have a bargain on zucchinis that day but other stores will still have full priced zucchinis. That is just the nature of fresh food retailing and I can assure you that the price you pay at the checkout absolutely reflects the price we've paid to our supplier for that product.

### **b) Homebrand/Private label – perceived lack of choice**

Private label products in Woolworths supermarkets represent less than 10% of all product lines. Homebrand has been in existence for more than 30 years and the number of products in that range hasn't really altered. We are still very much a house of brands and will always support brands. However we are also very proud of the quality and value for money provided by our private label products. Ultimately customers are the ones who decide what we put on our shelves because we can only sell what they actually want to buy.

### **c) Food prices**

There has been a lot of media coverage lately about perceived high food prices in Australia. Of course statistics can be twisted to suit a particular agenda and it's unfortunate that the Australian public is being duped into believing that they are more badly off than other countries when in actual fact, Australia has one of the best standards of living of any country in the world. Certainly in the last five years Australia has faced food price rises due to a unique combination of drought, high commodity prices such as oil and numerous other input costs. This was confirmed by last year's ACCC inquiry into the grocery sector. But in the last twelve months, food inflation has stabilised and the price of produce has actually been in deflation. Rest assured, Woolworths works very hard on behalf of customers to negotiate the very best prices and compete intensively to deliver low prices every day.