

## **SHAREHOLDER QUESTIONS**

I now want to address a number of questions that we've already received. Shareholders were invited to submit questions in writing in advance of today's meeting and I will answer those most frequently asked.

### **1. Competition in supermarket retailing**

Several questions noted recent commentary about competition issues.

Australian retailing is fiercely competitive and the beneficiaries are Australian consumers. This competition has driven prices down. In fact, average prices were down by 2.9% in our supermarkets last year.

We anticipate the competitive environment to intensify, and Woolworths does not shy away from this. There is a shift to online retailing and competition from offshore retailers such as Aldi, who have more than 300 stores and growth ambitions to reach 600 stores. Costco, the large US retailer also has ambitious growth plans for Australia.

Woolworths is committed to good working relationships with our suppliers. Last week the AFGC, Coles and Woolworths agreed a Food and Grocery Code. This was a positive step in the right direction.

We will participate in the Government's 'Root and Branch' Competition Review. We hope the Review will look at what can be done to boost productivity and growth across the economy. Opportunities to reduce red tape and enhance the competitive forces that are currently at work in our sector should also be considered.

### **2. Masters**

In relation to questions about our Home Improvement businesses, I would like to start with some context.

The market we are chasing in Australia is large at \$42 billion, and very fragmented. The largest competitor has about 16% market share. As a result we believe there is enormous upside to our growth in this sector and a big opportunity.

We have acquired Danks and commenced the roll out of Masters stores.

We have been successful in getting sites to bring our vision for Masters to life with 36 stores now open for business. The joint venture with Lowe's is strong and it has been a real advantage to us in setting up this business.

Our plan is to accelerate sales by improving the offer, drive efficiencies, and continue the store rollout.

We plan to carve out a profitable share that achieves a good return on capital after five years of opening the first store. With this in mind we remain confident that we will achieve break even in FY16.

Woolworths has a strong track record in building new growth businesses and I point to our Liquor, Hotels and New Zealand supermarket businesses for evidence of that.

### **3. Ethical sourcing**

There were also a number of questions about ethical sourcing and Bangladesh.

I would like to emphasise that Woolworths takes its international social responsibilities very seriously.

We acknowledge our responsibility to ensure that the products we sell uphold our customers' expectation on quality. We also acknowledge the need to ensure that conditions in the factories where those goods are manufactured respect and uphold workers' human rights.

Woolworths has a comprehensive Ethical Sourcing Policy which incorporates International Labour Organisations' (ILO) conventions and the core principles of the United Nations Global Compact (UNGC).

Our policy is also supported by an independent factory audit program that covers risk areas like health and safety, working conditions, and preventing child labour.

We support the goal of a safe and sustainable Bangladesh ready-made garment industry and in October 2013 we became a signatory to The Accord on Bangladesh Building & Fire Safety. We are also a signatory to the United Nations Global Compact (UNGC).

All factories in Bangladesh that BIG W sources products from have been audited over the last 12 months.

Woolworths is committed to working collaboratively with other businesses and workers' representatives towards the goal of improved worker safety.

### **4. Sale of Dick Smith**

Some of you asked about our sale of Dick Smith. The sale followed a detailed strategic review which concluded that in the best interests of shareholders, we should exit the small format consumer electronics category.

Given Dick Smith constituted less than 1% of our market capitalisation, we determined it was non-core in context of the broader Woolworths business and our clear focus should be on our core businesses and maximising shareholder value.

Given these concerns, we determined it best for the reputation of Woolworths, as well as maintaining good faith with our shareholders, to sell the business in the way that we did. Woolworths considered a range of options for the sale of Dick Smith in a thorough review.

We are satisfied that shareholder value has been maximised and we believe we are meeting shareholder expectations. Our share price has increased substantially and our market capitalisation has increased by \$10 billion since the announcement we would move to focus on our core businesses.

## **5. Australian / Local Sourcing**

We received a significant number of questions urging us to source Australian made and grown products, as well as products from their local area.

I am pleased to say that Woolworths has a great record in supporting Australian manufacturers and farmers. 100% of our fresh meat and 96% of our fresh produce is sourced from Australian growers.

In 2013 we have undertaken several initiatives to ensure more Australian products are stocked on our shelves.

We commenced sourcing 100% of our Own Brand canned fruit from SPC Ardmona. Our customers supported this move and we saw a 38% increase in sales in the following month. SPC Ardmona said the move will save 50,000 trees in the Goulburn Valley, benefiting 118 local fruit growers.

We have also committed to source 100% of our Select frozen vegetables from Simplot Australia. This is estimated to benefit 155 Australian growers, requiring 650 additional hectares of vegetables to be planted. We already source over 17,700 tonnes of branded and Own Brand frozen vegetables from Simplot.

Our customers also want to see products made in their local area in our stores.

To that end, we have appointed local sourcing managers to work with local producers to design a plan that suits their business. Our first initiative was to introduce eight boutique jams which have sold more than 17,000 jars of jam in 157 stores.

We are also trialling a direct relationship with dairy farmers. 'Farmers' Own' milk, sourced directly from dairy farmers in the Manning Valley, has commenced its roll out across New South Wales stores and to date sales have been pleasing.