

10 WHL

WOOLWORTHS HOLDINGS LIMITED

2018 Integrated Annual Report

NAVIGATING OUR REPORT

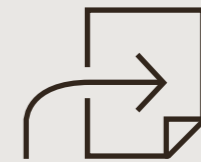
**IN COMMITMENT TO
OUR GOOD BUSINESS JOURNEY,
THIS REPORT IS ONLY AVAILABLE
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*More detailed content
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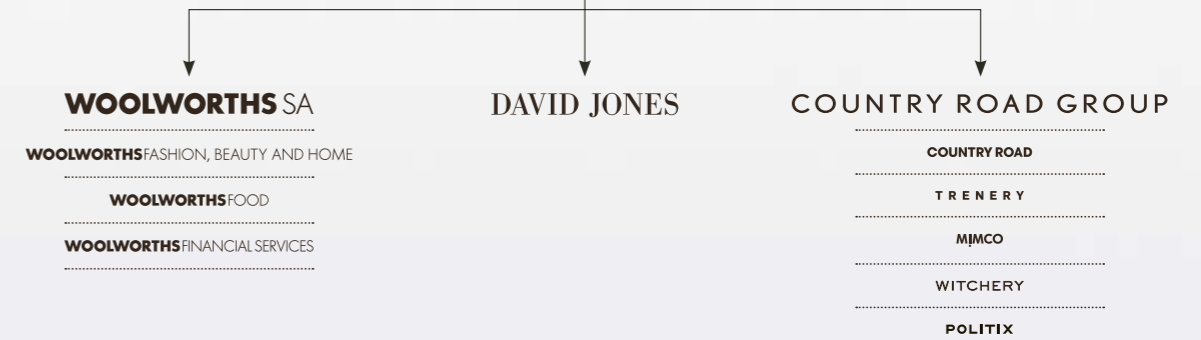
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WOOLWORTHS HOLDINGS LIMITED IS ONE OF THE TOP 40 COMPANIES LISTED ON THE JSE LIMITED SECURITIES EXCHANGE (JSE), WITH OPERATIONS IN SUB-SAHARAN AFRICA, AUSTRALIA, AND NEW ZEALAND

GROUP OVERVIEW

WHL



R75.2BN
Turnover and concession sales



Operating profit by category

58%
Fashion, Beauty and Home



37%
Food

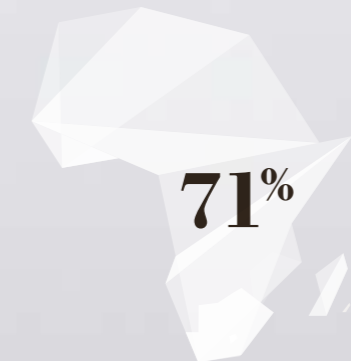


5%
Financial Services



Operating profit by geography

OUR VISION IS TO BE ONE OF THE WORLD'S MOST RESPONSIBLE RETAILERS.



1 556
store locations in 14 countries



More than
15 MILLION
customers across the southern hemisphere



46 099
employees



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OUR INTEGRATED REPORT

Woolworths Holdings Limited (WHL or the Group) presents its 2018 Integrated Annual Report: an overview of WHL's performance, value created for stakeholders, and contribution to society for the 52 weeks ended 24 June 2018 and how the Group's strategy, governance, and performance add to the creation of value over the short-, medium-, and long-term. The report has been prepared for the benefit of all our stakeholders, with a particular focus on aspects relevant to those stakeholders who provide us with access to resources of a financial nature.

SCOPE AND BOUNDARY OF REPORT

Material issues, risks, and opportunities arising from the external environment and the retail landscape

FINANCIAL REPORTING BOUNDARY

WHL interests in wholly owned subsidiaries and Woolworths Financial Services (WFS) reported as an equity accounted joint venture



CUSTOMERS



EMPLOYEES



SHAREHOLDERS



DEBT FUNDERS



SUPPLIERS



COMMUNITIES AND OTHER

Material issues, risks, and opportunities arising from stakeholder engagement

The scope of this 2018 Integrated Annual Report incorporates the financial reporting boundary of the WHL Group - i.e., the performance and data relating to the Group and its subsidiaries, joint ventures, associates and operations of the Group throughout South Africa, the rest of sub-Saharan Africa, Australia, and New Zealand.

The report also extends beyond financial reporting to include non-financial performance, opportunities, risks, and outcomes attributable to, or associated with our key stakeholders, who significantly influence our value creation ability.

As a Group retailing across food, fashion, beauty, and home, our business model is based on long-term supplier relationships and a responsibility to influence change throughout the supply chain. We manage our broader business impact through comprehensive social, ethical, and environmental policies and practices. Where aspects of our Good Business Journey programme are more fully developed, the risks, opportunities, and outcomes of those stakeholders impacted are incorporated into both the Integrated Annual Report and the Good Business Journey Report.

The scope and boundary of this 2018 Integrated Annual Report are broadly comparable with that of the 2017 Integrated Annual Report.

REPORTING FRAMEWORKS AND COMPARABILITY

In compiling this report, we have considered information included in previous reports, legislative reporting requirements, and the International Integrated Reporting Council's (IIRC) Framework.

We are committed to adopting the IIRC framework in this report.

Other reporting frameworks applied, where appropriate, include:

- G4 'core' standards of the Global Reporting Initiative, relevant to information provided in the sustainability strategic focus area
- International Financial Reporting Standards, relevant to financial information provided in the Group Finance Director's report

2018 REPORTING SUITE

The 2018 Integrated Annual Report is the key report that provides a holistic view of the Group's business, strategy, and performance, and the creation of value for all stakeholders. This report should be read in conjunction with the more detailed reports highlighted below.

Complementing the Integrated Annual Report are a number of other reports targeted at specific stakeholders. These reports are:

- Annual Financial Statements, providing a more detailed understanding of the financial aspects of our business
- Good Business Journey Report, providing details of our sustainability strategy and a review of performance, primarily against non-financial targets for social, transformation, and environmental matters

- Annual General Meeting (AGM) Notice Report, providing the relevant information necessary for shareholders to vote on the resolutions to be tabled at the AGM

The Annual Financial Statements and Good Business Journey Report are available online on our corporate website, www.woolworthsholdings.co.za.

The AGM Notice will be available online on our corporate website, www.woolworthsholdings.co.za and sent to all shareholders by no later than 28 September 2018.

Supporting documents and compliance information not included in the reports can be accessed on our corporate website, www.woolworthsholdings.co.za.

FORWARD-LOOKING STATEMENTS

Certain statements in this report may constitute forward-looking statements which, by their nature, involve risk and uncertainty because they relate to future events and circumstances that may

be beyond the Group's control. The directors, therefore, advise readers to use caution regarding interpreting any forward-looking statements in the report.

APPROVAL AND ASSURANCE OF OUR REPORTS

The content of this report is consistent with the indicators used for our internal management and Board reports.

The WHL Audit Committee reviewed the Integrated Annual Report and Annual Financial Statements, and recommended them to the Board for approval.

The Social and Ethics Committee and the Sustainability Committee reviewed and recommended the Good Business Journey Report.

The Board acknowledges its responsibility for ensuring the integrity of the Integrated Annual Report. The Board has applied its mind to the Integrated Annual Report and considered the

operating context, strategy, and value creation model in this process. The Board believes that the Integrated Annual Report addresses all material matters that have, or could have, a material effect on the Group's ability to create value, and fairly presents the integrated performance of the Group.

Elements of the information included in our Integrated Annual Report were verified by a combination of internal and external assurance specialists. This assurance covers a significant spread of business operations.

This 2018 WHL Integrated Annual Report was approved by the Board on 22 August 2018.

SN SUSMAN I MOIR

Chairman Group Chief Executive Officer

WOOLWORTHS HOLDINGS GROUP



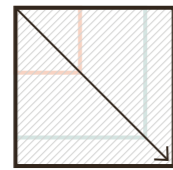
EST. 1931

PROFILE

Leading South African retailer offering a range of primarily private label products

TRADING SPACE

● Woolworths 728 000 m²



OFFERING

A selected range of quality fashion, beauty, homeware, and food products. Financial services are provided through Woolworths Financial Services (WFS)

Based in South Africa, trading in 11 countries in sub-Saharan Africa



58.7% Group turnover*

71.1% Group adjusted profit before interest and tax

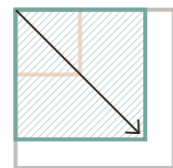
EST. 1838

PROFILE

One of Australia's leading premium department stores

TRADING SPACE

● David Jones 474 000 m²



OFFERING

Premium retailer offering leading international and local brands with a private label clothing, homeware, and food offering



Based in Australia and trading in Australia and New Zealand



27.1% Group turnover*

11.3% Group adjusted profit before interest and tax

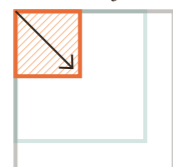
EST. 1974

PROFILE

Leading Australian speciality retailer

TRADING SPACE

● Country Road Group 125 000 m²

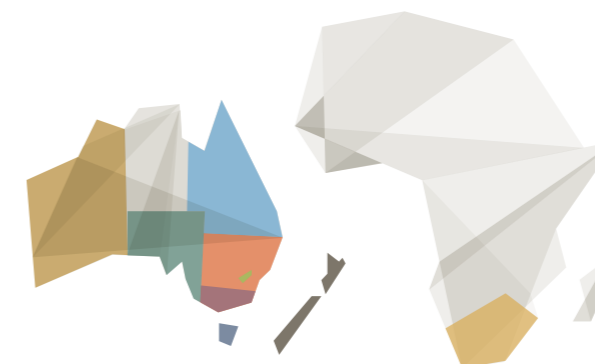


OFFERING

Stylish, high-quality apparel, accessories, footwear, and homeware



Based in Australia and trading in Australia, New Zealand, and South Africa



14.2% Group turnover*

17.6% Group adjusted profit before interest and tax

* Including concession sales.

OUR PURPOSE, VISION AND VALUES

OUR PURPOSE

ADDING QUALITY TO LIFE

exceptional quality in every product we sell and every experience we deliver, to our customers and our people

OUR VISION

TO BE ONE OF THE WORLD'S MOST RESPONSIBLE RETAILERS

reflects our passionate commitment to doing good business, for our customers, our people, and our planet

OUR VALUES

Our values inform and underpin the way we do business across our Group. From values-based leadership to passionate brand advocacy, we seek to embed our values across all dimensions of our business.

CUSTOMER OBSESSED

means that in our world, the customer always comes first

INSPIRATIONAL

says we are always looking ahead and taking the lead

BEING RESPONSIBLE

is about doing the right thing – always value with values

COLLABORATIVE

means we are one team working together

QUALITY

is the heart of our business. We are committed to quality, in whatever we do, wherever we do it



CREATING VALUE

QUICK ACCESS TO SECTIONS



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MATERIAL ISSUES, RISKS
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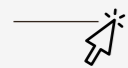
OUR VALUE CREATION PROCESS

The icons on this spread are applied throughout the report to improve usability and show the integration between the relevant elements of the report and how we use our strategies and resources to create sustainable value for our stakeholders.

OUR VISION IS TO BE ONE OF THE WORLD'S MOST RESPONSIBLE RETAILERS.



TO HELP US TO ACHIEVE THIS VISION WE:



Use our values to guide the way in which we manage our resources to
CREATE VALUE FOR THE GROUP

OUR VALUES

 **OPTIMISE OUR BUSINESS MODEL**
which is reliant on key partnerships and resources, the business activities, and our target customers, the relationship we have with them, and the channels we use to engage customers



 **ENGAGE WITH STAKEHOLDERS**
to understand their needs, wants, and expectations, and define and determine if we have created or destroyed value for them



OUR GOVERNANCE STRUCTURES AND PROCESSES ENABLE OVERSIGHT AND ENSURE THAT THE GROUP IS ON THE RIGHT JOURNEY TO DELIVER TO OUR VISION

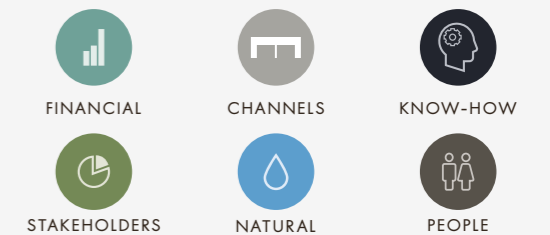
 **DETERMINE**
how our stakeholders' needs influence our material issues – both risks and opportunities

MATERIAL ISSUES

 **REVIEW OUR STRATEGY**
to address our stakeholders' needs, risks and opportunities based on our material issues. We adjust our six strategic focus areas accordingly



 **MANAGE THE IMPACT ON OUR RESOURCES**
to create value and, where necessary, minimise the potential reduction in value (specifically our natural resources) to ensure a balanced approach to value creation



 **MEASURE OUR PERFORMANCE**
how we are achieving and delivering to the six strategic focus areas and the value that we have created for our stakeholders



 **REPORT BACK**
to stakeholders on value created



OUR BUSINESS MODEL

How the Group uses its resources to create, deliver and capture value.

OUR TRADING ENVIRONMENT

The Group has operations across the southern hemisphere including 11 sub-Saharan African countries, Australia, and New Zealand. Several factors that impact our operating environment are partially or wholly beyond the Group's control, and their impact is discussed throughout the report.

RESOURCES UTILISED

FINANCIAL
Our shareholder and debt funding

PEOPLE
A strong leadership team and a diverse and talented workforce of 46 099 employees in sub-Saharan Africa, Australia, and New Zealand

KNOW-HOW
Skills and knowledge employed in our product development and design, customer database management and customer segmentation, and business planning activities

CHANNELS
Our network of stores throughout sub-Saharan Africa, Australia and New Zealand, and our online platforms

STAKEHOLDERS
The relationships we have with our customers, suppliers, business partners, communities, and other stakeholders

NATURAL
The environmental resources used throughout the Group's value chain in the production, manufacturing, distribution, and retailing of our products, which we manage under our Good Business Journey programme

USEFUL LINKS

[More about our trading environment](#)

[Chairman's Report](#)

[CEO's Report](#)

[Material Issues](#)

[More about our resources and trade-offs](#)

[Value Creation for our Stakeholders](#)

BUSINESS ACTIVITIES



CUSTOMER INSIGHTS

The WRewards loyalty programme in Africa and Rewards programmes for CRG brands enable us to gain deep customer insights, drive customer acquisition, frequency and spend, and reward customers with compelling benefits.

Our Customer Relationship Management programmes combine various sources of customer information. Using customer insights and data analysis, we develop customer segments to inform our product, service, and format strategies, ensuring that we meet our customers' wants and needs. Customer insights also drive marketing campaign optimisation and provide customers with personalised marketing and offers.



PRODUCT DEVELOPMENT AND DESIGN

We follow a design-led approach in our Fashion, Beauty and Home (FBH) businesses by combining trend analysis and interpretation, and customer segmentation data, to deliver clearly segmented, private label brands. DJ uses customer insights and segmentation to optimise their merchandise and brand assortment. In our Food businesses, food trends are interpreted to develop and improve current ranges and introduce innovative new products and cooking techniques. Dedicated product development and food technology teams work with suppliers to deliver best-in-class products.



SOURCING

Our supplier relationships are a key competitive advantage and we integrate closely with them.

Our scale in our Fashion, Beauty and Home businesses drives speed-to-market by sourcing the majority of our products sold in Australia from Asia and fast fashion products sold in South Africa from suppliers based in the SADC region.

Our Food businesses benefit from exclusive regional supplier relationships, particularly in our strategic categories.

Suppliers comply with our Supplier Codes of Conduct which manage both operating procedures and the Group's requirements for ethical sourcing, people, and environmental management to ensure we produce quality, safe products.



MERCHANDISING AND PLANNING

Well-entrenched business planning skills and expertise, supported by our merchandise processes and systems, deliver the right product at the right place at the right time.

Our integrated systems, which include customer insights, product information, and store data, ensure appropriate in-store catalogues. Most of our products are also merchandised on our websites.



CENTRALISED DISTRIBUTION AND REPLENISHMENT

A centralised distribution system delivers trustworthy, timely, and accurate online fulfilment and deliveries to stores.

Four distribution centres, three cross-dock facilities, and one outsourced FBH online fulfilment centre service all southern African operations. In Australia, we have one national Omni-channel Fulfilment Centre and one cross-dock facility.

Fashion, Beauty and Home products are regularly replenished to ensure availability and newness throughout the season. Optimised daily food delivery schedules, with strict cold chain disciplines, ensure that we maintain our food quality and maximise availability, while minimising waste.

Online orders are fulfilled from selected stores and a dedicated 'dark store' in South Africa, and from the Omni-channel Fulfilment Centre in Australia.

OUR PRODUCT PROPOSITION

Safe, quality, innovative products that are aspirational yet accessible and are responsibly sourced and conveniently available.



OUR TARGET CUSTOMERS

While we appeal to a broad range of customers, our main target market is the mid- to upper-income consumer in sub-Saharan Africa, Australia and New Zealand.

We have more than 15 million customers.



OUR CUSTOMER RELATIONSHIPS

Relationships are enabled by the insights we derive from our rich customer data, attractive loyalty programmes, and differentiated in-store experience, including assisted self-selection and specialised services.



CONNECTING WITH OUR CUSTOMERS

Customers expect to connect with us across multiple touch points seamlessly and conveniently.

We connect with them through multiple store formats across our 1 556 store locations, on our seven online shopping sites, and through compelling and increasingly personalised marketing campaigns and communications.

OUTPUTS

The direct outputs of our business activities are the fashion, beauty, home, and food products sold through our various channels. In all our business activities, we focus on responsible usage of our resources and driving synergies and efficiencies across the Group.

R75.2bn turnover

OUR STAKEHOLDERS

Sustainable relationships form the foundation of the Group's ability to create value in the short-, medium-, and long-term.

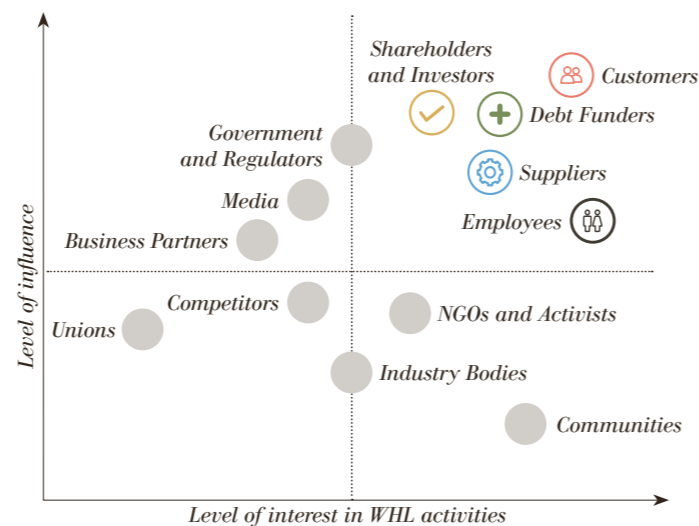
We believe that building strong stakeholder partnerships is key to building a more sustainable business and future.

We recognise that there is a broad range of stakeholders with an interest in the Group, its products, activities, and initiatives and on whom our business has an impact.

The WHL Group is committed to developing and sustaining quality, long-term relationships with all our key stakeholders. These relationships help foster an environment that helps us build on the growth and prosperity of our Group. Our philosophy is to engage authentically, openly and inclusively with our stakeholders. This allows us to better understand and benefit from their insights, concerns, and priorities, seek areas of potential partnership, mitigate risks to the business, and create mutual trust and respect. This is integral to the ongoing, daily management of the Group and key to identifying the material issues that have the potential

to significantly impact our performance and sustainability. We ensure our engagements are based around issues that are both salient for the business and aligned to national priorities, and that these engagements facilitate value creation so that they are beneficial to the Group and our stakeholders.

Our stakeholders, their interests and level of influence in the Group's operations will vary according to geographical location, business area, and the nature of their interest, and will impact our engagement with them. These relationships are depicted in the graph below and the manner, level and extent of our engagements are driven by their influence, interests, expectations, and concerns.



CUSTOMERS

Issues which are material to our customers are identified through daily interactions in our physical stores and our digital and social media platforms. Customer focus groups and surveys provide focused input to identify their requirements, interests, and concerns.

EMPLOYEES

Employee engagement occurs on a daily basis in the normal course of business, and formal one-on-one engagements are undertaken through biannual performance assessments, regular training, and career and personal development discussions. Business and strategy updates, roadshows, electronic staff communication, employment equity forums, and employee magazines keep employees informed on general business issues and priorities. Annual employee satisfaction surveys are a key tool for employees to voice their concerns and expectations.

THE WHL GROUP IS COMMITTED TO DEVELOPING AND SUSTAINING QUALITY, LONG-TERM RELATIONSHIPS WITH ALL OUR KEY STAKEHOLDERS

SHAREHOLDERS, INVESTORS, AND DEBT FUNDERS

We provide regular trading updates and notifications to our shareholders and debt funders, and address their key issues and concerns through announcements, presentations, and meetings. We interact with and receive feedback from investors, analysts, and debt funders by participating in broker-hosted conferences and roadshows, and through ongoing interactions including face-to-face meetings, telephone calls, and email correspondence. Further interaction with shareholders is facilitated at the Annual General Meeting.

SUPPLIERS

The interests and concerns of suppliers are identified in the normal course of business and at annual supplier conferences. Suppliers are expected to adhere to codes of conduct, which include our Good Business Journey principles. Regular reviews and assessments of suppliers are also conducted through supplier audits and supplier scorecards.

COMMUNITIES

We actively engage with members of the relevant communities and continue to deepen and expand our relationships with them, including government and regulators, industry bodies, and non-governmental organisations (NGOs). We share our own insights and concerns with them, and also gain invaluable information which allows the Group to mitigate risks and explore opportunities.

This programme of stakeholder engagement helps the Group better navigate through a complex regulatory, legislative, and political landscape, provides ongoing macro-environmental insights, develops goodwill ambassadors, and, ultimately, ensures our continued social licence to operate.

The Board is committed to stakeholder engagement with the interactions, monitoring, and implementation of stakeholder engagement being the responsibility of the respective management teams in the Group. The Social and Ethics Committee annually reviews the Group's self-assessment of stakeholder engagement.

We will continue to enhance and build on our stakeholder engagement function by focusing on developing those relationships that have a material impact on the Group in the short-, medium-, and long-term.

VALUE CREATION FOR OUR STAKEHOLDERS

● WSA ● CRG ● DJ

OUR STAKEHOLDERS	THE NEEDS, EXPECTATIONS, AND CONCERNS OF OUR STAKEHOLDERS AND HOW WE CREATE VALUE FOR THEM	HOW WE MEASURE STAKEHOLDER VALUE	CURRENT YEAR IMPACT ON RESOURCES	OUTCOMES OF OUR VALUE CREATION IN THE CURRENT YEAR
 <p>CUSTOMERS</p> <p>Customers are our largest stakeholder base and their purchases are the main source of revenue we earn. We have in excess of 11 million customers in Africa and 4 million in Australia and New Zealand.</p>	<ul style="list-style-type: none"> Quality, appealing, safe, innovative and responsibly sourced products that are readily and conveniently available, at great value and with excellent service Opportunities to give back to their communities Access to responsible and affordable credit 	<ul style="list-style-type: none"> % revenue tracked on loyalty cards % of products with a sustainability attribute Contribution to the MySchool MyVilage MyPlanet programme % credit sales 	<p>STAKEHOLDERS ↑</p> <p>CHANNELS ↑</p> <p>NATURAL ↓</p>	<p>Sales tracked on loyalty cards: 76%</p> <p>Sales in South Africa made on in-store cards and credit cards: 15.1%</p> <p>Sales made on credit at David Jones: 15.3%</p> <p>Products that have a sustainability attribute:</p> <ul style="list-style-type: none"> 83% WSA Food products 68% WSA FBH products 55% CRG products 29% DJ products <p>R80 million contributed to the MySchool MyVilage MyPlanet programme</p>
 <p>EMPLOYEES</p> <p>It is through the dedication, talent, and knowledge of our 32 473 employees in Africa and 13 626 employees in Australia and New Zealand that our business exists and creates value.</p>	<ul style="list-style-type: none"> Fair and responsible remuneration Additional employment opportunities as the Group grows Recognition of diversity, both gender and race, through equal work for equal pay Continued training and development, enabling a more specialised and knowledgeable workforce 	<ul style="list-style-type: none"> Guaranteed pay and related benefits Employee satisfaction results Training and development investment BBBEE level 	<p>PEOPLE ↑</p> <p>KNOW-HOW ↑</p>	<p>% positive response in WSA to employee engagement survey: 74%</p> <p>R10.5BN guaranteed pay and related benefits</p> <p>Training and development investment of R110 million in South Africa and A\$3.7 million in Australia</p> <p>COMPLIANCE WITH BBBEE IN SOUTH AFRICA, WITH A SCORE OF LEVEL 6</p>
 <p>SHAREHOLDERS</p> <p>We have a diverse shareholder base with 61 284 shareholders of whom 91% are public, 9% are non-public, and 38% are based offshore.</p>	<ul style="list-style-type: none"> A consistent return on their investment Regular dividend income Management of the business in a responsible manner to ensure sustainability in the short-, medium-, and long-term Good corporate citizenship 	<ul style="list-style-type: none"> Dividend payment 	<p>FINANCIAL ↓</p>	 <p>R2.8BN CASH DIVIDEND PAID</p>

RESOURCES
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WITH OUR VISION TO BE ONE OF THE WORLD'S MOST RESPONSIBLE RETAILERS, WE ACKNOWLEDGE THE IMPORTANCE OF STAKEHOLDER RELATIONSHIPS

● WSA ● CRG ● DJ

OUR STAKEHOLDERS	THE NEEDS, EXPECTATIONS, AND CONCERNS OF OUR STAKEHOLDERS AND HOW WE CREATE VALUE FOR THEM	HOW WE MEASURE STAKEHOLDER VALUE	CURRENT YEAR IMPACT ON RESOURCES	OUTCOMES OF OUR VALUE CREATION IN THE CURRENT YEAR
<p>DEBT FUNDERS</p> <p>With R13.9 billion of interest-bearing borrowings, our debt funders are a major source of capital to the Group.</p>	<ul style="list-style-type: none"> Adequate funding to meet financial obligations and business objectives Active management of the level of debt in addition to managing liquidity, refinancing, interest rate, and counterparty risks Regular interest payments 	<ul style="list-style-type: none"> Appropriate capital structure and risk management Regular interest payments 	<p>FINANCIAL</p>	<p>R1.1BN INTEREST PAID</p> 
<p>SUPPLIERS</p> <p>We have over 500 Fashion, Beauty and Home direct suppliers and over 900 Food direct suppliers. Our strong relationships with our supplier base are a key competitive advantage for the Group.</p>	<ul style="list-style-type: none"> Fair and ethical sourcing of key commodities and products Development, manufacture, and provision of safe, quality products Assistance provided to suppliers to positively contribute towards the environment and communities in which they operate with various sustainability initiatives Support small enterprise development suppliers with a regular source of income by sourcing products from them 	<ul style="list-style-type: none"> Compliance with internal codes of conduct Number of participants in initiatives which reduce our environmental footprint and support small enterprise development suppliers 	<p>STAKEHOLDERS</p> <p>KNOW-HOW</p> <p>NATURAL</p>	<p>Woolworths FBH supplier compliance with Woolworths Code of Business Principles 94%</p> <p>David Jones private label suppliers signed Supplier Code of Conduct 94%</p> <p>CRG supplier compliance with Code of Labour Practice 97%</p> <p>>450 primary and secondary suppliers participating in WSA Farming for the Future programme</p> <p>49 small enterprise development suppliers in WSA R51.9 BILLION paid to suppliers of goods and services</p>
<p>COMMUNITIES AND OTHER</p> <p>With our vision to be one of the world's most responsible retailers, we acknowledge the importance of our relationships with the communities in which we operate, government and regulators, industry bodies, NGOs and activists</p>	<ul style="list-style-type: none"> Tax payments and capital investments in the countries in which we operate Enrichment of the lives of those less privileged members of the community, and specifically in South Africa, supporting the need to address the transformation of the previously disadvantaged Active management of the environmental footprint of all our direct and indirect business operations - specifically energy and water usages of our own business and those in the downstream supply chain 	<ul style="list-style-type: none"> Taxes paid Capital investment Social contribution Water and energy savings 	<p>STAKEHOLDERS</p> <p>CHANNELS</p> <p>NATURAL</p>	<p>SUB-SAHARAN AFRICA</p> <p>R876 MILLION taxes paid</p> <p>R1.1 BILLION capital investments</p> <p>AUSTRALIA AND NEW ZEALAND</p> <p>A\$13 MILLION taxes paid</p> <p>A\$150 MILLION capital investments</p> <p>R817m raised and distributed for social development causes across the Group</p> <p>Savings of R221 million from our Good Business Journey in the year*</p>

RESOURCES
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*Estimated for WSA relative to 2007

MATERIAL ISSUES, RISKS, AND OPPORTUNITIES

We have identified material issues as those items that have the potential to significantly impact the performance and sustainability of the Group. Material interests, expectations, and concerns of our stakeholders most likely to influence the Group's ability to create sustainable shareholder value, form the primary basis for the determination of material issues.

IDENTIFICATION OF MATERIAL ISSUES

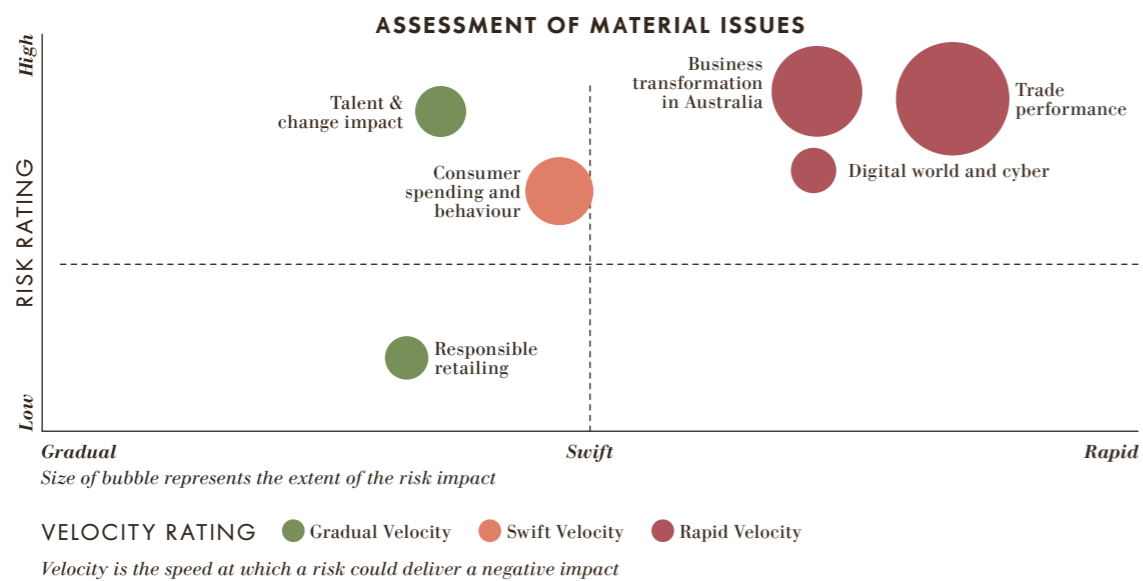
The Board and management recognise that risk management, our business model, the interests of key stakeholders, and our engagement with our stakeholders, our use of and interaction with the six resources, and the macroeconomic environment in which we operate, form a part of the material issues identification process and inform Group strategy.

Our risk profile continues to evolve as we transform our business and, while our material risks and uncertainties remain largely consistent, we have refined these to ensure that they remain relevant and reflect the changing landscape and current trading reality. The material issues are informed by the top strategic risks identified for the Group.

The Board is satisfied with management's process of determining material issues, risks, and opportunities and that the risk process is effective in continuously identifying and evaluating risks and opportunities, and ensuring that these risks are managed in line with business strategy.

The Risk and Compliance Committee reviews the key risks of the Group and evaluates each issue in the context of the possible impact to the business and stakeholders; opportunities that may be present; suitability and effectiveness of risk mitigations and future actions; and total risk exposure in relation to the Group's risk appetite and tolerance.

The graph below illustrates the level of residual risk for each material issue, the extent of the potential risk impact, and the rate at which the material issue could impact value creation.



1

TRADE PERFORMANCE

Group performance has been negatively impacted by the costs and disruption from transformational initiatives in David Jones and poor performance in our fashion business in South Africa. This was exacerbated by challenging economic and trading conditions in both markets.

SOUTH AFRICA

Political uncertainty and low economic growth impacted negatively on consumer confidence in the first half of the year. The change in political leadership has yet to translate into economic growth and, despite the initial improved consumer confidence experienced in the second half of the year, discretionary spending remains under pressure from high unemployment and higher costs of living.

AUSTRALIA

Both cyclical and structural factors heavily impacted the Australian retail sector. Despite historically low interest rates and stronger job growth, consumers' spending continues to be suppressed by high levels of indebtedness, a cooling housing market, low wage growth, and rising non-discretionary costs. Customers are also increasingly shopping online, leading to reduced footfall in shopping centres. However, on the back of more supportive economic conditions and a strengthening labour market, economic growth is expected to gradually improve.

In both South Africa and Australia, intensifying competition, heightened promotional activity, and the growing trend towards online shopping, have made it increasingly difficult for retailers to differentiate themselves, and has increased customer demand for both competitively priced items and high fashion merchandise.

Our risks

- Macro and socio-political risks negatively impact consumer spending and the Group's profitability
- Negative customer perceptions of product, price, and value
- Poor execution of fashionability, quality, fit, and finish in Fashion
- Aggressive competition and heightened promotional activity
- Uncontained cost growth, leading to negative operating leverage

Risk mitigation

- Obtain regular input from economic and political experts to use in budgeting and forecasting processes, including financial and product plans
- Focus on building processes, people, and capacity to deliver safe, quality, innovative products that are responsibly sourced, conveniently available, and competitively priced
- Implement clear pricing strategies, informed by competitor benchmarking
- Continue to drive innovation and quality throughout the businesses to deliver differentiated products
- Optimise customer insights to enhance and support product decisions
- Restructure the Woolworths Fashion, Beauty and Home business to facilitate a design-led approach and increased speed to market
- Focus on managing margins and expenses, driving efficiencies and creating flexibility in how we operate across the business

Our opportunities

- Continue to focus on mid- to upper-income customers whose spending is more resilient during challenging economic times
- Leverage common seasonality, scale, and global sourcing opportunities to enhance margins and drive synergies and efficiencies across the Group
- Use transformational initiatives in Australia to re-engineer processes and standardise applications to drive productivity and efficiencies

Strategic focus areas to mitigate risks and maximise opportunities



2

BUSINESS TRANSFORMATION IN AUSTRALIA

There are numerous transformational initiatives and strategies in David Jones, including those aimed towards integrating the businesses in Australia to drive Group profitability.

David Jones experienced significant change during the current year, including the implementation of new merchandise and finance systems, the re-platforming of its online systems, the launch of the new food initiative, and the move of its head office from Sydney to Melbourne. It is critical to leverage the benefits of these initiatives, and successfully execute the initiatives which are still in progress, such as the refurbishment of the flagship Elizabeth Street store, driving brand exclusivity and private label performance, and introducing a new loyalty programme in David Jones.

Across Australia, we need to focus on improving profitability by maintaining an absolute focus on cost control and improving trading densities by closing unprofitable space.



David Jones, Sydney

Our risks

- Inability to unlock business transformation and synergistic benefits
- Trading performance negatively impacted by management's focus on transformational initiatives
- Additional costs, business and trade disruptions resulting from new systems and processes, the refurbishment of the Elizabeth Street store, the relocation to the new head office facility, and other transformational initiatives

Risk mitigation

- Steering committees continue to monitor milestones, risks, issues, and deliverables of the transformational initiatives and implement change management strategies
- Undertake regular core project governance and planning forums with defined governance and planning structures for transformational initiatives
- Focus on driving synergies and efficiencies from the new Australian head office
- Maintain an absolute focus on cost control to reduce combined operating costs in Australia, unlocking efficiencies in supply chain, non-trade procurement, facilities management, and discretionary costs

Our opportunities

- Leverage core skills across the Group to ensure integration and transfer of knowledge

Strategic focus areas to mitigate risks and maximise opportunities



3

CONSUMER SPENDING AND BEHAVIOUR

The global face of retail continues to evolve rapidly, with footfall in malls declining and online shopping, particularly via mobile devices, experiencing higher growth than in-store shopping.

Online shopping has created more price-savvy consumers who expect the in-store experience to add value, be relevant, personalised, and entertaining, while experiencing an efficient and effective online shopping alternative.

Mobile and related technologies are enabling consumers to interact with each other and with global retailers directly. This affects every part of the customer journey – from researching products and prices before purchase, to post-purchase feedback.

Along with the rise in online shopping, customers are also increasingly directing their spending towards entertainment, travel, convenience, and leisure activities.

Our risks

- Unable to provide our customers with a compelling digital offering
- Connected retail experience, particularly mobile, does not meet customer expectations
- Products do not meet customer expectations
- Failure to balance spend between physical stores and online, aligned to consumer behaviour
- Unable to deliver returns from existing real estate investments

Risk mitigation

- Deliver a connected retail experience, connecting our customers consistently and seamlessly across multiple channels
- Continue to improve on customer experience and integrated customer-facing technology, particularly mobile
- Invest in talent, platforms, and systems to ensure that online capabilities are continually improved and future-fit
- Drive more personalised interactions with our customers through loyalty tools
- Use customer data and insights to inform our business decisions, including product decisions
- Continue to build our design and sourcing processes, people, and capacity to deliver brands which are more design-led and fashion relevant
- Balance real estate and online growth, optimising the store portfolio investment

Our opportunities

- Leverage customer data and analytics from loyalty programmes to inform all our business decisions to deliver to customers' wants, needs, and expectations
- Constantly refresh and enhance our strong social media presence in South Africa and Australia
- Leverage Group scale in real estate negotiations

Strategic focus areas to mitigate risks and maximise opportunities



4

DIGITAL WORLD AND CYBER

The rapid advancement and ubiquitous nature of technology not only impacts our customers and our interactions with them, but all aspects of our business.

Customers are embracing technology, particularly mobile and social media, impacting how retailers communicate and transact with them across all channels.

Effective systems and processes and common IT platforms are critical in reducing costs, increasing flexibility, and driving efficiency and productivity.

There is also an increased threat of cyber-attacks and compromised infrastructure and data security.



Our risks

- Inability to deliver IT requirements to support the growth of the business
- Impact of technology disruption and change
- Cyber-attacks, IT infrastructure disruptions and data loss, including protection of sensitive data
- Heightened cyber security disclosure requirements, increasing the potential financial and reputational impact of breaches

Risk mitigation

- Develop an operating model that supports a digitally focused IT strategy, with a focus on customer-facing technology, particularly online and mobile
- Perform periodic testing through internal audit departments
- Continue to review innovative and disruptive technology trends within the global retail landscape which support transformational business capabilities
- Use 24/7 monitoring and defence tools managed by a dedicated head of cyber security and a team of cyber security experts and analysts
- Focus on information management and security through a dedicated IT governance work stream

Our opportunities

- Continue to mature our Group cyber security capability in line with the evolving threat landscape, protecting the Group from security threats and business interruptions
- Establish and implement consistent IT platforms, services, and processes across the Group

Strategic focus areas to mitigate risks and maximise opportunities



5

TALENT AND CHANGE IMPACT

Attracting and retaining skilled employees is critical to delivering our strategy, and remains a challenge as competition for talent continues to intensify, with targeted recruitment and poaching of core talent by local and international retailers offering above-market-related salaries.

Significant focus is being placed on the extent of change in Australia, including the relocation of David Jones and Country Road Group to the new head office in Melbourne, as this impacts staff productivity, capacity, and the effective transfer of knowledge, skills, and expertise.



Woolworths SA, head office

Our risks

- Failure to attract and retain retail talent
- Failure to effectively drive organisational change management and culture

Risk mitigation

- Target recruitment to strengthen capabilities of our teams, particularly senior management, across the Group
- Continue to review the Employee Value Proposition (EVP) to ensure that it is competitive and market-related, and balanced between remuneration (financial rewards) and non-financial rewards to deliver a high performance culture
- Perform ongoing reviews of succession planning initiatives and retention strategies and mechanisms to develop and retain key talent
- Focus on organisational change management
- Strengthen talent management through accredited training programmes for staff and senior leadership development programmes

Our opportunities

- Design and leverage our Employee Value Proposition (EVP) to attract, inspire, engage, retain, and motivate the right diverse leadership and talent required to deliver to the strategy
- Leverage talent management structures and processes and our broader Group talent pool, to allow for additional development and secondment opportunities



Strategic focus areas to mitigate risks and maximise opportunities

6

RESPONSIBLE RETAILING

Retailers continue to experience a significant change in mindset among consumers, that doing business is no longer only about profit, but also about creating shared value and meeting responsibilities to contribute to economic development and give back to communities and the environment. Being a responsible retailer has become an expectation.

Climate change remains a concern for both the Group and our stakeholders, particularly our suppliers and our customers. Water shortages in South Africa, specifically in the Western Cape, place pressure on input costs in the short-term, with prolonged and severe shortages negatively impacting consumers and economic growth in the longer term. Additionally, consumers are increasingly concerned about food safety, security, and sourcing.

We have a further obligation to transform our operations in line with legislation, particularly in South Africa, where we need to align to the BBBEE Codes of Good Practice.



Woolworths SA, Mall of Africa

Our risks

- Failure to maintain quality, ethical, and sustainability leadership position, resulting in the loss of competitive advantage and brand deterioration
- Compromised product safety and traceability
- Scarcity of supply and increasing cost of natural resources (especially water and energy) impacting our operations and supply chain
- Failure to transform our business in line with the country's transformation objectives
- Non-compliance with regulatory requirements

Risk mitigation

- Entrench an integrated quality approach in all businesses, including technical innovation, governance, and compliance
- Continue to focus on our revised GBJ targets and commitments
- Continue to monitor regulatory changes, annual independent BBBEE verification, and submission of compliance reports
- Forge external partnerships to augment transformation efforts in each of the BBBEE scorecard categories, in order to achieve creative and sustainable strategies

Our opportunities

- Expand the GBJ principles and initiatives throughout the Group
- Deliver on commitment to achieve zero packaging waste to landfill
- Build and adapt our transformation strategy to align to legislation



Strategic focus areas to mitigate risks and maximise opportunities

OUR STRATEGY

We have six strategic focuses that we drive at a Group level which respond to the material issues identified and the associated risks and opportunities. Our strategies will deliver future-fit businesses that return long-term profit growth and create sustainable value for all our stakeholders. The six strategic pillars and focus areas are summarised below and detailed further in the Company Reviews.



build stronger MORE PROFITABLE CUSTOMER RELATIONSHIPS

Our customer insights and data drive and inform all our business decisions as we become a more customer-obsessed Group. To build on this, we continue to enhance our loyalty proposition and offer our customers a connected retail experience.

HOW WE WILL ACHIEVE THIS

- Deepen our understanding of our customers
- Lead the market in customer loyalty and increase membership, retention, and spend
- Leverage a 'single view of the customer' through our combined customer databases, enabling customers to be recognised in real time, with delivery of personalised, seamless service across all our channels
- Embed customer insights and analytics across the Group as a core competency
- Implement loyalty programmes for David Jones and Politix



towards CONNECTED RETAIL

We focus on offering our customers inspiring, engaging, and relevant digital and in-store journeys, helping our staff deliver a consistent, brand-aligned customer experience and connecting our customers seamlessly from our physical stores to our digital platforms and vice versa.

HOW WE WILL ACHIEVE THIS

- Define the ideal customer experience by format, channel, and services
- Drive online sales by leveraging our world-class systems and online platforms and continuing to build our digital channels, with an increasing focus on mobile commerce
- Optimise our real estate portfolios, balancing physical store growth with the future demand for online
- Digitally transform stores, improving connectivity to enable staff and customers to engage seamlessly across all channels
- Refurbish our flagship Elizabeth Street store in Sydney, Australia, to create a world-class department store



be a LEADING FASHION RETAILER IN THE SOUTHERN HEMISPHERE

We differentiate ourselves on quality fashion that is relevant to our customers through clearly segmented, design-led, quality ranges and innovation.

HOW WE WILL ACHIEVE THIS

- Continue to differentiate products that lead the market in quality, innovation, and sustainability, through a world-class supplier base
- Build fashion credibility and performance by delivering differentiated, design-led private label brands
- Provide customers with their most desired brands in David Jones, grow and protect exclusive brands, and actively manage concessions
- Establish beautiful basics as the cornerstone and first building blocks of all our ranges
- Strengthen our value proposition
- Optimise and leverage world-class merchandise planning and finance systems, allowing for better buying and planning decisions
- Continue to build our Beauty business as a destination
- Offer the right product, at the right time, at the right place



become a BIG FOOD BUSINESS WITH A DIFFERENCE

We are focused on providing our customers with consistent superior quality, flavour, safe, and innovative food at great value.

HOW WE WILL ACHIEVE THIS

- Entrench our food authority credentials through freshness, quality, flavour, and innovation
- Offer our customers a comprehensive but edited range of most-wanted and needed items and inspiring meal solutions for every shopping occasion
- Maintain our strong private label offering with carefully chosen third-party brands that complement our ranges
- Deliver great value, balancing price with quality, innovation, and sustainability attributes
- Entrench an integrated quality approach, including technical innovation, governance, and compliance, to ensure the quality and safety of our products
- Develop and grow supplier partnerships and utilise these partnerships to differentiate our offering
- Provide convenience in product, format, and channel
- Continue to trial, test, and evaluate Food store formats and offerings in the Australian market



drive SYNERGIES AND EFFICIENCIES ACROSS THE GROUP

We leverage our Group scale across the southern hemisphere, particularly within Australia. Through ongoing integration across business operations, we will drive efficiencies and maintain an absolute focus on cost control, adding significantly to Group profitability.

HOW WE WILL ACHIEVE THIS

- Refine our operating model and improve our processes, allowing for organisational effectiveness and dramatically reduced costs of doing business
- Drive synergies and efficiencies from the co-location of David Jones and Country Road Group at the new Australian head office in Melbourne
- Leverage Group scale in real estate negotiations and decisions
- Enhance margins through Group sourcing
- Leverage and invest in distribution capacity and capabilities to support growth
- Embed a mindset of continuous improvement in productivity and ongoing cost optimisation



embed THE GOOD BUSINESS JOURNEY THROUGHOUT THE BUSINESS

Our Good Business Journey is our plan to make a difference for our people, in our communities, and for our environment. It encompasses the issues which matter most to our stakeholders and also enables a consistent approach to managing sustainability issues across our global supply chain. Our Good Business Journey facilitates us in achieving our vision to be one of the world's most responsible retailers.

HOW WE WILL ACHIEVE THIS

- Focus on transformation and diversity among our own employees and within our supply chain
- Contribute to social development to build a better future for our communities
- Promote the health and wellness of our customers and our people
- Uphold high social, ethical, and environmental standards in sourcing our products
- Focus on sustainable farming and sourcing of raw materials
- Reduce waste across our business and help customers to do the same
- Reduce water consumption to manage scarce water resources
- Improve energy efficiency

USEFUL LINKS

More about companies' strategies

[Woolworths](#)







[David Jones](#)

[Country Road Group](#)

MEASURING PERFORMANCE AGAINST OUR STRATEGY

Our long-term success depends on our ability to use our resources to implement the Group's strategy, achieving our targets for each strategic focus areas, and thereby creating value for all our stakeholders.

PERFORMANCE INDICATORS OF OUR STRATEGY AGAINST TARGETS

		2018		
		WSA	DJ	CRG
 CUSTOMER RELATIONSHIPS	Number of active customers*	3.4m ●	3.2m ●	2.1m ●
	% revenue tracked on loyalty cards	76% ●	▨	85% ●
 CONNECTED RETAIL	Growth in online sales	33.8% ●	21.4% ●	20.8% ●
	% online sales	0.7% ●	5.3% ●	18.0% ●
	Net new space	2.5% ●	0.1% ●	2.5% ●
 LEADING FASHION RETAILER	Sales	-1.5% ●	-0.9% ●	1.7% ●
	Comparable sales growth	-4.1% ●	-0.4% ●	-1.8% ●
	Gross profit margin	46.7% ●	37.1% ●	62.8% ●
	Return on sales %	12.5% ●	3.8% ●	9.6% ●
	Market share (12mma)**	▨	Increased ●	Increased ●
 BIG FOOD BUSINESS	Sales	8.4% ●	▨	▨
	Comparable sales growth	4.8% ●	▨	▨
	Price movement	3.2% ●	▨	▨
	Gross profit margin	25.0% ●	▨	▨
	Return on sales %	7.4% ●	▨	▨
 DRIVE SYNERGIES	Market share (12mma)**	Increased ●	▨	▨
	Cost to sell %	23.5% ●	34.9% ●	53.2% ●
 EMBED GBJ	% targets achieved on sustainability scorecard***	89.0% ●	62.0% ●	83.0% ●

* For David Jones, this represents the number of customers for whom we have collected email addresses
 ** WSA FBH market share unavailable; as per Quantum Research for DJ and CRG; as per Nielsen for WSA Food
 *** David Jones score impacted by head office relocation to Melbourne



Witchery, Summer 2018

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QUICK ACCESS TO SECTIONS



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OUR CHAIRMAN'S REPORT

The year ending 2018 has been a difficult one for the Woolworths Holdings Group. Our businesses in Australia and South Africa have, for the most part, not performed to our expectations. The impairment to the carrying value of David Jones has been costly and unwelcome. It is a reflection of a difficult industry and department store sector, and the depth of the challenges, some underestimated, that we have faced in re-engineering and repositioning this business.



TRADING

Both our major markets have remained difficult. Consumer spending has been constrained – but in each geography, wherever we have been able to differentiate ourselves, our sales have grown, and we have done well.

AUSTRALIA

Here, we have been implementing the largest change programme that the Group has yet experienced.

We have introduced new systems, launched a food business, moved offices, created shared services and made a number of leadership and structural changes – more recently removing a further layer of overhead across the region.

The biggest impact of this has been on our largest challenge - David Jones itself. Here our overheads were just too high, and our inherited systems just too out of date, for a modern business.

David Jones is now in a new home, has new leadership, and a suite of modern systems which it sorely lacked. It

has also embarked on a programme of reducing surplus footage and at the same time considerably improving its online capabilities. More importantly, like for like sales seem now to be stabilising.

The refurbishment of our flagship Elizabeth Street store in Sydney is on track. This will deliver one of the most exciting department stores in the world. Our suburban stores, too, will be steadily upgraded over the coming years but here both footage and capex will be restricted.

The David Jones Food trial is getting good customer response – particularly in its simplest format in Malvern in Melbourne. The demand there is largely for perishable and David Jones private-label products. It is driving the



halo effect on non-foods that we have been seeking. This is much like the Woolies South Africa experience. This business has some way to go to reach profitability, but by the end of this year, we will be able to see more clearly the real potential of this important initiative.

The Country Road Group (CRG) has had a mixed year. Most of our brands have been performing well ahead of the market but Country Road itself, the biggest brand, particularly in womenswear, has been off the mark and has not delivered. Here, too, we have made leadership changes to correct this. We now have a strong team of merchant

leaders and expect positive growth. Buying discipline, too, has been tightened up. This will enable us to be less drawn into the promotional behaviour that dominates so much of our competitors' activity.

CRG is leading the Woolworths Group in online sales. We are fast approaching our medium-term target of 20% of sales online.

CRG, too, will be moving to the new Regional Head Office site during this year. This brings all our Australian head office operations together.



SOUTH AFRICA

Woolworths South Africa has had a tale of two parts. Our Food business has continued to outperform the market. Here we have been clearly differentiated. We have understood better than in previous recessions, our customers' expectations – particularly on everyday product pricing and in the breadth of range. This has enabled us to continue growing our fresh, perishable and value-added offers, despite ever greater competition. On top of this, better availability, continuous innovation and now falling inflation, have helped us grow volumes and trade ahead of the market.

Our Fashion and Home business has not performed. With hindsight, our ranges had become complex and proliferated and the core values of our business: a simple offer, easy to shop and of good quality, good taste and value for money, were missing in many areas, all confusing for our customers. As a result, our market share has suffered.

The teams are now clear about what we should stand for in our customers' eyes. Changes to the ranges have started to happen.

We have, during the past year, invested heavily in our Beauty business. This is performing well. We have rolled out the major brands to 34 stores and are seeing significant market share gains.

Woolworths Financial Services continues to be a steady driver of both extra sales to the South African business and of profit for the Group. It delivers a good and growing return on investment. Woolworths and ABSA together have managed this book tightly, yet kept it growing. There are a number of legislative changes protecting the consumer being effected. We support these and have designed our business model with them in mind.

OUR BOARD

There have been a number of changes to the Board over the year. We are delighted to welcome Siza Mzimela as a Non-executive Director. Siza will bring an entrepreneurial spirit and much experience in broader South African issues to the Board. We look forward to her making a major contribution to our thinking. Late in the year we regrettably said goodbye to two of our directors. John Dixon has left the group as a result of the restructure in Australia. We thank John for his contribution in bringing the Australian businesses together and in setting in place the processes to re-engineer, in particular David Jones, into a modern department store business. Stuart Rose, after

eight years on our Board, has decided to move on. We will sorely miss his wise counsel and his deep retail skills. We also said goodbye to Peter Bacon who retired at our last Annual General Meeting. His contribution to the Board has been invaluable and the Board expresses its gratitude to Peter for his wisdom and contribution during his tenure.

Woolworths has always prided itself on a strong and diverse Board. We will continue this journey and ensure that this diversity is both relevant and strong for both our major geographies and our rapidly changing retail industry.

VALUES

As always, the values of the business underpin all that we do. Our teams have been on an on-going programme to roll out the values through the organisation. As more of our leadership, particularly our buying leadership, deeply internalises this value system, so it will give guidance as to what is needed to create the right product offering for our customers. Even as their world moves online and their lifestyle rapidly evolves, what they seek from us will always, in essence, remain the same - products that are beautiful, trustworthy and fully available in a simple shopping experience whilst offering real value for money.

From our values has come our Good Business Journey. This has led us to take a leading stance on both community and environmental issues. We recently announced that all Woolies packaging in South Africa would be reusable or recyclable by 2022.

Each business plays an ever more meaningful role in the communities in which they operate - from MySchool in South Africa to Redkite and Ovarian Cancer Awareness in Australia.

Our South African emerging black supplier programme is a leader in its class. We take much pride in our efforts to grow these entities to be sustainable and meaningful contributors to the Woolworths' value chain. Seasons Find grew from a garage operation five years ago to a fully-fledged t-shirts factory with a throughput of 1.2 million t-shirts per annum for Woolworths. Takalani Security Holdings started with eight employees, and two years later, two hundred and eight new jobs were created in this entity as a direct result of the Woolworths account.

We are active supporters of the YES (Youth Employment Service) Campaign targeted to provide thousands of young unemployed interns to build their experience base for future employment.

OUR ECONOMIC WORLDS

Trading in these two large regions of the southern hemisphere continues to offer both contrast and opportunity.

Australia remains stable with a growing economy. It has a tradition of effective government and offers real opportunity for the future. It is highly competitive as a market and attracts the world's top players trading against us and each other.

As we have seen – we need to be at our best to compete here. The work we are doing on each of our business units is targeted to do just that.

In South Africa, the consumer is under serious pressure. The last seven or eight years of national mismanagement have taken a heavy toll. The change of leadership in the ruling party, however, brings some hope back to the nation. It is encouraging to see the efforts being made to shut down corruption and to hold more and more of those responsible to account. The rot throughout government, though, is deep. It will take great courage for our new leadership to stand its ground and to root out the remaining beneficiaries of the Zuma cabal.

We believe that progress will be made and will continue to support initiatives that further enable us to build an inclusive and growing nation.

Government will, however, need to be far more circumspect in stopping itself from continuously introducing populist fixes that are guaranteed to fail, and to further weaken the economy, putting even more people out of work.

The land issue is likely to have severe negative impacts. Land is a highly emotional subject that will struggle ever to be fully

and fairly resolved. It has become a proxy for the real issue – jobs. As currently proposed, it threatens property rights, which deeply hurts confidence in both economy (and therefore jobs) and, of course, food production.

Evidence to date is that even the current reforms have done little to create either work or food. We should rather be strengthening property rights, particularly in the townships and the rural areas, thereby putting real assets into the hands of the poor.

But the crucial issue for South Africa is jobs.

Much of our labour legislation is designed to protect those in work – not to create desperately needed jobs. It is labour legislation that restricts business – particularly small businesses – from growing, and does not help create a single job. Rather it condemns our growing number of young people to an undignified life without work.

SMMEs, unlike large corporations, cannot afford the restrictive red tape they continuously face. These should be the prime drivers of job creation in South Africa. They need to be freed up to grow.

We call for a national dialogue to relax labour legislation and to test the start-up and entrepreneurial spirit of our nation.

This could be tested in selected areas around the country and in selected industries. If we do not have the courage to make these changes, we will never stop the ever-growing, hopeless number of young jobless people in our nation.

Woolworths will be an active and constructive member of such a dialogue and looks forward to the urgent changes it needs to bring.

OUTLOOK

Our Group has much work to do to get back to real growth. We need to show that our investments in Australia are productive, growing, more online and increasingly profitable. We have been through an extended period of transformation and now need to deliver.

In South Africa, we need to keep our Food business trading well and to continue its very special story into the years to come. Our clothing business is undergoing a reset. It will return to what is meaningful and understandable to our more modern and discerning customers.

Our 46 000 staff, our many millions of customers, our investors and our suppliers jointly, are who we answer to.

These and the many other stakeholders that support, benefit from and help drive this business' growth rely on us to affect these changes.

The Board now sees a management team with new found energy prepared to deliver to these stakeholders into the future.



OUR GROUP CHIEF EXECUTIVE OFFICER'S REPORT

2018 was an extremely difficult year.

Significant costs and disruption from transformational initiatives in David Jones and poor performance in our fashion business in South Africa led to a result for the Group that is disappointing. This was exacerbated by challenging economic and trading conditions in both markets.

We have, however, made major strides in ensuring that our businesses are well prepared for the future.



WOOLWORTHS

South Africa experienced a turbulent year, with political uncertainty and low economic growth impacting negatively on consumer confidence. The change in ANC leadership and the replacement of Jacob Zuma with Cyril Ramaphosa as President, in December 2017, created an opportunity for constructive change in the country, although this has yet to translate into economic growth. Despite the improved consumer confidence in the second half of the year, discretionary spending continued to be impacted by unemployment, increased fuel and utility costs, and higher taxes, including a rise in the VAT rate from 14% to 15%.

Our Woolworths Fashion, Beauty and Home (FBH) business performed poorly, with sales 1.5% lower than in the previous year. The poor execution of our relaunched modern womenswear range under the sub-brand EDITION, failed to resonate with our core customer, and as a result, we lost

market share. It will take time to return to where it should be, but we have made numerous changes and strategic shifts to address the poor product execution we experienced in the current year, including separating our design and buying functions to enable us to be more design-led in our decision making, focusing on repositioning our beautiful basics business, and celebrating the Woolworths brand. We still have a business that is well positioned to succeed, with world-class customer data management, a highly efficient supply chain, and flexible, future-fit systems, and we are confident that with the changes we are implementing, we will once again offer our modern customer on-trend, stylish and quality fashion, anchored in beautiful value-for-money, key items.

We have continued to build our Beauty business as a destination category. Our customers can now shop the most-

wanted international brands at Woolworths, including Estée Lauder, Chanel, La Mer, Bobbi Brown, and Clinique. We will also continue to build on our strong private label business as we further enhance the in-store beauty experience.

Our Food business continued to outperform the market, with sales up 8.4% from the prior year. We have now outperformed the market consistently for over eight years and are focused on maintaining our leadership position, working closely with strategic suppliers to continue to offer the quality, value, innovation, and in-store experience that differentiate us

from other food retailers. We have understood our customers' expectations on price, with 'everyday low price' offerings and the breadth of range that enables us to continue growing our fresh, perishable, and value-add offers, despite ever greater competition. Better availability and now falling inflation have also helped us grow volume and trade ahead of the market.

Woolworths Financial Services continues to deliver strong results with solid book growth and well managed impairment charges.

DAVID JONES

Both cyclical and structural factors heavily impacted performance across the Australian retail sector. Although interest rates remain at historically low levels and the country enjoys near-full employment, consumer spending in Australia remains constrained by high levels of indebtedness, a cooling housing market, under-employment and low wage growth, and rising utility costs. Coupled with that, customers are increasingly shopping online, leading to reduced footfall in shopping centres.

These factors, and the resultant intense promotional activity in the market, weighed heavily on David Jones, particularly in the first half of the year, and led to a non-cash impairment charge of A\$712.5m, announced in January 2018.

But we must look to ourselves for the performance in the current year. We undertook significant change and experienced real disruption during the year which impacted trade and profitability, including the implementation of new merchandise and finance systems, the re-platforming of online systems, the launch of the new Food initiative, and the move of the head office from Sydney to Melbourne.

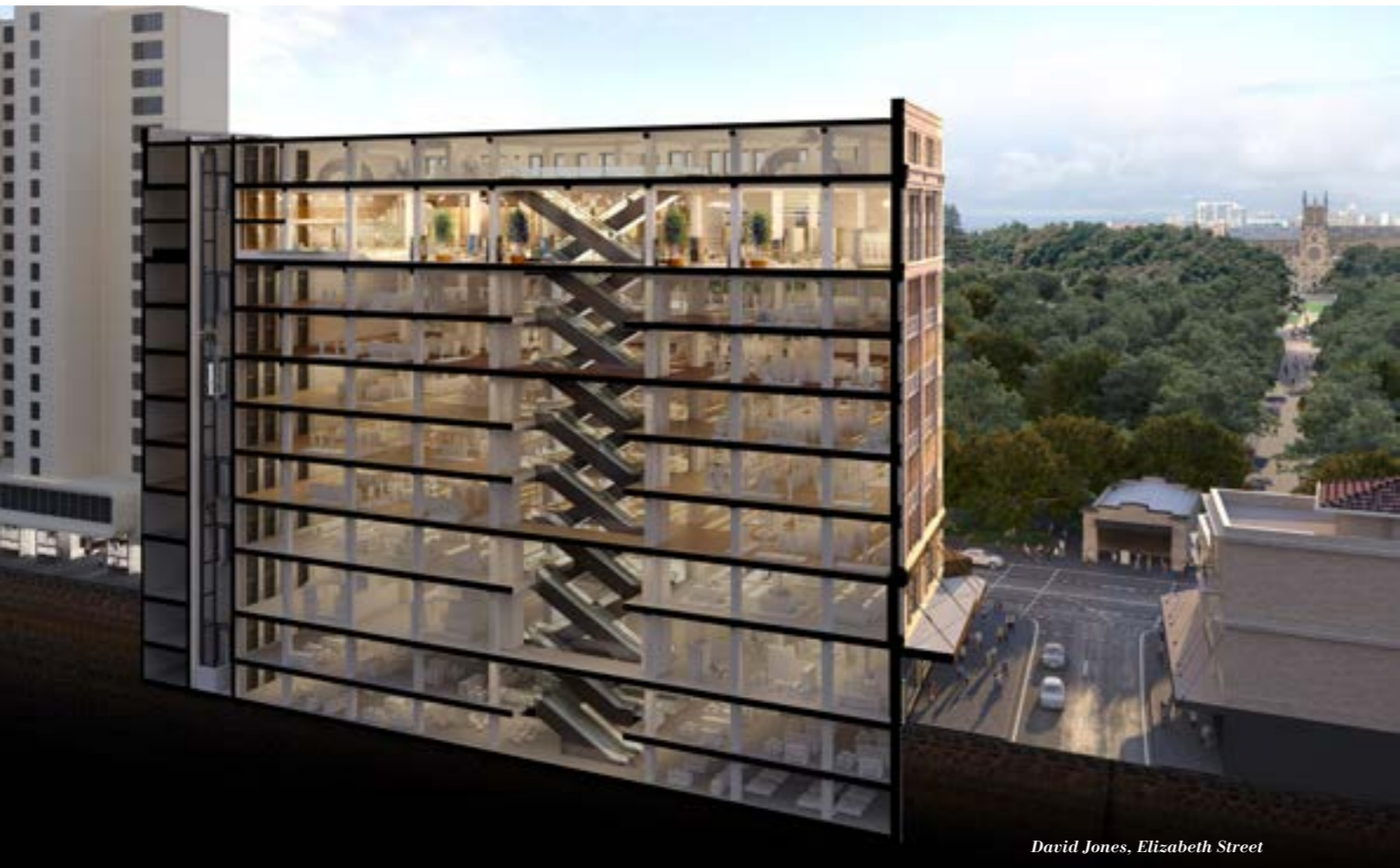
We are now focused on leveraging the benefits of these initiatives, further reducing and controlling costs, and executing the initiatives which are still in progress, to drive the Group's profitability in the future.

Although sales performance improved into the second half of the year, increasing by 2.2% in total and by 2.7% in comparable stores, overall full-year sales growth ended 0.9% lower than in the previous year and 0.4% lower in comparable stores.

The growth in online sales, which grew by 21% on the prior year and now accounts for over 5% of total sales, requires us to carefully manage our store portfolio in order to ensure that physical space productivity is optimised by opening new stores only where we are under-represented, and reducing and closing unproductive space. Net retail space grew by 0.1% during the year, with 4.2% new space and 4.1% of space reductions and store closures. We will further optimise our store portfolio with space reductions of up to 7% by 2021, offsetting new store openings.

One of the key transformational initiatives was the introduction of the new RMS merchandise management system. The new system provides us with a single, integrated view of inventory, enabling us to improve the management of inventory throughout the merchandise cycle. The implementation of these systems caused significant disruption in the current year. They are now bedding down and are providing the merchandise teams with a level of transparency that has not previously existed, allowing them to make better buying and planning decisions and actively trade the business.

Current year profitability was significantly impacted by the implementation of numerous transformational initiatives. We are now focused on leveraging the benefits of these initiatives



David Jones, Elizabeth Street

We made further system changes in David Jones by replacing the online system with a new platform that provides a faster and easier way to navigate, enhancing the customer experience by providing richer content and by being mobile-responsive. Since the re-platforming, online sales are now growing by over 50% on the prior year. We will ensure that the business continues to develop a future-fit digital capability with continued enhancements and supply chain improvements, to drive online sales contribution to at least 10% by 2020.

We have completed the relocation of the David Jones head office from Sydney to a new, purpose-designed regional campus in Melbourne, that will also accommodate Country Road Group. This move allowed us to complete an operational and strategic cost review, which resulted in a simplified Australian regional structure and the discontinuation of the Regional Chief Executive Officer role. The restructure resulted in savings of A\$20 million on an ongoing, annual basis. This, together with cost efficiencies identified in supply chain, non-trade procurement, facilities management and other discretionary costs, will reduce our cost of doing business. The synergies and efficiencies from our new regional head office and the continued absolute focus on cost control will drive profitability across the Group.

Profitability was further impacted by the refurbishment of the company's flagship Elizabeth Street store in Sydney following the disposal of the Market Street building, sold for A\$360 million in 2016. The A\$200 million refurbishment of this iconic building is now well underway. Our partners are also spending an additional A\$200 million in concession fit-outs, and, together, we will create a truly amazing retail experience. The 12-floor refurbishment includes the conversion of four floors currently used for storage and administration into valuable retail space offering product 'worlds' of womenswear, menswear, kidswear, homeware, beauty and accessories, and food. This includes opening a luxury 'Shoe Heaven' floor, in unique partnerships with prestigious brands such as Louis Vuitton, Chanel, and Gucci, and an immersive children's world, in partnership with Disney, by December 2018. We expect the remaining above-ground store experience to be completed by December 2019, with the opening of the below-ground food hall following in March 2020. The completed store will set a new benchmark in Australian and global retail as we bring together a unique combination of luxury fashion and gourmet food under one roof in the heart of Sydney's dynamic retail precinct, while maintaining David Jones' proud heritage.

Country Road Group has now assumed responsibility for the design of the David Jones private label collection. The new range was relaunched in March 2018 and repositioned to provide the classic David Jones customer with a quality and sophisticated wardrobe assortment. During the year, Country Road Group introduced a further 22 Politix concessions into David Jones stores with great success.

As part of our strategy of creating a differentiated department store experience, our key Group brands will become exclusive to David Jones. This includes our iconic Country Road, Mimco and Politix brands which will be offered exclusively to David Jones customers, joining Witchery, Trenergy and David Jones private label which have already been introduced as exclusive to David Jones. This will enable us to better control the customer experience with our brands and enable us to better position them within the increasingly competitive and promotionally driven market.

We are also building the portfolio of external brands that are exclusive to us, including Louis Vuitton, Chanel, Gucci, Givenchy, Disney, Scotch & Soda, Nautica, Loewe, Kenzo, Isabel Marant, Burberry Beauty and Louboutin Beauty, with

further exclusive arrangements with other brands expected in the future.

We have launched three trial Food formats during the year, and while we have received good customer response, particularly to our private label fresh and prepared products and our Malvern store, we have also learnt important lessons. We will implement these learnings as we continue to evaluate and refine our store designs, formats, and offerings according to customer profile, store size and location, drive cost efficiencies and improve waste.

Our Customer Relationship Management (CRM) programme, underpinned by the Salesforce system implemented in 2016, enables us to gain a better understanding of our customers and we will continue to develop the toolset to inform all our customer-based decisions. We are currently working to launch a loyalty programme for David Jones with new member reward benefits, a virtual card and regular, exclusive offers. This will attract new customers, drive up-selling and cross-selling opportunities, and optimise marketing spend and promotions through more targeted and direct communication.

COUNTRY ROAD GROUP

Country Road Group (CRG) also faced intense competitor and promotional activity in Australia, and while the Witchery, Mimco, and Politix brands delivered good sales growth, overall performance was impacted by the poor performance by Country Road womenswear. Sales increased by 1.7% for the year, but comparable store sales (which exclude the menswear brand Politix, acquired in November 2016) declined by 1.8%.

Online sales in CRG, now represent 18% of sales, with growth of 21%. We expect to drive online sales contribution to more than 20% by 2020. Despite the strong growth in online, customers still demand highly engaging and relevant in-store experiences. In the current year, we re-launched our Country Road flagship stores in Bondi Junction and Melbourne Central, and our Witchery flagship store at the Chadstone shopping centre. At the same time, we remain focused on rationalising our physical store footprint, exiting from unprofitable space to improve trading densities. Net

retail space grew by 2.5% during the year, largely due to the roll-out of Politix in David Jones stores, with space reduction of 7.0% from store closures in other brands. We expect reductions of up to 10% by 2020 as leases come to an end, with new stores adding 4% to the overall portfolio.

In July 2018, we appointed Elle Roseby as the new Managing Director for the Country Road brand. Elle has a wealth of Australian fashion experience, and we are confident that the brand's performance will improve as she re-invigorates the vision and product direction.

The Country Road Group, too, will be moving to the new Melbourne head office during this year, bringing all our Australian head office operations together. The regional head office and the new systems introduced in David Jones, which are now consistent across the Group, will enable us to finally deliver the synergies we set out to achieve on its acquisition.

THE RETAIL ENVIRONMENT IS GOING THROUGH UNPRECEDENTED LEVELS OF CHANGE DUE TO RAPID TECHNOLOGICAL DEVELOPMENTS AND AN INCREASINGLY DIGITALLY CONNECTED CUSTOMER

APPRECIATION

Our Group now employs more than 46 000 employees in 14 countries who deliver value to our millions of customers on a daily basis. I would like to thank them for their hard work and commitment even during these difficult times. I would also like to thank the Board for their guidance and support during the year, and the Group's management teams for their leadership and focus on driving delivery of our strategic objectives.

OUTLOOK

In South Africa, the change in political leadership has yet to translate into economic growth. Despite the initial improved consumer confidence experienced in the second half of the year, discretionary spending continued to be under pressure from high unemployment and higher costs of living.

In Woolworths Fashion, Beauty and Home, we have made a number of changes to structure, process and product offering to effect improvement in our womenswear ranges.

In David Jones, the head office move to Melbourne is complete, as are the significant systems implementations that began last year. We now look forward to optimising those systems, focusing on trading the business and improving the customer experience.

We have now also reduced our cost base by A\$25 million across Australia, largely through a restructure that took place in June.

THE FUTURE

The retail environment is going through unprecedented levels of change due to rapid technological developments and an increasingly digitally connected customer. It is also becoming increasingly apparent that retailers no longer have the loudest or most important voice – this now belongs to the customer. These trends will influence the products and services we provide, how we present and sell our products, and even the type of stores we build. Retailers will need to have increasingly active, transparent and personalised engagements with customers through tailored communication, products, services, rewards, and highly appealing in-store experiences.

Online sales and the customers' digital experience will continue to become more significant to their total retail experience. The physical store will remain a critical way in which we engage and connect with customers, but will need to be re-imagined to deliver unique in-store experiences with deliberate variations in formats and offerings to best meet the diverging needs of our customers.

What is clear is that retailers who do not offer a differentiated product and a digitally connected customer experience will become increasingly irrelevant.

We have clear strategies which address these trends. However, it is critical that we execute them well. Our focus for the coming year will be on actively trading the businesses while protecting profit through an absolute focus on cost control. At the same time, we will also focus on the critical areas which require strategic change, including the recovery of Woolworths FBH, stabilisation of systems in David Jones, the refurbishment of the David Jones Elizabeth Street store, refining the David Jones Food strategy, and maximising the online opportunity, particularly in the Australian market.

We remain confident that our strategies will deliver future-fit businesses capable of market share gains, long-term profitable growth, and return to sustainable value creation for all our stakeholders.



OUR GROUP FINANCE DIRECTOR'S REPORT

We remain committed to delivering on our strategies and are focused on shareholder returns through effective management of our balance sheet and cash flows.



OVERVIEW

These results are presented in the context of a challenging 2018 financial year. The tougher trading conditions experienced in both geographies in 2017 persisted throughout the year, resulting in a disappointing performance for the Group. While some of this was due to macro and cyclical factors, a significant amount related to poor product execution in some areas of womenswear and not delivering on expected synergies.

In South Africa, the first half was characterised by intense political uncertainty and negative sentiment. While this improved in the second half, it did not translate into increased sales, as the consumer remained under increased pressure. Our Food business continued to trade ahead of the market and delivered a result above our medium-term target despite the difficult trading conditions. This was achieved through a focus on quality and innovation, together with an investment in price that drove positive volume growth. The Woolworths Fashion, Beauty and Home business performed poorly and failed to gain market share due to heightened competitor promotional activity and range misses in womenswear.

In Australia, we completed a number of key David Jones business transformation initiatives. This included the implementation of new merchandise, finance and online systems, as well as the relocation of the David Jones head office from Sydney to Melbourne. In addition, we have commenced with the refurbishment of the Elizabeth Street store, rolled out new Food formats, and repositioned the private label business. The disruption caused by these initiatives, together with constrained consumer spending and a highly promotional trade environment, resulted in a disappointing performance for the year, despite the second half showing an improved sales performance on the first half. The transition to the new merchandise system in August 2017 was significant and required a substantial degree of management focus and oversight. The transition was not without its challenges and the focus is now on stabilisation and optimisation of systems and processes.

The performance of the business and more muted outlook also resulted in an impairment charge of A\$712.5 million (R6 927 million) in respect of the carrying value of the DJ assets, which was processed in the first half of the financial year.

Country Road Group performance was also impacted by intense competitor and promotional activity and struggled to achieve consistency in its Country Road womenswear business. Lower footfall and declining consumer confidence, due to elevated debt levels and higher cost of living expenses, as well as lower discretionary spend, impacted the results in both Australian segments.

STRATEGIC FINANCIAL PRIORITIES

Despite the poor result, our key strategies remained unchanged and we continued to focus on:

- Delivering on our key projects
- Building business resilience during tough trade through managing costs and capital
- Strengthening the balance sheet and preserving cash
- Ensuring appropriate allocation of capital

Given the muted performance and volatility in the trading landscape, we also focused on improving free cash flow and our gearing position. In this regard, we deferred certain non-critical projects, focused on space optimisation, improving productivity and cost savings. As a result, comparable store and head office costs were well managed across the Group. We also conducted an extensive cost and structure review in Australia, which will result in significant cost reductions from the base going forward.

At the same time, we continued to invest in the drivers of growth and in areas that would make us better prepared for the structural changes that have started to disrupt the retail industry. These include significant investments in online platforms, sales-enabling technology and systems.

From a capital structure perspective, we have improved the strength of the balance sheet and de-risked the debt profile:

- Gearing continues to be proactively managed on clear Group capital allocation principles and internal covenant measures that are more stringent than the Group's Banking Covenants
- Further debt has been re-structured during the year, flattening the repayment profile and significantly reducing refinancing risk
- Debt has been refinanced both in South Africa and Australia, maintaining an appropriate maturity profile
- The inaugural bond issue under the DMTN programme was well received by the market and the Group continues to issue debt in South Africa at very competitive rates
- The inaugural listed bond issue was accompanied by an S&P National Scale rating of the Group that is currently ZaAA
- The liquidity profile continues to be actively managed, maintaining the level of committed facilities in excess of 365 days

We will continue refinancing existing debt, broadening the source and type of funding, and manage the risk profile appropriately. Furthermore, we have set clear cash flow and capital allocation targets based on cost of capital and hurdle rates that have been implemented across the Group.

Our focus is on improving free cash flow and ROCE by delivering shareholder returns above the cost of capital.

OPERATING PERFORMANCE	2018 %	2017 %
Turnover and concession sales growth	1.6	3.0
Gross profit margin	39.2	39.7
Operating profit margin	7.0	8.4
Adjusted diluted headline earnings per share growth	(12.8)	(7.9)

While some parts of our business performed well under difficult conditions, other parts were impacted by a combination of factors that included:

- Lower discretionary spend
- Intense promotional activity
- Product misses, especially in womenswear in some of our big brands
- Extensive change in multiple areas within DJ

Our first half performance reflected the slowdown in the market, while the second half softened further. The expected uplift in sales, as sentiment improved from the positive political change in South Africa, did not materialise, while in Australia, the intense promotional activity continued. This resulted in a contraction at the sales and margin level, and a final year position that was behind the previous year. Our continued focus on expenses and capital spend assisted in cushioning the result to some extent.

We recorded a loss after tax of R3 549 million, due to the R6 927 million impairment charge on the re-assessment of DJ assets in the first half. Excluding this impairment and other property, plant and equipment adjustments, as well as the profit on disposal of the DJ Market Street property last year, headline earnings were R3 327 million, 17.8% down on last year.

USEFUL LINKS

[2018 Annual Financial Statements](#)

SUMMARISED STATEMENT OF COMPREHENSIVE INCOME

	2018 Rm	2017 Rm	% change
Turnover and concession sales	75 232	74 052	1.6
Turnover	68 592	67 190	2.1
Cost of sales	41 700	40 518	2.9
Gross profit	26 892	26 672	0.8
Other revenue	1 909	1 944	(1.8)
Expenses	23 255	22 171	4.9
Operating profit	5 546	6 445	(13.9)
Net finance costs	1 053	1 160	(9.2)
Earnings from joint ventures	287	260	10.4
Adjusted profit before tax	4 780	5 545	(13.8)
Adjustments	(7 214)	1 181	
Impairment due to re-assessment of David Jones assets	(6 927)	–	
Relocation, restructure, onerous leases, transaction and swap close-out costs	(293)	(250)	
Unrealised foreign exchange gains	6	11	
Profit on sale of property in Sydney	–	1 762	
Impairment due to sale of property	–	(342)	
(Loss)/profit before tax	(2 434)	6 726	>(100)
Tax	1 115	1 278	(12.8)
(Loss)/profit for the year	(3 549)	5 448	>(100)
Other comprehensive income	446	(3 195)	
Total comprehensive (loss)/income for the year	(3 103)	2 253	
Reconciliation of headline earnings			
Basic (loss)/earnings attributable to shareholders of the parent	(3 550)	5 446	>(100)
Adjustments for capital items (post-tax)	6 877	(1 401)	
Headline earnings	3 327	4 045	(17.8)
Adjustments to headline earnings (post-tax)	192	(9)	
Adjusted headline earnings	3 519	4 036	(12.8)

TURNOVER

Group sales for the 52 weeks ended 24 June 2018 increased by 1.6% compared to the prior year (and by 2.9% in constant currency). The second half growth in sales slowed considerably compared with the first half.

FBH sales declined by 2.9% in the second half, resulting in a full-year contraction of 1.5%, with price movement of 0.8%. Comparable store sales were 4.1% lower. Woolworths Food increased sales by a market-leading 8.4%, achieving positive volume growth on price movement of 3.2%. Comparable store sales were up 4.8%.

DJ sales increased by 2.2% in the second half and by 2.7% in comparable stores. Full-year sales finished 0.9% lower (and 0.4% lower in comparable stores). The sales disruption from the refurbishment of the Elizabeth Street store in Sydney will continue for approximately another 18 months. Online sales grew 21.4%, contributing 5.3% of sales.

CRG sales increased by 1.7% for the year, but comparable store sales, which exclude the menswear brand Politix, acquired in November 2016, declined by 1.8%. Online sales in CRG now represent 18.0% of sales with growth of 20.8% over the year.

GROSS PROFIT

There were margin gains from the benefits of Group sourcing initiatives and a stronger rand, which were offset by higher markdowns and promotions, as well as the impact of continued price investment in Food to improve the Food value proposition. Gross profit was up 0.8% on last year, although gross profit margin, at 39.2%, was 50 basis points (bps) down on last year.

EXPENSES

We continued to actively manage our occupancy and operating costs through efficiency and synergy benefits, and through an extensive cost review in Australia, in response to tougher trade.

Group expenses were up 4.9% on the prior year on an adjusted basis. This increase was primarily driven by strategic initiatives in DJ, the inclusion of Politix, and a 4.3% increase in store costs, from ongoing store development. Within this, FBH and Food expense growth was 4.4% and 7.4% respectively. DJ costs were 8.8% higher, as a result of the implementation of new inventory and online systems,

the repositioning of the food business, and the head office relocation. CRG costs were 6.1% up on last year, mainly due to the inclusion of Politix.

EARNINGS FROM JOINT VENTURE

Our share of profit after tax from Woolworths Financial Services, our joint venture with ABSA Group Limited, was 10.4% up on last year, at R286 million. The debtors book reflected positive year-on-year growth of 3.8%, as at the end of June 2018. The impairment rate for the 12 months ended 30 June 2018 reduced to 5.2% from 6.3% in the prior year.

NET FINANCE COSTS

Net finance costs of R1 053 million were 9.2% lower than last year, due to a reduction in gearing in South Africa, a decrease in base rates across the Group, and pullback in capital spend. We continue to manage our interest rate risk through effective hedging. Net interest cover improved to 7.5 times from last year's 7.3 times.

ADJUSTMENTS

The adjustments to profit were significant and consisted of the impairment of the DJ assets, costs related to the relocation to the new Australian head office in Melbourne (net of government grants), restructure costs in DJ and CRG, and a provision for onerous leases in DJ. These costs are regarded as adjustments to earnings, as they are significant once-off costs not directly related to operations.

TAX

The full-year tax charge was R1 115 million. The Group's effective tax rate was negative 45.8%, due to the non-deductibility of the R6 597 million goodwill impairment, while the adjusted effective tax rate was 27.4%, 10 bps below the prior year.

BASIC AND HEADLINE EARNINGS

Basic earnings decreased by 165.2%, due to the impairment charge in the current year, as well as the inclusion of the profit on sale of Market Street in the prior year.

Headline earnings and adjusted headline earnings, which exclude the impairment, profit and other property, plant and equipment adjustments, declined by 17.8% and 12.8% respectively.

SEGMENTAL CONTRIBUTION

	2018 Rm	2017 Rm	% change	Constant currency % change
Woolworths Fashion, Beauty and Home	1 707	2 168	(21.3)	
Woolworths Food	2 167	1 977	9.6	
Woolworths Financial Services	286	259	10.4	
Woolworths	4 160	4 404	(5.5)	
David Jones	660	1 305	(49.4)	(49.6)
Country Road Group	1 032	987	4.6	5.1
Segmental profit	5 852	6 696	(12.6)	(12.2)
Net finance and other costs	(1 072)	(1 151)	(6.9)	
Adjusted profit before tax	4 780	5 545	(13.8)	(13.4)

The Group results reflect the difficult trading performance across all segments, with a positive contribution from Food and CRG partially offsetting the downside in the other apparel segments.

Woolworths' result was 5.5% down on last year, as FBH was negatively affected by tough trading conditions and product misses in some areas of womenswear. Food delivered above target growth of 9.6%, with market-leading sales growth and, together with the positive result in WFS, partially cushioned the 21.3% contraction in FBH.

DJ's result was also impacted by challenging trading conditions and the disruption experienced during the year by various transformational initiatives, ending the year 49.6% down on last year (in A\$). The CRG performance benefitted from ongoing improvements to ranges during the year, despite the product misses in Country Road's womenswear, and ended the year up 5.1% (in A\$). The Australian businesses' contributions were negatively impacted by the relative strengthening of the ZAR against the A\$, which averaged R9.9 for the year, compared to R10.2 last year.

The Group's segmental profit declined by 12.2% on last year in constant currency, with the adjusted operating profit margin decreasing by 140 basis points to 7.3%. Adjusted profit before tax declined by 13.8% and by 13.4% in constant currency.

The segmental results are analysed in more detail further on in this report.

USEFUL LINKS

[More detail](#)

[Segmental Reviews](#)



EARNINGS PER SHARE (EPS)

	2018 cents	2017 cents	% change
EPS	(369.5)	566.7	>(100)
HEPS	346.3	420.9	(17.7)
Adjusted HEPS	366.3	420.0	(12.8)
Adjusted diluted HEPS	364.1	417.7	(12.8)
DPS	239.0	313.0	(23.6)
WANOS (millions)	960.8	961.0	-

The 165.2% decrease in EPS is as a result of the impairment charge in the current year, as well as the inclusion of the profit on the sale of Market Street in the prior year. Headline EPS (HEPS), which excludes the impairment and profit, declined by 17.7%, in line with the decrease in headline earnings. Adjusted diluted HEPS decreased by 12.8%, with dilution arising from the unexercised options under the Group's share incentive schemes.

DIVIDEND PER SHARE (DPS)

The Board approved a final DPS of 130.5 cents, which is a 27.5% decrease on last year's final DPS of 180.0 cents. The total DPS for the year is 239.0 cents, a 23.6% decline on last year's 313.0 total DPS.

Despite the challenging result, we have, over the past five years, returned R12.5 billion to our shareholders in dividends, with an average dividend yield of 3.7%, reflecting our commitment to delivering strong shareholder returns.

SUMMARISED STATEMENT OF FINANCIAL POSITION

	2018 Rm	2017 Rm	% change	Constant currency % change
Assets				
Property, plant and equipment	13 959	13 846	0.8	(0.7)
Intangible assets	13 410	19 595	(31.6)	(32.7)
Investment in joint ventures	978	1 015	(3.6)	(3.6)
Inventories	7 542	6 990	7.9	6.7
Trade and other receivables and loans	1 794	1 368	31.1	29.9
Tax and deferred tax assets	441	392	12.5	12.0
Cash and cash equivalents	2 023	1 787	13.2	12.3
Total assets	40 147	44 993	(10.8)	(12.0)
Equity and liabilities				
Shareholders' funds	13 126	19 066	(31.2)	(32.7)
Borrowings	13 860	13 325	4.0	3.3
Other non-current liabilities	2 607	2 541	2.6	1.2
Tax and deferred tax liabilities	882	684	28.9	26.3
Trade and other payables and provisions	9 672	9 377	3.1	2.2
Total equity and liabilities	40 147	44 993	(10.8)	(12.0)
Net gearing	11 837	11 538	2.6	2.0

The assets and liabilities of the Australian subsidiaries contained within the Group statement of financial position are impacted by the higher exchange rate at year-end, which was R10.0/A\$ compared to R9.8/A\$ last year. The decrease in equity is primarily due to the decrease in the foreign currency translation reserve, from the stronger rand throughout the year.

The decrease in property, plant and equipment and intangible assets is due to the impairment arising from the re-assessment of DJ assets.

Inventories increased by 6.7% in constant currency, due to the impact of inflation, space growth, and lower sell-through in apparel.

CAPITAL MANAGEMENT AND SHAREHOLDER RETURNS

	2018	2017
ROCE (%)*	13.7	15.1
ROE (%)*	18.0	20.8
Net debt: Equity (times)	0.9	0.6
Net debt: EBITDA (times)	1.5	1.4
Interest cover (times)	7.5	7.3

* DJ asset impairment added back

ROCE has decreased from 15.1% to 13.7%, with ROE declining by 280 bps to 18.0%, with both the ROCE and ROE affected by lower profitability. The impairment of the DJ goodwill and assets was added back in the calculation of ROCE and ROE for comparability purposes.

Net gearing has increased by R299 million to R11 837 million. The net debt to Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) ratio increased to 1.5 times.

CAPITAL EXPENDITURE

The Group continued to invest in strategic and other key initiatives, particularly in DJ, to deliver business transformation and long-term growth. There was a pullback in budgeted spend for the year, due to the subdued trading performance.

Total net capital expenditure amounted to R2.6 billion, driven mainly by the strategic and transformational initiatives in DJ, investment in digital technology, ongoing store development, and supply chain investment in Woolworths.

The Group's operations were expanded in 2018 with trading space increasing by 1.8% to 1 327 000 m². This was as a result of opening 69 net new store locations and concessions, as well as the extension of existing stores. Within this, FBH and Food expanded their footprint by 11 000 m² and 8 000 m² (2.5% and 3.5%) respectively, while DJ and CRG opened two and 58 net new store locations and concessions respectively.

WORKING CAPITAL MOVEMENTS

Group working capital requirements were higher than last year, due to new store openings and higher inventory balances from the apparel sales shortfall.

SUMMARISED STATEMENT OF CASH FLOWS

	2018 Rm	2017 Rm
Cash inflow from trading	7 371	8 177
Working capital movements	(305)	(615)
Cash generated by operating activities	7 066	7 562
Investment income received	71	96
Finance costs paid	(1 117)	(1 216)
Tax paid	(1 037)	(1 701)
Cash generated by operations	4 983	4 741
Dividends received	325	223
Dividends paid	(2 782)	(3 015)
Net cash inflow from operating activities	2 526	1 949
Net investment in assets	(2 589)	(2 552)
Proceeds on disposal of property in Sydney	-	3 677
Acquisition of subsidiary, net of cash acquired	-	(711)
Loans (advanced)/repaid	(12)	8
Net cash (outflow)/inflow from investing activities	(2 601)	422
Net share issues and costs	(123)	(41)
Net borrowings raised/(repaid)	294	(1 966)
Net cash inflow/(outflow) from financing activities	171	(2 007)
Net cash inflow for the year	96	364

CASH FLOWS

The Group managed cash flows well despite the lower trading results. Cash inflow from trading was R7 371 million, reduced by an increase in working capital of R305 million.

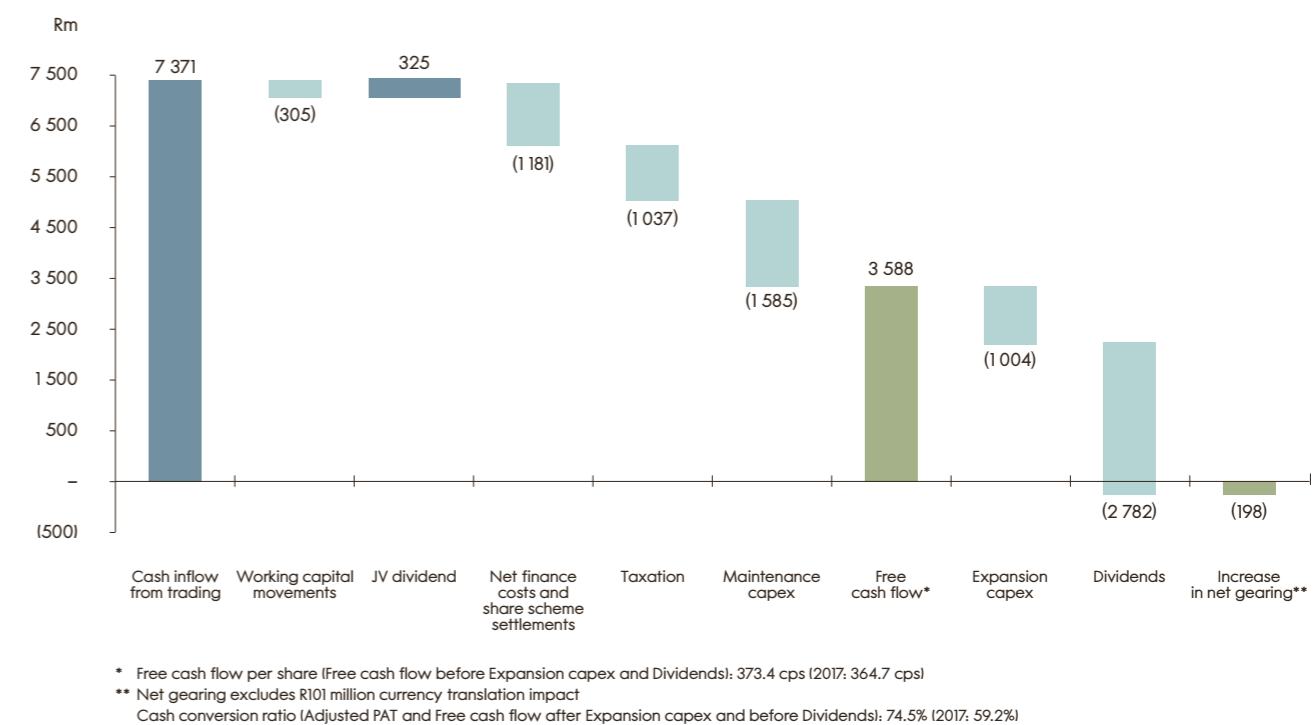
Free cash flow after capital expenditure to maintain operations, working capital movements, and the payment of finance costs, taxation, and dividends, was R3 588 million. The Group paid R1 037 million in income tax to the various revenue authorities in the various tax jurisdictions and utilised a net R2 589 million to invest in infrastructure and other transformational and capital expansion projects.

Free cash flow per share was 373.4 cps, a 2.4% increase from last year, and our cash conversion ratio improved by 153 bps to 74.5%.

SUMMARISED STATEMENT OF CHANGES IN EQUITY

	2018 Rm	2017 Rm
Shareholders' interest at the beginning of the year	19 066	19 853
Movements for the year:		
Total comprehensive (loss)/income for the year	(3 103)	2 253
(Loss)/profit for the year	(3 549)	5 448
Other comprehensive income	446	(3 195)
Share-based payments, including issues, settlements and costs	(55)	(25)
Dividends to ordinary shareholders	(2 782)	(3 015)
Shareholders' interest at the end of the year	13 126	19 066

CASH GENERATION FOR THE 52 WEEKS ENDED 24 JUNE 2018



OUTLOOK

In South Africa, the change in the political leadership has yet to translate into economic growth. Despite the initial improved consumer confidence, the consumer is expected to continue to be under significant pressure, with higher costs of living impacting discretionary spend.

In Australia, the macroeconomic environment is expected to improve gradually on the back of supportive economic conditions and a strengthening labour market, although the tough retail environment is expected to persist, with department stores expected to show the lowest growth among retailers. The heightened levels of promotional activity in the market are expected to continue. The structural shifts are already in play, with further disruption in the industry expected.

We remain committed to delivering our strategies and will continue to invest in transformational initiatives to drive growth and efficiencies in these difficult and competitive environments, while continuing to focus on reducing costs and improving cash flows.



David Jones, Autumn 2018

SEGMENTAL REVIEWS

WOOLWORTHS FASHION, BEAUTY AND HOME

INCOME STATEMENT

	2018 Rm	2017 Rm	% change
Turnover	13 687	13 894	(1.5)
Cost of sales	7 297	7 244	0.7
Gross profit	6 390	6 650	(3.9)
Other revenue	18	19	(5.3)
Expenses	4 702	4 502	4.4
Store costs	3 269	3 071	6.4
Other operating costs	1 433	1 431	0.1
Adjusted operating profit	1 706	2 167	(21.3)
Earnings from joint venture	1	1	
Adjusted profit before tax	1 707	2 168	(21.3)

FBH sales declined by 2.9% in the second half, resulting in a full-year contraction of 1.5%, with price movement of 0.8%. Comparable store sales were 4.1% lower, with net retail space growing by 2.5%. Growth in the second half slowed further, as the market remained intensely competitive, with consumer spending biased towards clearance and promotions.

Womenswear underperformed due to product misses, particularly in the Edition brand, while beauty and lingerie performed much better. The online channel grew sales by 77.0%, while the rest of Africa had a disappointing year.

The increase in promotions and markdowns further impacted profitability, as gross profit margins declined by 120 bps to 46.7%.

The 6.4% increase in store expenses was driven by new space, while comparable store cost growth was well controlled at 2.7%. Other operating costs were well controlled, in line with last year, with a focus on head office and discretionary costs. The overall result was a decrease in operating profit of 21.3%, with operating profit margin declining from 15.6% to 12.5%.

**The online
channel grew
sales by 77.0%**

USEFUL LINKS

[More detail](#)

[Woolworths SA](#)

WOOLWORTHS FOOD

INCOME STATEMENT	2018 Rm	2017 Rm	% change
Turnover and concession sales	30 019	27 688	8.4
Concession sales	(687)	(613)	12.1
Turnover – own buy	29 332	27 075	8.3
Cost of sales	21 989	20 281	8.4
Gross profit – own buy	7 343	6 794	8.1
Concession and other revenue	130	124	4.8
Expenses	5 306	4 941	7.4
Store costs	3 848	3 513	9.5
Other operating costs	1 458	1 428	2.1
Adjusted profit before tax	2 167	1 977	9.6

Food increased sales by a market-leading 8.4%, achieving positive volume growth on price movement of 3.2%. Comparable store sales were up 4.8%, with net retail space growing by 3.5%. Growth in the second half of the year was lower than in the first half, impacted by lower inflation.

There was positive growth across all categories, despite lower inflation, in a tough grocery market. Our bakery, protein, grocery, and wine & beverages departments contributed significantly to the overall result. We continued our focus on targeted profitable promotions, and improved consumer price perception.

The gross profit margin declined by 10 bps to 25.0%, as a result of our investment in price and higher levels of targeted promotions, which were partially offset by improved waste management and increased rebates on stronger volumes.

Expenses increased by 7.4%, with store cost growth of 9.5%, driven by new space. Comparable store cost growth was 5.0%.

Overall, the Food business achieved an operating profit growth of 9.6%, with the operating margin at 7.4%, 10 bps better than last year.



Woolworths Food sales increased by

8.4%

USEFUL LINKS

More detail

[Woolworths SA](#)

WOOLWORTHS FINANCIAL SERVICES

	2018 Rm		2017 Rm		% change
Average financial services assets	10 659		10 194		4.6
INCOME STATEMENT		% to book		% to book	
Interest income	2 166	20.3	2 123	20.8	2.0
Interest paid	640	6.0	633	6.2	1.1
Net interest income	1 526	14.3	1 490	14.6	2.4
Impairment charge	551	5.2	638	6.3	(13.6)
Risk-adjusted margin	975	9.1	852	8.4	14.4
Non-interest revenue	810	7.6	769	7.5	5.3
Operating costs	985	9.2	906	8.9	8.7
Profit before tax	800	7.5	715	7.0	11.9
Tax	228	2.1	197	1.9	
Profit after tax	572	5.4	518	5.1	10.4
50% equity accounted	286		259		
Return on equity	29.6%		26.4%		

The joint venture with ABSA Group Limited contributed R286 million profit after tax to Group profit, 10.4% up on last year. Net interest income growth was impacted by lower product yields due to two rate decreases.

Growth in the risk-adjusted margin was 14.4%, and benefitted from a lower impairment rate, which improved by 110 bps on last year to 5.2%, as a result of an improved book shape, strong collections and lower debt counselling inflows. Non-interest revenue grew by 5.3% from higher credit card transactional income.

Operating costs increased by 8.7%, which was due to increased costs of collections and investment in customer acquisition campaigns.

The average debtors book grew by 4.6%, with the closing book up 3.8% on last year, driven by the credit card portfolio growth. Return on equity of 29.6% was maintained above our 27.5% medium-term target.

USEFUL LINKS

More detail

[Woolworths Financial Services](#)

DAVID JONES

INCOME STATEMENT	2018 A\$m	2017 A\$m	% change
Turnover and concession sales	2 212	2 214	(0.1)
Concession sales	(763)	(750)	1.7
Turnover – own buy	1 449	1 464	(1.0)
Cost of sales	829	832	(0.4)
Gross profit – own buy	620	632	(1.9)
Concession and other revenue	200	188	6.4
Gross profit	820	820	-
Expenses	775	712	8.8
Store costs	623	585	6.5
Other operating costs	152	127	19.7
Department store adjusted operating profit	45	108	(58.3)
Financial services operating profit	19	19	-
Adjusted operating profit	64	127	(49.6)
Net finance costs	1	3	
Adjusted profit before tax	63	124	(49.2)

DJ sales increased by 2.2% in the second half and by 2.7% in comparable stores. Full-year sales finished 0.9% lower and 0.4% lower in comparable stores. Online sales grew by 21.4%, contributing 5.3% to sales. Net retail space grew by 0.1%, with 4.2% new space offset by 4.1% of space reductions and closures.

Gross profit margin increased by 10 bps to 37.1%, due to a change in mix between own buy and concession, and despite increased promotional activity, as well as higher shrinkage, as we continue to invest in the food business.

The 8.8% increase in costs is the result of the opening of new stores and costs associated with the execution of transformational initiatives such as food, value chain, and online re-platforming. The cost and structure review performed towards the end of the year will remove A\$20 million of cost from the base.

This resulted in an operating profit of A\$64 million for the year, 49.6% down on last year, and an operating margin of 2.9%, inclusive of profit from financial services.



David Jones, Autumn 2018

USEFUL LINKS

[More detail](#)

[David Jones](#)

COUNTRY ROAD GROUP

INCOME STATEMENT	2018 A\$m	2017 A\$m	% change
Turnover	1 074	1 056	1.7
Cost of sales	400	419	(4.5)
Gross profit	674	637	5.8
Other revenue	5	4	25.0
Expenses	576	543	6.1
Store costs	412	387	6.5
Other operating costs	164	156	5.1
Adjusted operating profit	103	98	5.1
Net finance costs	-	3	
Adjusted profit before tax	103	95	8.4

CRG sales increased by 1.7% for the year, but comparable store sales, which exclude the menswear brand Politix, acquired in November 2016, declined by 1.8%. At a brand level, Politix was the standout performer, and Mimco and Witchery also traded well, while Country Road womenswear underperformed. Online sales in CRG now represent 18.0% of sales, with growth of 20.8% over the year. Net retail space grew by 2.5%, largely due to the Politix roll out in David Jones.

Gross profit margin improved by 250 bps to 62.8% from sourcing benefits and higher full-priced sales, notwithstanding that the market was characterised by aggressive competitor promotional activity.

Expenses were well controlled, and increased by 6.1%, despite the inclusion of Politix, as well as new store development. Comparable store costs were 1.9% up on last year.

Operating profit ended the year 5.1% ahead of last year, with operating profit margin increasing by 30 bps to 9.6%.

Sales increased by
1.7%
in Australian dollar terms



Witchery, Winter 2018

USEFUL LINKS

[More detail](#)

[Country Road Group](#)



COMPANY REVIEWS

QUICK ACCESS TO SECTIONS





WOOLWORTHS SA

***OUR VISION IS TO
BE OUR CUSTOMERS'
FAVOURITE RETAIL
BRAND***

Contribution to Group turnover*

58.7%



Contribution to Group profit before interest and tax

71.1%

Sales growth FBH

-1.5%

Sales growth Food

8.4%

USEFUL LINKS

[2018 Segmental Review](#)

Number of employees

32 473

GEOGRAPHICAL FOOTPRINT

- Fashion, Beauty and Home
- Food, Fashion, Beauty and Home



WOOLWORTHS OVERVIEW

KEY ACHIEVEMENTS IN 2018

- Greater customer personalisation and engagement by leveraging our single view of customer capability
- Improved our customers' digital experience with an enhanced online front-end, improved online availability and service, and continued enhancements to our mobile app
- Rollout of a transformed Beauty experience, including luxury Beauty brands, now in 34 stores
- Refreshed and modernised our Food stores with new long-life concepts and repositioned fresh food offerings
- Expanded our convenience Food offering
- Continued investment in prices to improve value perception, especially in Food
- Opened new Food distribution centre in Cape Town
- Enhanced our employee value proposition and experience
- Celebrated the 20th anniversary of the MySchool MyVillage MyPlanet programme
- Announced strategic initiative to achieve zero packaging waste to landfill by 2022



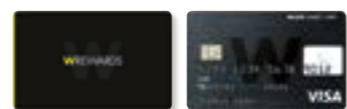
FINANCIAL SERVICES

OFFERING

Woolworths in-store card, credit card, personal loans and short-term insurance

Number of Financial Services hubs

41



4.9% contribution to Group profit before interest and tax

ROE OF **29.6%**

MEDIUM-TERM TARGET ROE OF **27.5%**

* Including concession sales.

FASHION, BEAUTY AND HOME

OFFERING

Women's, Men's and Children's fashion and accessories, Beauty and Home

18.2% contribution to Group turnover*

29.2% contribution to Group profit before interest and tax

282

store locations

ROS **12.5%**

MEDIUM-TERM TARGET ROS OF **14%-16%**



Mall Of Africa, South Africa

FOOD

OFFERING

Fresh produce, Butchery, Bakery, Groceries and Long-life products

40.5% Contribution to Group turnover*

37.0% Contribution to Group profit before interest and tax

430

Store locations

ROS **7.4%**

MEDIUM-TERM TARGET ROS OF **7.0%**



Mall Of Africa, South Africa

* Including concession sales.

PERFORMANCE FOR 2018

BUILD STRONGER, MORE PROFITABLE CUSTOMER RELATIONSHIPS

Customer engagement and relationships are primarily enabled through our WRewards loyalty programme, which includes MySchool MyVillage MyPlanet, our partnership with Vitality, and our own in-store card and credit card. Our WRewards programme continued its strong performance. The data and insights from the single view of the customer has enabled us to deliver a more personalised engagement with our customers with tailored marketing and promotional vouchers.

We continued to focus on increasing our penetration of the upper-income market in South Africa and sub-Saharan Africa. We now have an active customer base of 3.4 million customers - up from 3.3 million customers last year.



76%
*of sales tracked on
loyalty cards*

TOWARDS CONNECTED RETAIL

Connected retail provides a seamless customer experience across physical and online channels.

Net new space grew by 2.5% and 3.5% in our Fashion, Beauty and Home and Food businesses respectively. This increase in space was driven both by new stores and extensions.

The majority of our offering is available online. Our Food online orders are fulfilled from physical stores, while our Fashion, Beauty and Home online orders are now fulfilled from a dedicated online distribution facility. Food sales comprise the majority of online revenue; however, stronger growth in Fashion, Beauty and Home is now being experienced, as customers become more comfortable in engaging with the online platform and shopping experience, and the dedicated online distribution facility is enabling improved availability.

We have continued to focus on connecting digitally with our customers and our people. There has been an encouraging growth in our mobile customer base through continued enhancements of our integrated mobile app. The app allows our customers to shop 'in-app', and provides seamless integration with media content and enhanced search, product and customers' store and credit card information. Free WiFi is available in over 200 stores, enabling us to communicate digitally with our customers while they shop in our stores.

The Woolworths brand in the African countries in which we operate continues to grow. In Fashion, Beauty and Home, to remain appealing to our customers, we focused on providing appropriately tiered and ranged product offerings which are seasonally relevant. In Food, we continued to improve our in-country sourcing and distribution capabilities, resulting in better quality and availability, particularly in countries that prohibit the sale of imported products.



*Online Fashion, Beauty
and Home sales grew by*

77%



*Online Food
sales grew by*

18%



Studio.W, Summer 2018



&US. Summer 2018



BE A LEADING FASHION RETAILER IN THE SOUTHERN HEMISPHERE

Our fashion brands are designed to appeal to different customer segments. RE:, Studio.W, JT One, and EDITION appeal to our modern and contemporary customer, and the David Jones brand targets our more classic customer. The RE: and Studio.W brands are also available in David Jones stores in Australia.

Our Fashion, Beauty and Home business struggled under the constrained economic conditions experienced in the current year. The poor performance was exacerbated by range failures in womenswear, particularly in the relaunched sub-brand, EDITION, as the offer and positioning did not resonate with our core customers.

Our customers increasingly associate fashion with beauty. We continued to build our Beauty business as a destination category and experience with good gains in market share. Our customers can now purchase market-leading brands, including Chanel, La Mer, Bobbi Brown, Estée Lauder and Clinique from us, and currently, 34 of our stores offer them our upgraded Beauty experience.

Our value perception was improved by a focus on our Key Value Lines (KVLs), by ensuring that they are seasonally relevant. Regular price surveys ensure that our prices are keen and comparable to major competitors. We further continued to strengthen our value perception through WRewards and tactical price promotions.

OUR FOOD BUSINESS PERFORMED STRONGLY AS WE CONTINUED TO MAINTAIN OUR LEADERSHIP POSITION IN FRESH FOOD, INNOVATION, AND QUALITY



BECOME A BIG FOOD BUSINESS WITH A DIFFERENCE

Our Food business performed strongly as we continued to maintain our leading position in fresh produce, innovation, and quality while offering competitively priced food that delivers value to our customers.

We remain focused on driving a 'quality first' mindset through an integrated quality approach, which includes how we work with our suppliers and product benchmarking methodology, so that we continue to develop best-in-class product attributes. We continued to enforce strict governance and compliance requirements to ensure that we deliver safe, quality products to our customers. An ongoing focus on innovation has enabled continued advances with varieties and technology in produce, the introduction of innovative cooking techniques, improved flavours, and numerous first-to-market products.

Health is critical to our Food strategy. We have made significant progress in making our products and Food experience healthier by reducing salt and sugar in our products, removing sweets and chocolates from our checkout aisles, and introducing healthier ranges and products.

Our flagship Waterstone store cements our position as a food authority and includes our new long-life concepts, also providing a repositioned fresh offering. Tiered formats of the Waterstone store concept are introduced

throughout our real estate portfolio to provide all our customers with a similar, magical, in-store experience.

We continue to deliver convenience across all formats and channels. We are trading out of 74 Engen forecourts and further expanded our convenience offering by opening stores located in large corporate office buildings, such as the Discovery head office in Sandton, Johannesburg. We also focused on growing our Food Services offering and now have 3 NowNow 'super-fast good food' outlets, 66 WCafés, 26 coffee pods in our stores, and 50 coffee carts.

The number of products we offer has increased significantly in the past few years. Our catalogue currently meets the majority of our customers' wants and needs, but we never stop evaluating the depth and breadth of our ranges to ensure that we meet their expectations.

Price perception remains the most significant barrier to growing basket size and attracting new customers. We conduct a weekly basket check against the prices of our competitors to ensure that our prices are comparable to other food retailers, and actively identify and address products that erode our value perception. An aggressive promotional plan, with competitive prices and WRewards offers, has delivered good results.



PERSONALISED FINANCIAL SERVICES

Woolworths Financial Services performed well in the period, largely due to the focus on portfolio growth strategies, tight management of collections and impairment, and improved efficiencies across the value chain. This was executed through best-in-class collections and recoveries capabilities and ongoing improvements to the customer experience, such

as offering customers the ability to initiate credit increases via our mobile app at their convenience. The 'Voice of the Customer' feedback solution has been fully implemented, enabling us to tailor customer interactions to suit their needs and analyse trends to further improve the customer experience.



DRIVE SYNERGIES AND EFFICIENCIES ACROSS THE GROUP

Woolworths has four distribution centres across South Africa. These distribution centres distribute both Food and FBH products to stores throughout South Africa and sub-Saharan Africa. In the current year, the opening of our new long-life food distribution centre in Cape Town expanded our capacity and we also continued to optimise our distribution centres by investing in end-to-end supply chain efficiencies, and in our systems and processes to provide for growth.

Our employee value proposition was enhanced by providing store staff with new uniforms, upgrading

workspaces, enhancing training programmes, introducing additional benefits, and making these benefits more accessible to them.

We remained committed to our strategic partnerships. Our supplier base is a key competitive advantage, and we integrate closely with them. In FBH, we increased our flexibility and speed to market by increasing the proportion of merchandise sourced from SADC countries. In Food, we continued to strengthen our supplier partnerships, particularly with our exclusive suppliers.

WE CELEBRATED THE 20TH ANNIVERSARY OF OUR MYSCHOOL MYVILLAGE MYPLANET PROGRAMME. OVER THIS PERIOD, WE HAVE RAISED AND DELIVERED OVER R500 MILLION IN ESSENTIAL FUNDING TO SCHOOLS AND CHARITIES



EMBED THE GOOD BUSINESS JOURNEY THROUGHOUT OUR BUSINESS

Our Good Business Journey is embedded in everything we do.

Both our Food and Fashion, Beauty and Home businesses continue to make good progress in their responsible sourcing of key commodities such as cotton, viscose, cocoa, and palm oil, among others. We continued to mitigate our environmental impact by reducing our food waste and delivering to our Fishing for the Future and Farming for the Future commitments.

In the current year, we celebrated the 20th anniversary of our MySchool MyVillage MyPlanet programme. Over this period, we have raised and delivered over R500 million in essential funding to schools and charities to improve education and social development in South Africa.

Our customers have told us of their increasing concern about the amount of packaging used for our food products and the related environmental impact. In the current year, we announced our commitment to achieve zero packaging waste to landfill by 2022.

USEFUL LINKS

[2018 Good Business Journey Report](#)

CASE STUDY

DAY ZERO DRIVES WATER SAVINGS

In early 2018, the threat of Cape Town running out of water hit global headlines as the reality of the taps running dry became a real possibility. The consequence of a persistent multi-year drought in the city's catchment areas presented one of the most significant risks ever faced by Woolworths, which is headquartered in Cape Town. To deal with this extreme risk, Woolworths invoked an emergency taskforce, led by senior business management, to develop requisite business continuity plans. While still maintaining required levels of hygiene, the following processes were incorporated into operating plans:

- Back-up supply tanks for all stores in the Western and Eastern Cape
- Reviewed cleaning processes and maintenance scheduling
- Upgrading of heavy water-use machinery, investment in improved infrastructure at our distribution centres
- Switching off all non-essential water-uses, e.g. fountains
- Updating processes in stores to reduce and reuse water, e.g. water for cut flowers, ice at fish counters

Although narrowly avoided in 2018, the threat of 'Day Zero' has refocused our efforts to ensure that our operations operate as water-efficiently as possible. As a result of this, water consumption in the Western Cape was reduced by 36%, 42%, and 53% for stores, head office, and distribution centres respectively in 2017 compared to 2015 levels.





Studio.W, Summer 2018

STRATEGY FOR 2019 ONWARDS



BUILD STRONGER, MORE PROFITABLE CUSTOMER RELATIONSHIPS

Our focus is on retaining our current customers, actively acquiring more customers in our target market, and increasing their penetration and spend. We will manage our relationships with all our customers by tailoring our products, offers, and services to best meet their wants and needs throughout their journeys and customer life cycles from acquisition to ongoing loyalty.

Our WRewards programme provides our customers with compelling loyalty benefits and offers and is key to building customer loyalty, driving customer acquisition, frequency,

and spend. We are focused on providing a differentiated loyalty experience that is based on relationships and is more personalised. We will refresh our loyalty value proposition to be simple, easy to use, meaningful, and convenient across all channels.

We will continue to use our customer database to further leverage data and perform deeper analytics to derive insights to drive further cross-selling and up-selling opportunities, optimise and personalise campaigns, and inform our product, service, and format strategies.



TOWARDS CONNECTED RETAIL

We continue to move towards connected retail by delivering exceptional products and experiences to our customers in a seamless and integrated way. In support of our strategy, we will invest in channels, formats, and geographies and grow our real estate.

While stores will remain the dominant channel for South African consumers in the coming years, our customers are becoming increasingly digitally connected, demanding a connected retail experience. As technology advances, the method of engagement and time spent pre-trip is evolving, with customers researching our products online before buying in-store or online.

We are committed to improving our service for online customers and growing and improving our digital presence. We will grow our online sales by enriching our customers' digital journey with inspiring content, enhanced site speed and navigation, and improved fulfilment and customer support service. We will continue to enhance our app features, connecting our physical and digital worlds to make it easier for our customers to shop with us and to improve their experience.

We will collaborate with strategic partners, while simultaneously investing in our IT team and infrastructure, to support and drive our digital strategy in all our channels.

We will continue to invest in our store footprint. Over the next three years, we plan to add approximately 1% and 3% net new space per annum to our FBH and Food businesses respectively. We will strive to be more considered and flexible in our real estate decisions by exiting unprofitable space and negotiating more favourable lease terms. We will also continue to improve our trading densities with improved in-store catalogues and services, and modernise our physical stores to deliver unique, in-store experiences that cannot be delivered online. A new point of sale system will be implemented to ensure that our stores are future-fit and to deliver an enhanced customer experience.

We will continue to build the brand in the rest of Africa by focusing on our top countries and stores, growing space in East Africa and Mauritius, driving country-specific marketing activities, and sourcing fresh food products locally.

WE WILL GROW OUR ONLINE SALES BY ENRICHING OUR CUSTOMERS' DIGITAL JOURNEY



BE A LEADING FASHION RETAILER IN THE SOUTHERN HEMISPHERE

We have redefined our Fashion, Beauty and Home (FBH) purpose as 'fashion that inspires and cares'. We aim to foster an emotional connection with our customers as we provide them with on-trend, stylish, quality, and affordable products and demonstrate our care for our customers, people, partners, community, and planet.

Our Woolworths brand is the anchor of our FBH offer. We will celebrate our Woolworths brand while using our private brands to target specific customer segments and drive fashionability and innovation. Our private brands are separated across customer lifestyles and price tiers, to ensure that each customer segment has the right brand and right offer. This clear segmentation provides our customers with choices and makes it easier for them to shop as they can identify the ranges most suited to their needs.

Our newly elevated and capacitated design team will drive brand-focused ways of working to provide fashionable, stylish ranges appealing to the brands' relevant customer segment.

We aim to be the destination for beautiful basics, the items for which we are known and that customers expect to find at Woolworths. These products will be the cornerstone and building blocks of all our ranges. We will showcase our beautiful basics with pride in our stores and clearly communicate their competitive price points and superior product attributes to our customers.

We will ensure that we deliver 'the difference' by focusing on quality in everything that we do, developing desirable product with superior fit, fabric, and finish, enabled by staff and supplier training.

We will actively focus on strengthening our value perception through delivering best-in-class quality products at surprisingly affordable prices. We will ensure that our Known Value Lines (KVLs) prices are comparable to our key competitors by regularly checking our price positioning through independent studies.

Building the Beauty business as a destination category and experience will continue to be a key focus. We will continue to build on our strong private label business and roll out new luxury and prestige brands. We will enhance our in-store experience by offering outstanding service and our clear, tiered format strategy.



Studio.W, Summer 2018



BECOME A BIG FOOD BUSINESS WITH A DIFFERENCE

Our vision is to be the destination of choice in our customers' world of food by having the mind of a supermarket and the soul of a deli. We aim to become integral to our customers' world of food through products, formats, and services.

We will reinforce our quality high ground by continuing to drive a 'quality first' mindset to ensure that we provide our customers with quality, safe products.

Our customers' definition of health has shifted from mainly being focused on weight management to a philosophy of wellbeing, balancing physical, social, and environmental factors. We are building an integrated world of wellbeing, which takes into account all these factors as we aim to become our customers' food partner in healthy living.

Our customers are increasingly demanding more convenience in the products and services we offer them. We will continue to provide innovative, inspiring eating solutions catering for a variety of different customer needs. We will further claim a meaningful share of the convenience market through a variety of store formats and an expanded Food Services offer. Our NowNow stores, café business and in-store service counters will provide our customers with fast, fresh, and natural foods. This will be anchored by asserting our dominance and authority in coffee across all formats.

We continue to focus on improving our customers' price and value perceptions. We will continue to use data analytics to inform and tailor our price and promotions decisions to profitably drive sales and will also continue to conduct weekly basket checks against our competitors to ensure that our prices remain comparable and competitive. We will update the products available on our WRewards programme to be more relevant to our loyal customers and use this, along with a refined promotional trade plan and marketing initiatives, to convey our price competitiveness and difference to our customers.



PERSONALISED FINANCIAL SERVICES

Woolworths Financial Services (WFS) is an integral part of the Woolworths connected retail strategy, with mobile functionality and integration with our WRewards programme being key strategic focuses.

The WFS customer sees Woolworths and WFS as one and expects us to deliver one brand experience across all our channels, including stores, contact centre, online and mobile app. We continue focusing on sustainable portfolio growth strategies and a robust collections and impairment platform, while simultaneously transforming the WFS customer experience to one that is consistent with and aligned to the Woolworths brand. Our WFS digital roadmap will continue to be a strategic focus and will support our growth as we extend our customer service capabilities across our online and mobile platforms, to improve the customer experience and deliver operational efficiencies.



***WE ARE PASSIONATE ABOUT PLAYING
OUR ROLE IN BUILDING SOUTH AFRICA
AND SUPPORTING INCLUSIVE GROWTH***



DRIVE SYNERGIES AND EFFICIENCIES ACROSS THE GROUP

We are investing in our supply chain to enhance store replenishment and online fulfilment capabilities at lower cost with increased control and elimination of capacity risk, facilitating decreased transport costs and better delivery lead times. The new long-life food distribution centre in Cape Town will improve in-store availability and drive material cost efficiencies.

We are implementing world-class merchandise processes and systems, improving availability of products in both FBH and Food.

We are evolving our IT platform to provide flexibility and support the delivery of innovative, cost-effective, and sustainable solutions.

We focus on scientific retailing to turn data into actionable insights. This includes predictive analytics in how we engage with customers, how we invest in price, and how we plan the catalogues and space utilisation in our stores.

We recognise that our partnerships with our suppliers provide us with a competitive advantage, and we are committed to growing and protecting these relationships by integrating even more closely with them.

Our people are critical to the successful execution of our strategy. We aim to attract, inspire, engage, develop, reward, and retain the right and diverse talent, and enable collaboration through a modern and connected people experience.



EMBED THE GOOD BUSINESS JOURNEY THROUGHOUT OUR BUSINESS

We are aligned with the Group's focus areas and sustainability commitments, and will contribute towards these by continuing to develop sustainable practices and embed our Good Business Journey in everything we do. We need to share the stories about our products and also about the people behind the products, encouraging our customers to do the same, while we help them give back. We will also use our GBJ to strengthen our customers' value perception of our products.

To achieve our ambition of 'zero packaging waste to landfill', in the medium term, we are focusing on phasing out single-use shopping bags, removing unnecessary single-use plastics from stores, ongoing customer education on the role of packaging in the elimination of food waste, and continuing to partner

with government and industry stakeholders to develop technically and commercially viable solutions for recycling different plastics. In the longer term, we aim to make all our packaging recyclable or reusable.

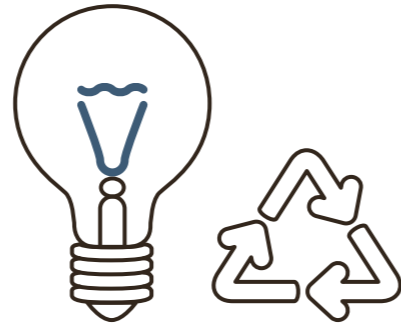
We are passionate about playing our role in building South Africa and supporting inclusive growth. We contribute towards this by developing and communicating clear BBBEE targets for the next three years, and by continuing to support emerging businesses through our Supplier and Enterprise Development programme. We also partner with key charity organisations to make a difference and to provide opportunities for our teams to be involved in supporting local communities.

USEFUL LINKS

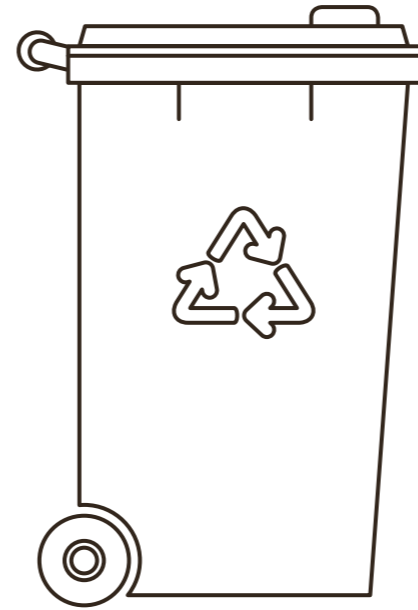
[2018 Good Business Journey Report](#)

ALL OUR PACKAGING TO BE REUSABLE OR RECYCLABLE BY 2022*

**Private label packaging*



Working with the SA recycling industry to promote uptake and innovation

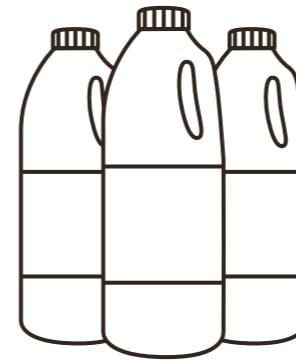


RE-LOOKING OUR ON-PACK RECYCLING LABELS AND MAKING IT EASIER FOR CUSTOMERS TO UNDERSTAND WHAT AND HOW TO BEST RECYCLE

OUR PACKAGING COMMITMENTS

On 5 June 2018, World Environment Day, Woolworths announced the latest step in its Good Business Journey. In line with the Group's vision to be one of the most responsible retailers in the world, Woolworths was the first retailer in South Africa to announce its vision of zero packaging waste to landfill. The intention is that no Woolworths packaging should have to end up in landfills, which requires 100% recyclable material and a supportive recycling infrastructure.

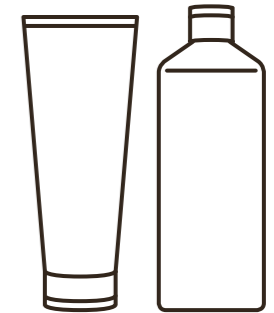
At Woolies, we pride ourselves on leading the way. We know we still have a big challenge ahead of us but must not forget some of the 'firsts' we have already achieved as a major SA retailer:



First to develop a plant based plastic milk bottle in 2016



First to introduce recycled PET (rPET) into food packaging - now in over 600 product lines



First to remove plastic microbeads from private label personal care products

Eliminating single-use plastics



Removing and replacing plastic cutlery



Rolling out coffee cup recycling



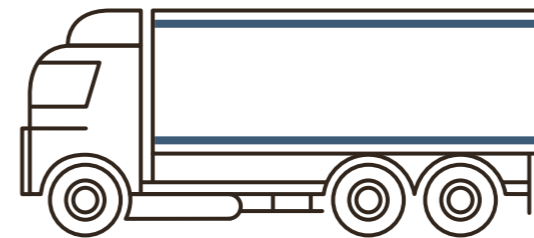
Exchanging plastic straws for paper straws at till points and in cafés



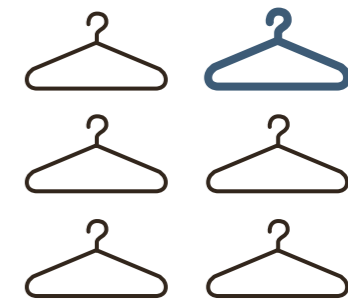
Removing plastic bags from our stores by 2020



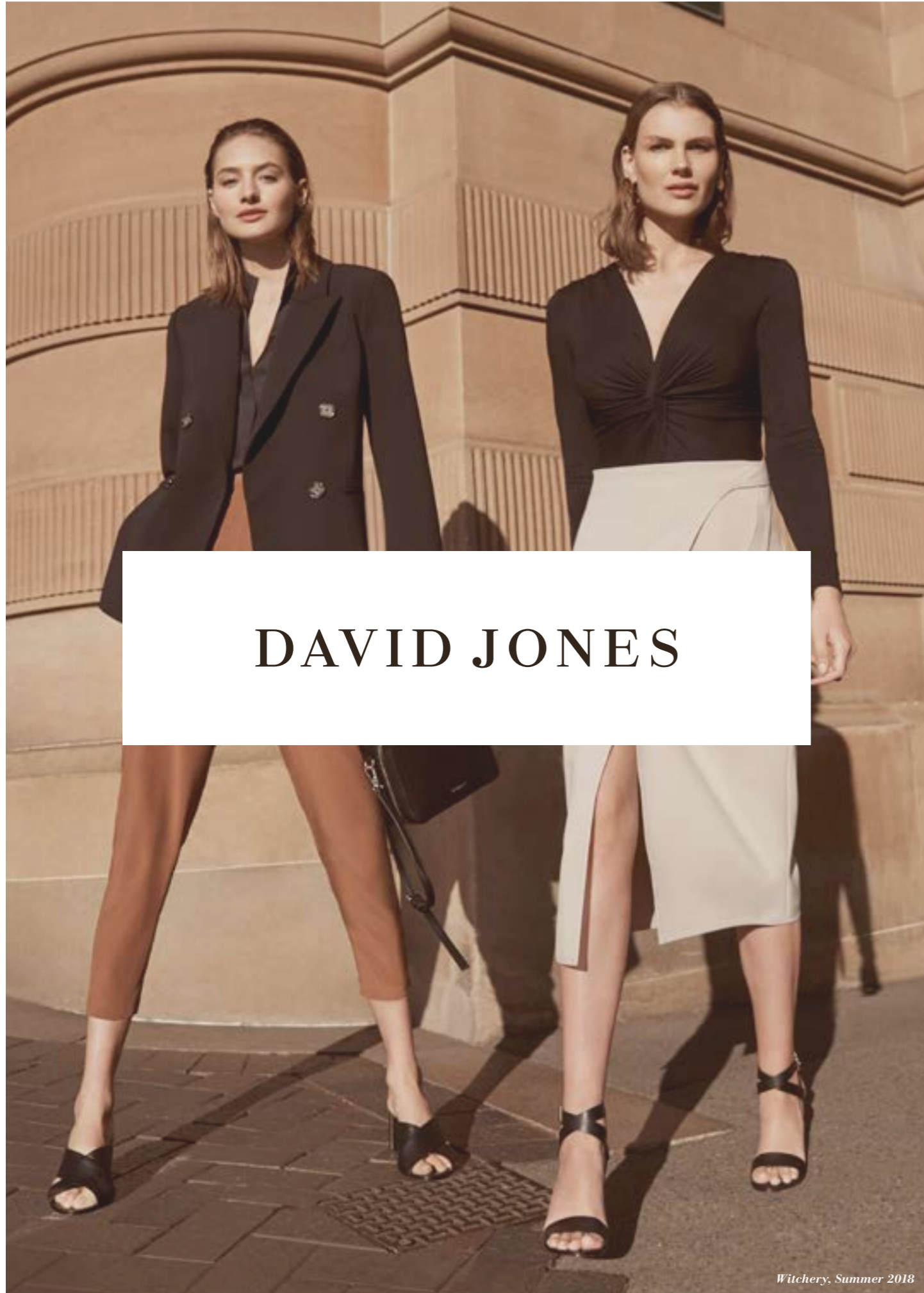
Banning plastic stemmed earbuds in our stores



First to use returnable transit packaging for DC distribution, meaning that we eliminated the need for single-use cartons in distribution



First to begin hanger recycling; we have rescued over 360 million hangers to date



DAVID JONES

—
***OUR AMBITION
IS TO BE AUSTRALIA'S
PREMIUM LIFESTYLE
RETAIL DESTINATION***
—

Contribution to Group turnover*
27.1%



Contribution to Group profit before interest and tax
11.3%

Sales growth
-0.9%

ROS
3.8%

Online sales contribution of **5.3%**

MEDIUM-TERM TARGET ROS OF 6%-8%

USEFUL LINKS

[2018 Segmental Review](#)



Store locations

45

Number of employees

7 634

A YEAR OF SIGNIFICANT CHANGE AND TRANSFORMATION WITH NUMEROUS INITIATIVES COMPLETED



DAVID JONES OVERVIEW

KEY ACHIEVEMENTS IN 2018

- Implemented key business systems across merchandise planning and finance
- Introduced a new platform for the website in May 2018
- Entered into exclusive partnerships with international luxury houses and leading Australian designer brands, including Louis Vuitton, Chanel, Gucci, Givenchy, and Disney
- Relunched David Jones private label, now designed by Country Road Group, to provide the classic David Jones customer with a quality and sophisticated wardrobe assortment
- Successfully rolled out Politix into 22 David Jones stores
- Continued to trial, evaluate, and test our Food strategy with the launch of all three Food store formats
- Further rationalised space by right-sizing the MacArthur Square and West Lakes stores
- Opened two new David Jones stores in Green Hills, New South Wales, and Mandurah, Western Australia
- Commenced the redevelopment of our Elizabeth Street flagship store to create a world-class department store
- Finalised the majority of the relocation from Sydney to new regional head office in Melbourne

OFFERING

Women's, Men's and Children's apparel and accessories, Home, Beauty and Food



AUSTRALIA'S ICONIC DEPARTMENT STORE TRADING FOR 180 YEARS



David Jones, Malvern, Australia

* Including concession sales.



David Jones, Summer 2018

PERFORMANCE FOR 2018



BUILD STRONGER, MORE PROFITABLE CUSTOMER RELATIONSHIPS

We reviewed our brand position to ensure we are relevant to our customers and to also provide our own internal direction. We defined our purpose as 'to shape the style of the nation'. Our ambition is to be Australia's premium lifestyle retail destination.

We continued to grow our customer database and leverage our Customer Relationship Management (CRM) programme. We use this data to inform our business decisions and to provide us with a deeper understanding of our customers.

—
**ACTIVELY
 MANAGING OUR
 CUSTOMER
 RELATIONSHIPS
 REMAINS A KEY
 FOCUS**
 —

The CRM programme enables segmentation of our customer base to obtain a clear understanding of the wants and needs of the different segments. Our customer segmentation was simplified from nine to three segments, allowing us to be more focused and to provide our customers with the desired, curated offer at the heart of our brand.

Over 15% of sales are made through our Financial Services card and we have more than 3 million customer email addresses, which allows us to communicate with them directly.



TOWARDS CONNECTED RETAIL

Our online channel is growing rapidly, with increased market share and sales growth of over 21% on last year. Online sales as a percentage of total sales, at 5.3%, is still below industry norms and remains a key opportunity. The online site was re-platformed in May 2018. While the re-platforming was disruptive, we have subsequently experienced online sales growth of over 50% on last year as it is now mobile responsive, quicker and easier to navigate, provides richer content, enhanced online services, and offers a wider product range.

In March 2018, we opened new stores in Green Hills, New South Wales and in Mandurah, Western Australia. At the

**Our online channel
 is growing rapidly,
 with increased
 market share and
 sales growth of over**

21%



same time, we remained cognisant of the need to rationalise our space and right-size our store portfolio to improve trading densities and profitability, and we exited from unprofitable space in our MacArthur Square store in New South Wales and our West Lakes store in Adelaide.

We commenced the redevelopment of our iconic Elizabeth Street store. This impacted trade in the current year but was in line with our expectations. The refurbishment will result in a significant transformation of the building that will maintain David Jones' proud heritage and history while creating a modern and contemporary world-class department store.



BE A LEADING FASHION RETAILER IN THE SOUTHERN HEMISPHERE

The Australian retail sector continued to be impacted by cyclical challenges and structural changes, resulting in intense competition and promotional activity. David Jones' performance was also significantly impacted by the costs and disruption of numerous transformational initiatives. However, like-for-like store sales trended upwards throughout the year as we continued to focus on offering our customers a differentiated product proposition.

Politix was introduced into 22 David Jones stores and on their online platform and has performed strongly. The David Jones private label brand did not resonate with our Australian customer when it was designed by Woolworths. Country Road Group has assumed the responsibility for these private label ranges, bringing their strong design capability and deep Australian customer knowledge to the brand. The

first menswear and womenswear ranges were introduced in stores in March 2018, and the initial performance has been encouraging given the challenging trading environment.

We are building the portfolio of external brands that are exclusive to David Jones and established exclusive partnerships with some of the world's leading brands, including Louis Vuitton, Chanel, Gucci, Givenchy, Disney, Scotch & Soda, Nautica, Loewe, Kenzo, Isabel Marant, Burberry Beauty and Christian Louboutin Beauty.

We introduced new value chain merchandising and financial planning systems in July 2017. Their implementation was disruptive and impacted trade and profitability in the current year. However, embedding these new systems and processes in our business will enable better buying and planning decisions.



BECOME A FOOD BUSINESS WITH A DIFFERENCE

Good progress has been made on our journey to reposition the David Jones Food business. This has, however, impacted David Jones' profitability as the business lacks scale and incurred high levels of waste and fixed overheads.

We have now launched all three of our Food formats, the Food Hall in Bondi Junction in Sydney in August 2017, a Food Market in Wollongong in New South Wales in October 2017, and a new format convenience offering in Malvern in Melbourne in March 2018. The initial performance of the Malvern store format has been promising and our customers have also responded favourably to our private label fresh and prepared foods.

Our Food business will bring our customers best-in-class products from Australia and around the world to enhance

our product offering and differentiate ourselves from the traditional supermarket. We have edited and curated our product ranges and increased the number of products that are exclusive to David Jones, while developing and launching our own private label product ranges.

We continue to build and strengthen our supplier relationships. This includes our strategic partnership with our key supplier, who provides us with private label produce and prepared food ranges.

Our Food value chain initiative was launched in August 2017, enabling range, space capacity, and planning to drive sales and profitability by improving availability and reducing waste.



David Jones, Malvern, Australia



DRIVE SYNERGIES AND EFFICIENCIES ACROSS THE GROUP

A number of business transformational initiatives drive synergies and efficiencies in David Jones and across the Group.

A key initiative was the co-location of David Jones and Country Road Group to a new designed-for-purpose head office in Melbourne. The new offices provide a centre of retail excellence and a single hub for the Australian operations. The relocation, together with new merchandising and finance systems, caused short-term business disruption which impacted performance. However, the relocation has resulted in a new energy and emerging cultural shift in our David Jones team.

A significant cost reduction programme was undertaken in the last quarter of this year where we identified A\$25 million ongoing cost savings across the region. This included simplifying our Australian operations by discontinuing the Regional CEO role, creating a more cost-efficient and effective regional structure to ensure the successful execution of our strategies.

We exited from unprofitable space and reduced store occupancy costs by pursuing a collaborative landlord negotiation process across David Jones and Country Road Group.



EMBED THE GOOD BUSINESS JOURNEY THROUGHOUT OUR BUSINESS

Our Good Business Journey strategy comprises six focus areas including environment, ethical sourcing, community investment, diversity and inclusion, wellbeing, and employee engagement.

Key achievements in the current year include ongoing compliance management of private label vendors and their factories and facilities and the development of responsible sourcing strategies for cocoa, timber, and angora.

We opened a new Rose Clinic in Wollongong in New South Wales in October 2017. We now have six Rose Clinics in

partnership with state-based BreastScreen organisations. These clinics provide a unique, free, in-store breast screening service for women over 40, to assist with the early detection of breast cancer using state-of-the-art digital mammography technology in a welcoming and comfortable environment.

USEFUL LINKS

[2018 Good Business Journey Report](#)

CASE STUDY

FASHION REVOLUTION WEEK CAMPAIGN

David Jones launched an exclusive capsule collection in support of Fashion Revolution Week 2018, the global movement that encourages consumers to ask #whomademyclothes.

In partnership with four of Australia's leading fashion designers, Manning Cartell, Nobody Denim, Viktoria & Woods and Bianca Spender, the campaign celebrated local, ethical, and sustainable fashion as a positive force for change.

The successful 'Who Made My Clothes?' campaign promoted transparency in the Australian fashion industry and connected customers with local designers and their skilled garment makers. The 23-piece collection was designed exclusively for David Jones and all garments in the capsule collection were made in Australia and accredited by Ethical Clothing Australia to ensure fair wages and safe working conditions for the garment workers.

Extending the message even further, Bianca Spender's capsule collection was produced in collaboration with The Social Outfit, an Australian social enterprise that provides employment and training opportunities to people from refugee and new migrant communities. Nobody Denim utilised recycled materials to add a sustainability element to their collection.

Receiving widespread media coverage and attention, the campaign message and intent to encourage customers to think about who made their clothes was considered, bold, and effective.



STRATEGY FOR 2019 ONWARDS



BUILD STRONGER, MORE PROFITABLE CUSTOMER RELATIONSHIPS

With a focus on the mid- to upper-income customer in Australia, we will continue to leverage our CRM programme to gain an even deeper understanding of our current and future customers. This will enable us to improve customer engagement and personalisation as we communicate with them in a more meaningful manner. Our customer data and analytics will underpin a clear and integrated marketing strategy that will deliver incremental sales and profit through more targeted promotions and marketing activity, and will be consistently executed across all customer touch points.

We will implement a new loyalty programme for David Jones. This will facilitate an increased customer-centric culture, which will grow sales and profit as we use compelling offers to attract new customers and increase their frequency, optimise marketing expenditure, and improve promotional effectiveness with increased personalised communication.



TOWARDS CONNECTED RETAIL

We continue to develop and execute our integrated digital strategy to drive online sales contribution to at least 10% of total sales by 2020. This includes leveraging the increased stability and functionality of our new online platform to enhance the customer experience through easier checkout and improved order fulfilment. Sales conversion will be improved by increasing our digital brand assortment and developing range initiatives such as personalised ranging and buyer's guides, as well as enabling in-store fulfilment. The new platform will significantly enhance our mobile technology platform and ensure alignment with our customer and brand strategies.

At the same time, we are focusing on inspiring our customers to visit our stores with immersive in-store experiences, through unique events and engagements such as our fashion launches, flower shows, Christmas window displays, and other engaging in-store events.

We will continue to right-size and refurbish our current store portfolio and execute our long-term portfolio strategy that takes into account our rich store network and customer data, the space requirements for Food, the

**WE WILL
CONTINUE
TO RIGHT-SIZE
AND REFURBISH
OUR CURRENT
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AND EXECUTE
OUR LONG-TERM
PORTFOLIO
STRATEGY THAT
TAKES INTO
ACCOUNT OUR
RICH STORE
NETWORK AND
CUSTOMER DATA**



impact of our digital strategy, space productivity, and format strategy principles. We will offset the additional footprint from new store openings with continued closure of unprofitable space, with a planned net space reduction of 5% by 2023.

We will continue to redevelop our Elizabeth Street store by investing approximately A\$200 million, bringing together a unique combination of contemporary gourmet food and dining and multi-level, luxury fashion under one roof. Our concession partners will invest a further A\$200 million and, together, we will create a world-class, luxury department store. This includes opening a luxury 'Shoe Heaven' floor in partnership with Louis Vuitton, Gucci, and Chanel, and an immersive children's world, in partnership with Disney, by December 2018. The redevelopment of Elizabeth Street is expected to be completed in stages from the second half of 2019. Disruption to customers will be limited by implementing a co-ordinated, phased approach with a three-year lease-back of our Market Street store so that we can transition into the new store in stages.



David Jones, Summer 2018



Witchery, Summer 2018

BE A LEADING FASHION RETAILER IN THE SOUTHERN HEMISPHERE

Our merchandise strategy is to curate the best of Australian and international brands to deliver products that resonate with our brand purpose, 'to shape the style of our nation'.

We will do this by using our customer insights to provide them with their desired brand assortment, building brand credibility within our ranges, increasing newness, and growing and protecting the exclusivity of their desired brands.

By integrating our customer segments with the 12-box merchandise grid, we aim to optimise profitability as we continue to rationalise and delete underperforming brands, reduce concession brands, increase our own buy in key categories, improve brand mix by store, and expand more successful brands and product categories.

A key driver of department store success is brand exclusivity. This provides a differentiated customer experience and builds brand equity through creating a compelling assortment by curating a desirable and exclusive offer. We already have key exclusive partnerships with international luxury houses and leading Australian designer brands and will continue to build this portfolio. Country Road, Mimco,

and Politix will now also join Witchery, Trenergy, David Jones private label and Woolworths private label brands as exclusive to David Jones.

We aim to build an appropriate private label offering by growing ranges and improving the performance of our existing private label Group brands, by strengthening the ranges to appeal to our target customers, and by optimising the space allocation across our store portfolio. Country Road Group will continue to design relevant, refined, and aspirational products for the David Jones private label brand. We will also focus on driving the performance of Woolworths private label brands by editing the ranges to appeal to the Australian customer, and will continue to roll out Politix in David Jones stores.

We will continue to leverage and optimise our new value chain merchandising and planning systems to enable better stock management, improve stock-turn, and decrease markdowns. We will also use the enhanced view of brand profitability to decide which brands we offer and how we merchandise them in our stores.

BECOME A BIG FOOD BUSINESS WITH A DIFFERENCE

Our vision for the David Jones Food business is to be a trusted and inspirational food brand that connects people who love food through an authentic experience that offers consistent superior quality, flavour, and innovation.

We continuously improve the merchandise on offer by editing existing ranges, driving exclusivity of product, and owning and developing our own David Jones Food brand. We will enable this by ensuring that we build the best product and technical skills in the market, and by developing key categories with strategic and exclusive suppliers.

We trial, evaluate, and refine our existing store design, formats, and offers, with each format having a different mix between Food Services and Food retail, according to the customer profile and location. Post-implementation reviews of these trials determine the approach we will undertake to

further roll out our Food offering to best suit our customers' needs. Our first Food convenience stand-alone store in South Yarra, Melbourne, will be opened in March 2019.

We will continue to build key partnerships while actively sourcing additional suppliers to provide additional products and ranges. We currently rely on supplier partnerships for our supply chain capability and will assess the potential for a centralised distribution model in the longer term. We will trial a central distribution model for our long-life food products at our Silverwater distribution centre, where stock will be replenished to stores as required, in order to reduce store stock levels and improve availability.

We will perform a critical, objective, and thorough evaluation of our Food business and determine the longer-term strategy by November 2018.

DRIVE SYNERGIES AND EFFICIENCIES ACROSS THE GROUP

Our combined Group, particularly in Australia, provides us with opportunities to drive synergies, leverage scale, and minimise costs to improve profitability.

The combined head office will be fully operational with all David Jones and Country Road Group staff from September 2018. This will further drive co-operation and creative collaboration, and harness advantages of scale and proximity to improve operational effectiveness. We are focused on stabilising our workforce, embedding our Group values, and entrenching a commercially focused and performance-driven culture across the Group.

We maintain an absolute focus on cost control. We aim to reduce the combined operating costs of David Jones and Country Road Group by unlocking efficiencies and optimising structures in shared service areas, non-trade procurement, facilities management, and other discretionary costs.

Our regional scale presents us with a significant opportunity to negotiate preferential and flexible lease terms with landlords. We will continue to leverage our regional bargaining power to exit from unprofitable space and expand our footprint, where appropriate, with favourable lease terms to reduce occupancy costs and drive profitability.

EMBED THE GOOD BUSINESS JOURNEY THROUGHOUT OUR BUSINESS

Our Good Business Journey forms a key component of our strategy and consists of six work streams that support and align with the key focus areas of WHL's Good Business Journey. We will continue to evolve and implement our Good Business Journey, including streamlining the strategy across David Jones and Country Road Group, and integrating it into the culture and operations of the new regional head office.

USEFUL LINKS

[2018 Good Business Journey Report](#)



COUNTRY ROAD GROUP

Country Road, Summer 2018

—
***OUR VISION
IS TO BE
AUSTRALIA'S
LEADING DESIGN
LED PORTFOLIO OF
BRANDS, PROVIDING
A CONNECTED RETAIL
STRATEGY***
—

Contribution to Group turnover*
14.2%



Contribution to Group profit before interest and tax
17.6%

Sales growth
1.7%

ROS
9.6%

MEDIUM TERM TARGET ROS OF 12%

Online sales contribution of
18%

85%
Revenue on loyalty cards



USEFUL LINKS

[2018 Segmental Review](#)

202
Store locations

WITCHERY AUSTRALIA'S 'STYLE AUTHORITY' FOR HIGH QUALITY, FASHIONABLE APPAREL AND ACCESSORIES.



214
Store locations

COUNTRY ROAD ONE OF AUSTRALIA'S MOST ICONIC LIFESTYLE BRANDS FOR STYLISH, HIGH-QUALITY PRODUCTS FOR WOMEN, MEN, CHILDREN AND HOME.



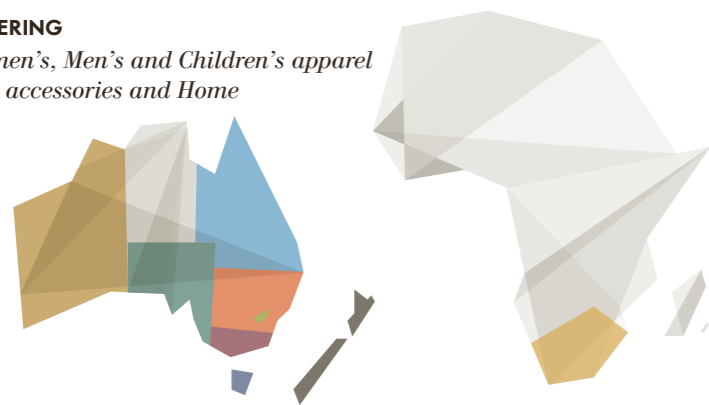
COUNTRY ROAD GROUP OVERVIEW

KEY ACHIEVEMENTS IN 2018

- Continued delivery of market-leading digital experience, with online sales contribution on track to achieve over 20% by 2020
- Focused on right-sizing our store portfolio and evolving physical spaces with the launch of new Country Road flagship experience stores in Melbourne Central and Bondi Junction and the Witchery flagship store at Chadstone shopping centre
- Relunched enhanced loyalty programmes in Country Road, Trenery, and Witchery to reconnect with our cardholders
- Assumed responsibility for the design of David Jones private label merchandise
- Strong progress in integrating Politix into the Group, including introducing the brand in 22 David Jones stores and on the online platform
- Increased full-price sales, reduced generic discounting and markdowns, and improved stock management across all brands
- Progress in the process of regionalisation, including establishing Australian head office

OFFERING

Women's, Men's and Children's apparel and accessories and Home



Number of employees
5 992



POLITIX LEADING AUSTRALIAN MEN'S FASHION BRAND THAT COMBINES INNOVATIVE DESIGN, AN EXCEPTIONAL TAILORED FIT, AND ULTRA ATTENTION TO DETAIL.

99
Store locations

TRENERY DESIGNED FOR WOMEN AND MEN WHO APPRECIATE THE BEAUTY OF SIMPLE, SOPHISTICATED COLLECTIONS THAT ARE MODERN IN APPROACH AND CLASSIC IN STYLE.



110
Store locations

132
Store locations

MIMCO ONE OF AUSTRALIA'S LEADING DESIGNER BRANDS, POSITIONED AS AN ACCESSIBLE LUXURY ACCESSORIES BRAND, DESIGNED WITH QUIRK.



* Including concession sales.



Politix, Summer 2018

PERFORMANCE FOR 2018



BUILD STRONGER, MORE PROFITABLE CUSTOMER RELATIONSHIPS

Country Road Group brands continued to leverage their successful loyalty programmes. The collective active customer base has 2.1 million customers, allowing us to track 85% of sales on loyalty cards. During the year, Country Road, Witchery, and Trenergy relaunched loyalty programmes with enhanced tiering and improved member benefits to re-energise customer relationships.

Our customer relationships continued to be enhanced by further embedding customer experience management throughout Country Road Group. This included more direct and personalised customer brand communication and events, along with individualised loyalty member journeys and tailored offers that differentiate our brands in a market of generic discounting.

Customer satisfaction measures, including a customer experience measure and a brand equity measure, continued to provide us with consistent metrics across our brands. From these, we were able to derive actionable insights and analytics at all levels of the business to further drive our brands' strategies.



TOWARDS CONNECTED RETAIL

Country Road Group continued to outperform the market across all brands, with online sales contributing 18.0% to total sales and growing by 20.8% over the past year.

The customers' digital experience was further improved by increasing the speed and functionality of mobile and desktop sites, as well as strong tactical initiatives such as enhanced delivery choices, integrated payment options, exciting product launch pages, and improved digital marketing and social media strategies. These initiatives increased online sales by attracting new customers to the brand and increasing the basket size and frequency of online customer visits.

We relaunched our Country Road flagship stores in Bondi Junction and Melbourne Central and the Witchery flagship store at the Chadstone

Online sales contribution of
18.0%



shopping centre, providing customers with highly engaging and relevant stores and experiences. We remained focused on rationalising our physical store space to drive trading densities and profitability.

In the current year, we exited from 3 062 m² of unprofitable space in Australia. We also closed our South African Mimco store locations, as the product offering did not viably resonate with the local customers.

We continued to focus on improving the profitability of Country Road Group brands in David Jones stores with a marketing plan specifically tailored to these stores, such as exclusive weekend offers. Politix was introduced into 22 David Jones stores, as well as to their online platform, and the strong performance of Politix in David Jones has exceeded our expectations.



BE A LEADING FASHION RETAILER IN THE SOUTHERN HEMISPHERE

We continued to focus on the fashionability, quality, and fit of our products, including increased newness and more exciting and design-led ranges to differentiate our brands from our competitors.

This was reflected in the strong performance of Witchery, Mimco, and Politix in a challenging and highly competitive environment. Country Road merchandise, however, did not meet our customers' expectations, particularly in womenswear. A new Country Road managing director, Elle Roseby, who has significant Australian fashion experience, was appointed in July 2018 to reinvigorate the brand vision and product direction.

In the current year, we assumed responsibility for the design of David Jones private label merchandise by providing them

with enduring wardrobe staples of quality fabric, fit, and finish, with considered colour and sophisticated prints and patterns. The ranges were introduced in David Jones stores in March 2018 and initial performance has been encouraging, both in stores and online.

Across all our brands, we continued to focus on maximising margins by increasing the sales of full-priced merchandise with more personalised, targeted promotions and less generic discounting.

Sound merchandising multi-channel principles continue to be entrenched to ensure that the right product is at the right place at the right time, which decreased stock holdings and markdowns, and further improved our margins.



DRIVE SYNERGIES AND EFFICIENCIES ACROSS THE GROUP

As noted under David Jones, we have made significant progress in establishing a new designed-for-purpose Australian head office in Melbourne, which will drive substantial financial and operational benefits across the region.

As part of the strategic cost reduction programme discussed under David Jones, we identified a further A\$5 million ongoing cost savings in Country Road Group (CRG) by driving Group efficiencies in supply chain, non-trade procurement, and facilities management.

We continued to integrate Politix into the Group, including launching the brand in David Jones stores and transitioning the Politix in-store payroll system to the common CRG

platform, to drive efficiencies and resourcing across the brands.

The purpose-built Omni-channel Fulfilment Centre in Melbourne services all Country Road Group stores and online fulfilment. The centralised approach has reduced end-to-end handling costs due to improved labour productivity and the consolidation of transport costs. The centre is a key enabler for future growth across the Group, as it serves to support growth in online sales as well as growth in David Jones.

We continued to develop world-class supplier partnerships to drive margin, improve product development, flexibility, price, accessibility, and speed to market.



EMBED THE GOOD BUSINESS JOURNEY THROUGHOUT OUR BUSINESS

The Country Road Group's Good Business Journey programme is aligned with WHL's key focus areas and the Good Business Journey 2020 targets. These have been integrated into CRG's balanced scorecard and performance management processes, to entrench the sustainability practices and principles across our Group.

Compliance to the Supplier Code of Conduct is monitored in our supplier factories and we made significant progress in sourcing sustainable raw materials, including cotton, cellulose, leather, wool, and timber, and embedding sustainability attributes in our products.

Witchery and Country Road are two of the only leading Australian fashion brands that donate all proceeds from

specially designed items to a charitable cause. In the current year, we celebrated the 10-year anniversary of the iconic Witchery White Shirt Campaign, where proceeds were donated to the Ovarian Cancer Research Foundation.

Country Road also celebrated a milestone 10-year anniversary of the Redkite campaign by donating all the proceeds from specially designed bags and clothing to the Redkite charity, which provides essential support to children and young people who have been diagnosed with cancer.

USEFUL LINKS

[2018 Good Business Journey Report](#)



CASE STUDY

SUSTAINABLE COTTON COMMITMENT

As cotton is the most-used fibre across the Country Road Group, the business has an important role to play in transforming the cotton industry, and has set an ambitious goal for 100% of its cotton products to support sustainable farming practices by 2020.

As a first step, in March 2016, Country Road Group became a member of the Better Cotton Initiative (BCI), to help transform cotton production globally. The BCI helps farmers grow cotton in ways that protect the environment and improve the livelihoods of farming communities.

In the past year, the Country Road Group has experienced a dramatic uptake in sustainable cotton, with 66% of our cotton products now supporting sustainable farming practices (up from 2% in the 2017 financial year). This achievement is

largely the result of the strong partnership with the BCI, and the focus on engagement and training programmes with employees and suppliers over the past two years. When the design and fabric teams first started approaching suppliers about Better Cotton, many had not heard of the initiative. Now, 21% of Country Road Group's cotton suppliers are sourcing cotton as Better Cotton through BCI using a system of mass balance.

Country Road Group also incorporates certified organic cotton in its Trenergy and Country Road collections, and in the past year, Country Road was the first major retailer in Australia to incorporate Refibra™ branded lyocell fibres made from recycled cotton scraps and wood sourced from responsibly managed forests.



Country Road, Summer 2018

STRATEGY FOR 2019 ONWARDS



BUILD STRONGER, MORE PROFITABLE CUSTOMER RELATIONSHIPS

We focus on the mid- to upper-tier customer in Australia, New Zealand, and South Africa. We aim to grow and retain our loyal customer base by capturing, connecting, and engaging with our customers in the most relevant and inspiring way, and rewarding their loyalty.

We will continue to improve the functionality of our Customer Relationship Management programme, and optimise and enhance our current loyalty programmes by leveraging the customer insights and using customer

We will continue to improve the functionality of our Customer Relationship Management programme, and optimise and enhance our current loyalty programmes



segmentation to inform all our business decisions and improve our customer engagement. We will maximise our sales and profitability by driving more personalised, targeted marketing to our loyal customers and reducing generic discounting. While we will establish a customer connection unique to each Country Road Group brand, the combined customer databases across all our brands allow us to drive revenue synergies through cross-shopping opportunities.

We will also introduce a loyalty programme for Politix.



TOWARDS CONNECTED RETAIL

We aim to grow online sales aggressively to more than 20% of total Australian sales by 2020 by developing digitally connected, inspiring customer journeys which will improve our customer's experience, and simultaneously build our fashion credibility.

We will drive online sales while improving store profitability and deliver a seamless shopping experience across all channels.

This includes personalising our customers' experience with tailored cross-channel content and communication, including personalised assisted styling and self-service. We will make their journeys seamless by digitally enabling our stores and implementing effortless online and in-store payment options. We continually explore new digital channels and digital store formats, invest in

innovative digital technologies, and optimise our websites' performance and functionality to lead the market and provide a truly connected retail experience.

Channel profitability remains a key focus. We will optimise space and improve store trading densities and profitability by churning our store portfolio and reducing our retail store footprint by closing unprofitable stores while also investing in highly engaging retail stores and flagship experiences where appropriate. By 2021, we will reduce our retail footprint by 6.4% while simultaneously leveraging our Group real estate by opening a total of 43 Politix pads in David Jones stores.

Our Country Road Group brands will only be sold in stand alone stores, David Jones and Woolworths SA stores, and through the online channels of each of the businesses. This will enable

us to better control the customer experience around our brands, drive extensive growth in online channels, including the newly re-platformed David Jones website, and further optimise the Group's brands' footprint within David Jones stores.

We will continue to improve planning and stock management principles and leverage our purpose-built, Omni-channel Fulfilment Centre, optimising our fulfilment processes and minimising costs. We will also drive online sales on the David Jones platform by optimising our fulfilment solution and increasing the range available to our customers via this channel.

We will explore appropriate international opportunities to drive sales and brand awareness.



Country Road, Winter 2018



Witchery, Autumn 2018



BE A LEADING FASHION RETAILER IN THE SOUTHERN HEMISPHERE

The Country Road, Trenergy, Witchery, Mimco, and Politix brands are positioned to appeal to the mid- to upper-tier consumer in Australia, New Zealand, and South Africa.

We have clearly defined brand identities and customer-led strategies for each brand. We continue to focus on the design, quality, and fit of our merchandise to deliver style with authority across all our brands, with particular focus on improving the Country Road womenswear offer. We will differentiate ourselves from our competitors and offer a superior proposition to each brands' specific target customers.

Constant and predictable discounting influences customers' shopping behaviour and erodes brand loyalty. We will

ensure that we deliver consistent value for money to our customers, and become less reliant on promotional activity by introducing a clear pricing strategy and a defined promotional plan across our brands. Sound merchandising principles and standardised ways of working will drive stock availability, decrease stock holdings and markdowns, and improve profitability.

We continue to be flexible in our buying decisions so that we can react quickly to market trends and our customers' wants and needs. This will ensure constant newness in our offering and also increase the availability of key looks.



DRIVE SYNERGIES AND EFFICIENCIES ACROSS THE GROUP

As outlined under David Jones, we are creating an Australian head office in Melbourne, Australia. Country Road Group employees will relocate to the new office in September 2018, further unlocking synergies and efficiencies, reducing combined operating costs, and promoting the sharing of knowledge and experience across the Group.

We are also committed to maintaining an absolute focus on cost control within Country Road Group and across the Group.

We will continue to integrate Politix into the Group and derive benefits by sharing best practice, leveraging Group scale in real estate negotiations, optimising sourcing and supply chain, and aligning our systems.

We will continue to optimise our end-to-end value chain with effective store profiling and critical path management, end-to-end stock visibility, and improved allocations. This will lead to improved reporting, productivity, efficiency, and speed to market. We will optimise our supply chain and logistics to further improve stock availability and to drive

speed to market, as well as ease of purchase and return for our customers. This includes operations in our Omni-channel Fulfilment Centre, where we will continue to focus on further driving labour productivity and cost savings.

The continual development of a world-class supply base facilitates the delivery of aspirational product that is 'on brand, on margin, and on time'. We enable this through leveraging the Group's sourcing capability and by building closer relationships with our suppliers by reducing the number of agents we use and establishing new direct sources.

The consolidation and alignment of our IT systems and infrastructure will further support our connected retail strategy and our Group integration.

We will continue to inspire and engage with our people and create a flexible, agile, performance-focused and trusted workforce by attracting and retaining talented employees and building their capability, underpinned by our compelling Employee Value Proposition.



EMBED THE GOOD BUSINESS JOURNEY THROUGHOUT OUR BUSINESS

Country Road Group remains focused on designing and delivering sustainable product to our customers.

We will also contribute towards delivering the Group's sustainability commitments by:

- Continuing to drive operational efficiencies and savings related to energy, water, and waste, with a particular focus on designing green stores and integrating sustainability into the new head office in Melbourne
- Partnering with our suppliers to drive positive social, ethical, and environmental change 'beyond compliance'
- Continuing to empower impoverished artisans through fair work opportunities
- Designing products with sustainability attributes
- Driving responsible sourcing strategies for all key commodities: cotton, cellulose, leather, wool, and timber
- Continuing to partner with key charity organisations to make a difference and to provide opportunities for our teams to be involved in supporting local communities

USEFUL LINKS

[2018 Good Business Journey Report](#)



OUR GOVERNANCE

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DIRECTORATE

BOARD OF DIRECTORS AND COMPANY SECRETARY



SIMON SUSMAN (68)
(South African)

Non-independent, Non-executive Director and Chairman

Expertise: Retail

Joined the Board in 1995, became a Non-executive Director in 2010, and was appointed as Chairman in 2011



IAN MOIR (59)
(Australian)

Group Chief Executive Officer

Expertise: Retail

Joined the Board in 2010



ANDREW HIGGINSON (61)
(British)

Independent Non-executive Director

Expertise: Retail

Joined the Board in 2012



GAIL KELLY (62)
(Australian)

Independent Non-executive Director

Expertise: Business leadership and finance

Joined the Board in 2015



PATRICK ALLAWAY (57)
(Australian)

Independent Non-executive Director

Expertise: Finance and banking

Joined the Board in 2014



ZARINA BASSA (54)
(South African)

Independent Non-executive Director

Expertise: Banking and finance

Joined the Board in 2011



NOMBULELO MOHOLI (58)
(South African)

Independent Non-executive Director

Expertise: Business leadership and telecommunications

Joined the Board in 2014



REEZA ISAACS (49)
(South African)

Executive Director and Group Finance Director

Expertise: Retail and finance

Joined the Board in 2013



TOM BOARDMAN (68)
(South African)

Independent Non-executive Director, Lead Independent Director

Expertise: Business leadership, banking and retail

Joined the Board in 2010



HUBERT BRODY (54)
(South African)

Independent Non-executive Director

Expertise: Business leadership, finance and banking

Joined the Board in 2014



SIZAKELE MZIMELA (53)
(South African)

Independent Non-executive Director

Expertise: Business leadership and aviation

Joined the Board in 2018



SAM NGUMENI (50)
(South African)

Executive Director and Group Chief Operating Officer

Expertise: Operations and finance

Joined the Board in 2014



ZYDA RYLANDS (53)
(South African)

Executive Director and Chief Executive Officer – Woolworths South Africa

Expertise: Retail

Joined the Board in 2006



CHANTEL REDDIAR (43)

Group Company Secretary and Director: Governance, Risk and Compliance

THE GROUP REMAINS COMMITTED TO A STRONG AND DIVERSE BOARD. WE WILL CONTINUE THIS JOURNEY AND ENSURE THAT THIS DIVERSITY IS BOTH RELEVANT AND STRONG FOR BOTH OUR MAJOR GEOGRAPHIES AND OUR RAPIDLY CHANGING RETAIL INDUSTRY.

USEFUL LINKS

[Directors' biographies](#)

WHL EXECUTIVE COMMITTEE



IAN MOIR

Group Chief Executive Officer



REEZA ISAACS

Group Finance Director



ZYDA RYLANDS

*Chief Executive Officer:
Woolworths South Africa*



SAM NGUMENI

Group Chief Operating Officer



DAVID THOMAS

*Chief Executive Officer:
David Jones*



SCOTT FYFE

*Chief Executive Officer:
Country Road Group*



CHANTEL REDDIAR

*Group Company Secretary
and Director: Governance,
Risk and Compliance*



RALPH BUDDLE

*Director: Strategy and
Business Development*

USEFUL LINKS

[Executive Committee biographies](#)



Studio.W, Summer 2018

OUR GOVERNANCE REPORT

OUR GOVERNANCE JOURNEY

Our governance journey continues, underpinned by our deep sense of values, purpose, and vision.

The Group remains committed to the highest standards of governance, ethics and integrity. This governance philosophy drives our value creation for all stakeholders. This year has been one of the most challenging yet.

Our businesses in Australia and South Africa have, for the most part, regrettably not performed to our expectations. The Board has reflected deeply as it has overseen the re-engineering and repositioning of the business.

Despite these operational challenges, the Group continues to lean on and benefit immeasurably from the immense talent of all our dedicated staff and leadership. Equally as important, we have been able to depend on the reliability of our embedded governance framework to guide us on this journey.

There have been a number of changes to the Board during the year under review. We are delighted to welcome Sizakele Mzimela, an Independent Non-executive Director, to the Board, who brings additional commercial experience and an entrepreneurial spirit to our Board deliberations. Late during the year, and following a cost and structural review

in which our Australian regional leadership structure was simplified, we regrettably said goodbye to an Executive Director, John Dixon. We thank John for his contribution during his tenure.

After serving 11 years as a Non-executive Director, Peter Bacon retired from the Board at the 2017 Annual General Meeting. His contribution to the Board has been invaluable and the Board expresses its gratitude to Peter for his services during his tenure.

After eight years on our Board, we also said goodbye to Stuart Rose, a Non-executive Director. We will miss his wise counsel and his deep retail skills and we thank him for his contribution.

The Group has always prided itself on a strong and diverse Board. Board diversity in all forms - race, gender, nationality, business acumen, skills, and experience - continues to drive our Board succession planning as we consider the attributes required to steer the Group amidst a rapidly changing retail industry.

CHAIRMAN'S STATEMENT ON CORPORATE GOVERNANCE

Aspiring to the highest levels of corporate governance empowers the Group to create sustainable value for all its stakeholders. With this in mind, the Board continues to provide effective and ethical leadership to the Group, strongly premised on the belief that governance remains the foundation for ensuring the long-term success of the Group, and ensuring the proficient delivery of its strategic objectives. We endeavour to achieve this through embedding appropriate governance processes and frameworks, which ensure that the Group is led responsibly - with integrity, fairness, transparency, and accountability.

With the onslaught of governance failures facing the South African corporate environment in the last few months, the Board continues to be cognisant of, and compliant with, the regulatory environment that governs the business landscape, including the application of the King IV Code on Corporate Governance (King IV), the JSE Listings Requirements, the Companies Act, and other applicable legislation. Our efforts in this regard are described in this governance-specific section of the Integrated Annual Report.

Simon Susman

Chairman of the Board

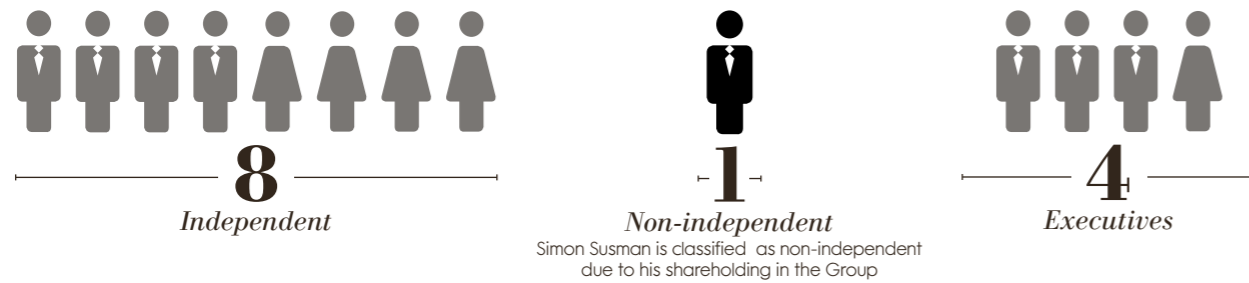


David Jones. Elizabeth Street. Australia

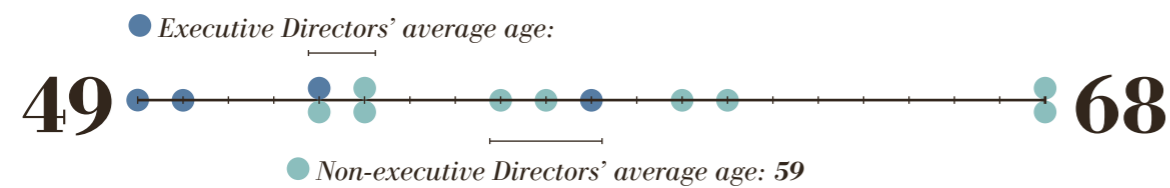
GOVERNANCE AS AN IMPERATIVE FOR VALUE-CREATION

The Board is committed to creating a diverse governing body where different perspectives and attributes are respected and encouraged. In doing so, the Board attains an appropriate balance of knowledge, skills experience, character, and independence to fulfil its governance role.

INDEPENDENT THINKING

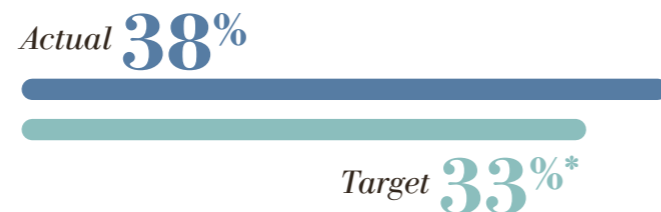
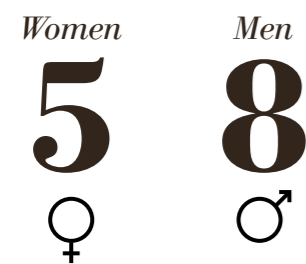


DIVERSITY OF AGE



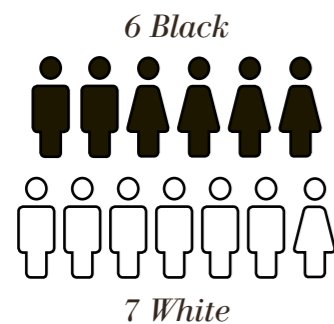
BOARD DIVERSITY OVERVIEW*

DIVERSITY OF GENDER



*Target for the year under review. Aspirational target of 40%.

DIVERSITY OF RACE

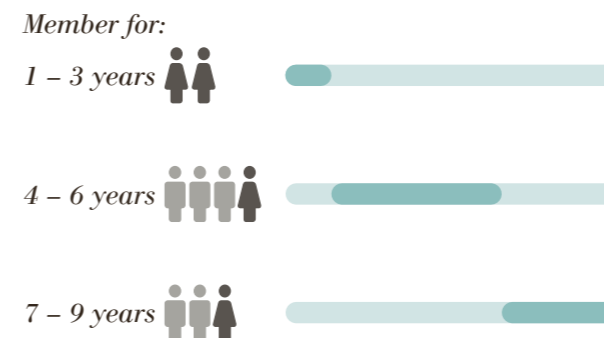


*Target for the year under review. Aspirational target of 40%.

DIVERSITY OF NATIONALITY



DIVERSITY OF TENURE
(Non-executive Directors only)



SKILLS AND EXPERIENCE



ATTENDANCE

The table below records the attendance of directors at Board and committee meetings for the year under review.

NAME OF DIRECTOR	ATTENDANCE	BOARD	STRATEGY	AUDIT	NOMINATIONS	RISK AND COMPLIANCE	REMUNERATION	SOCIAL AND ETHICS	SUSTAINABILITY
Simon Susman ¹	90%	4/4	2/2		3/3	3/4	3/3	2/3	2/2
Patrick Allaway	100%	4/4	2/2	5/5		4/4	3/3		
Peter Bacon ²	100%	2/2	1/1	2/2			1/1		
Zarina Bassa	100%	4/4	2/2	5/5	3/3	4/4	3/3		
Tom Boardman	100%	4/4	2/2		3/3		3/3	3/3	2/2
Hubert Brody	80%	3/4	2/2	4/5		3/4			
John Dixon ³	90%	3/4	2/2			4/4			
Andrew Higginson	100%	4/4	2/2	5/5		4/4	3/3		
Reeza Isaacs	90%	4/4	2/2			3/4			
Gail Kelly	100%	4/4	2/2		3/3	4/4	3/3		2/2
Nombulelo Moholi	100%	4/4	2/2			4/4	3/3	3/3	2/2
Ian Moir	100%	4/4	2/2			4/4		3/3	2/2
Sam Ngumeni	100%	4/4	2/2			4/4			
Stuart Rose ⁴	100%	4/4	2/2		3/3	4/4	3/3		2/2
Zyda Rylands	100%	4/4	2/2			4/4		3/3	2/2

1. Chairman
 2. Retired from the Board on 28 November 2017
 3. Resigned from the Board on 21 May 2018
 4. Resigned from the Board on 28 May 2018
 * Siza Mzimela was appointed to the Board on 1 July 2018

x/x denotes number of meetings able to attend. Apologies tendered and accepted when absent from meetings.

GOVERNANCE FRAMEWORK

KING IV

The King Report on Corporate Governance for South Africa 2016, 'King IV', was released on 1 November 2016, with the effective implementation for entities with financial years commencing on or after 1 April 2017. The Board welcomed the introduction of the new Code, given the emphasis of driving the four governance outcomes of: ethical culture; good performance; effective control; and legitimacy.

Having concluded a self-assessment of the Group's practices against the relevant King IV Code recommended practices in 2017, the year under review entailed focus on embedding the King IV principles throughout the organisation. While the Group was far advanced in most of the recommended practices, the key area of emphasis was on the governance of information. The Group has strict privacy and protection of data mechanisms; however, the King IV recommended practices in this regard required attention and the Group has formed an Information Management Committee during the year under review to address the application of the relevant practices.

The Board Charter and the Committees' terms of reference have all been updated for King IV and are available at www.woolworthsholdings.co.za.

The Group is committed to the governance principles of King IV and continues to develop its governance policies, practices, and procedures in line with an integrated governance, risk, and compliance framework. The Board is satisfied that every effort has been made in the year under review to apply all material aspects of King IV where appropriate and relevant.

The Group's application of the King IV principles are set out in its King IV application report, which is available at www.woolworthsholdings.co.za.

The Group's governance framework is designed in a manner that fully supports the Board's primary imperative of driving accountability through focused delivery of initiatives for long-term value creation.

BOARD MEETINGS

The Board holds four scheduled quarterly meetings and, together with Committee meetings, these run over a course of three to four days. Given our geographic spread, we hold two of these meetings in South Africa and two in Australia. It is imperative for the Board to visit the Group's stores both in South Africa and Australia. We dedicate two days in May and two days in November to cover strategy formulation and strategy review each year. In addition, the Board has scheduled standing telecons between each Board meeting for purposes of receiving updates from the Group CEO.

The Board held four scheduled meetings during the year under review. Additional ad-hoc meetings were held to deliberate on various matters of substance, such as the consideration of the impairment of the carrying value of David Jones.

The Board remains committed to driving outcomes that support the Group's vision to be one of the world's most responsible retailers. Details on Board and committee attendance have been included in the Governance Report and the Notice of Annual General Meeting.

BOARD SUCCESSION

Board succession has been top-of-mind during the year under review, specifically in relation to planning for the succession of key leadership positions including the Chairman, the Lead Independent Director, and the Group Chief Executive.

Close attention has been paid to the following imperatives:

- Understanding the representation of current skills and competencies on the Board
- Identifying the future skill sets required of Board members as we refresh the Board
- Identifying the knowledge, skills, and experience considered critical to deliver on the Group's strategic priorities over the next five years
- Incorporating diversity attributes into Board composition

Any future appointments to the Board will be considered against the context of agreed diversity targets and ensuring that we both reach and exceed these in time to come.

BOARD DIVERSITY

The Board is guided by its Director Appointment and Diversity policies which steer the Nominations Committee in their deliberations on the selection of new directors. The Board is pleased to have met its voluntary race and gender targets and will strive to further increase diversity.

EXECUTIVE SUCCESSION

Executive succession planning remains a key focus for the Board. The Nominations Committee continues to oversee the Group CEO succession plan, which is also discussed with the full Board. The Group CEO, Ian Moir, is due to retire in 2021. The Board will continue its work in this regard, facilitated by an independent advisor, to ensure that appropriate succession is in place.

The Group CEO remains instrumental in the turnaround of the Group and plays an active role in informing succession planning for the Group CEO role and that of his executive team.

INDEPENDENCE

The Company has a unitary Board with a majority of Non-executive Directors. All Non-executive Directors are independent with the exception of our Chairman, Simon Susman, who is classified as non-independent by virtue of his shareholding in the Company. Our Lead Independent Director, Tom Boardman, chairs the Board meeting when a conflict of interest arises.

The Board views independent and objective judgement of directors as key attributes. Independence provisions have always been a part of the Group's Memorandum of Incorporation (MOI), which was amended last year to include the assessment of the objective judgement of directors.

SKILLS AND EXPERIENCE

The Board comprises the appropriate balance of knowledge and skills for it to discharge its governance role and responsibilities objectively and effectively. Directors are drawn from diverse backgrounds and bring a wide range of experience, insight, and professional skills to the Board to ensure effective leadership. The Board's deliberations are strengthened through this diversity of skill and experience.

DIRECTOR PERFORMANCE

Last year, the Board Practice, an external service provider, conducted an external assessment of the Board and Committees' performance.

This year we conducted a peer review of each Director's performance on the Board. The Chairman addressed each Director's performance directly with them.

We will be independently assessing the Board and Committees' performance in the 2019 financial year.

STAKEHOLDER ENGAGEMENT

The current corporate environment is being shaped by fundamental changes in stakeholder engagement. Many of our institutional investors are keen to engage on governance issues. This was particularly evident during the 2018 Annual General Meeting 'governance road shows' between the Company and its stakeholders, in which we engaged on a number of governance matters including the amendments to the MOI and other resolutions tabled before shareholders – all of which were duly passed. We welcome such engagement and believe that this dialogue provides a platform for the Group to continuously improve on its governance endeavours, while ensuring close and relevant collaboration with our stakeholder community.

USEFUL LINKS

[King IV Application Report](#)

[More detail](#)

[Our Stakeholders](#)

RISK AND COMPLIANCE MANAGEMENT

The Board sets the direction for how risk is approached and addressed in the Group. On behalf of the Board, the Risk and Compliance Committee oversees and directs the Group's implementation of an effective policy and plan for Risk Management and Compliance.

Our risk profile continues to evolve as we transform our business. We refine our risks to ensure they remain relevant and reflect the changing landscape.

The Group applies an integrated Risk Management approach that is aligned to international best practice frameworks including ISO 31000 and COSO Enterprise Risk Management (ERM) and is responsive to a retail business.

The integrated approach is based on four pillars:

- 1. Assurance and Oversight to the Board**
Executed through the Board reporting process and the 'three lines of defence' model.
- 2. Process Improvement and Optimisation**
Executed as part of the Business Unit Risk Review process and control improvement.
- 3. Value Add**
Embedded approach in providing management with Risk insights as input into business decision-making.
- 4. Business Resilience**
Executed through Business Continuity Management and Insurance Programme.

Each business is responsible for formally identifying and assessing its risks annually, measuring them against defined criteria, and considering the likelihood of occurrence and the potential business impact. The Group Risk function facilitates a similar exercise with the Board and executive committee members before combining these perspectives to create a consolidated Group risk profile. Risk exposures are measured against formalised risk appetite statements that are further aligned to the Group strategic objectives.

The responsibility for designing, implementing, and monitoring the risk management plan is delegated to management.

Risk metrics and indicators are defined for all risks, with the risk management process well embedded in the business operations. The Head of Group Risk and Compliance ensures that the risk management framework is executed consistently across all entities. Key risks are tabled and reviewed on a quarterly basis by the Risk and Compliance Committee.

The Board is satisfied that the Group's risk management framework is effective in continuously identifying and evaluating risks and ensuring that these risks are mitigated in line with business strategy.

COMBINED ASSURANCE

The Group continues to adopt the three lines of defence model in determining the focus of assurance providers on key risks. Distinctions are made between assurance providers or functions that own and manage risk, functions that oversee risk, and functions that provide independent assurance. The Group's combined assurance management framework is tabled on an annual basis to ensure the completeness of risks incorporated into the model, and to ensure that the Board is comfortable with the level and type of assurance that is obtained over the key risks.

COMPLIANCE

Compliance is embedded within the Group through the Risk and Compliance function. Each business has its own unique regulatory universe which is assessed against defined criteria. The constantly changing regulatory landscape is carefully monitored to ensure that key regulatory changes are identified by jurisdiction, impact on the business determined, and appropriate business response plans are developed to ensure compliance.

Training and awareness of key legislation is of utmost importance for the business and the Risk and Compliance team develops training modules as well as facilitates user awareness sessions.

The Group has not breached any material regulatory requirements and has not failed any statutory obligations that it is aware of.

GROUP COMPANY SECRETARY

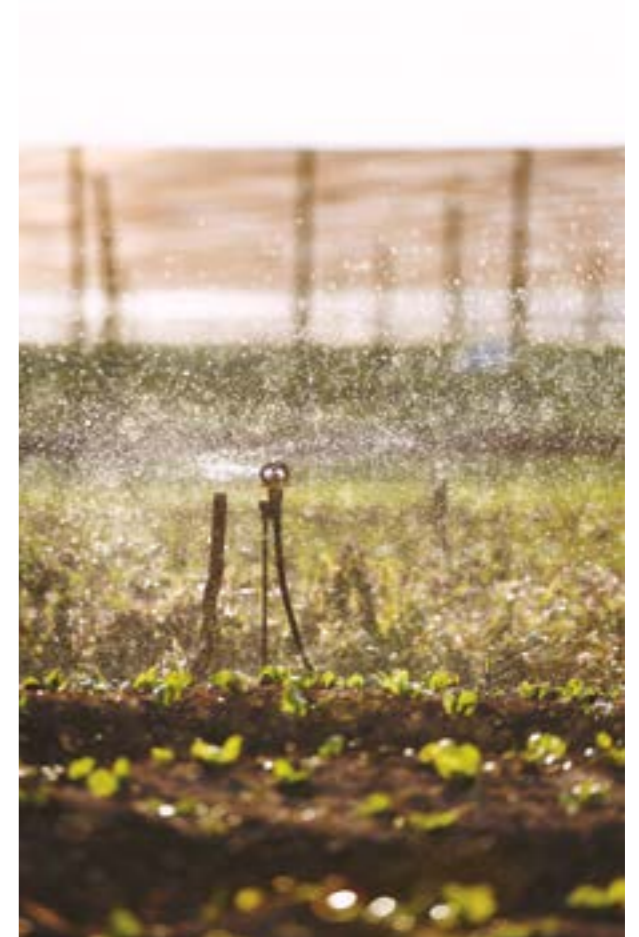
The Board is cognisant of the duties of the Group Company Secretary, Chantel Reddiar, and an environment exists in which the Group Company Secretary is able to ensure that Board procedures and relevant regulations are fully adhered to. The directors have unlimited access to the advice and services of the Group Company Secretary. The Board governance process is managed by the Group Company Secretary. The Board has assessed the competence and expertise of the Group Company Secretary, and is satisfied that she has the appropriate qualifications and experience required by the Group, and as detailed in the Companies Act 2008, JSE Listings Requirements, and the King IV Code. She is fully responsible for, and supported by, the governance, risk, legal, and compliance business functions. The Board is satisfied that the Group Company Secretary maintained an arm's length relationship with the Board throughout the year.

OUR VALUES AND ETHICS FRAMEWORK

The Group's values, which have been adopted at subsidiary level, underpin behaviour and decision-making processes across the business – this extends from recruitment and training of staff to contracting with suppliers who are also expected to sign Supplier Codes of Conduct. Living the values forms a material part of each employee's performance appraisal assessment.

The Group maintains a number of governance and ethics policies on conflicts of interest, gifts, entertainment, insider trading, and price-sensitive information. Policies are revised as and when necessary, and this year saw the revision of the conflicts of interest, external auditor independence, insider trading, and price-sensitive information policies.

The year under review saw the refreshing of the Group's whistle-blowing mechanisms. Quarterly reports on alleged fraud incidences and investigations are produced across the Group and are considered at the WHL and subsidiary Risk and Compliance Committee meetings. We will continue to reinforce the governance of ethics throughout our business and our value chain.



USEFUL LINKS

[King IV Application](#)

[Board Charter and committees' terms of reference](#)

[2018 Annual Financial Statements](#)

[More detail](#)

[Material Issues](#)

ALIGNMENT BETWEEN MATERIAL ISSUES AND TOP STRATEGIC RISKS IDENTIFIED FOR THE GROUP

We describe our risk mitigations and opportunities which are associated with the risks detailed below under our Material Issues, Risks and Opportunities earlier in this report.

1 TRADE PERFORMANCE	<ul style="list-style-type: none"> • Macro and socio-political risks negatively impact consumer spending and the Group's profitability • Negative customer perceptions of product, price, and value • Poor execution of fashionability, quality, fit, and finish in Fashion • Aggressive competition and heightened promotional activity • Uncontained cost growth, leading to negative operating leverage
2 BUSINESS TRANSFORMATION IN AUSTRALIA	<ul style="list-style-type: none"> • Inability to unlock potential transformation and synergistic benefits • Trading performance negatively impacted by management's focus on transformational initiatives • Additional costs, business and trade disruptions resulting from new systems and processes, the refurbishment of the Elizabeth Street store, the relocation to the new head office facility, and other transformational initiatives
3 CONSUMER SPENDING AND BEHAVIOUR	<ul style="list-style-type: none"> • Unable to provide our customers with a compelling digital offering • Connected retail experience, particularly mobile, does not meet customer expectations • Products do not meet customer expectations • Failure to balance spend between physical stores and online, aligned to consumer behaviour • Unable to deliver returns from existing real estate investments
4 DIGITAL WORLD AND CYBER	<ul style="list-style-type: none"> • Inability to deliver IT requirements to support the growth of the business • Impact of technology disruption and change • Cyber-attacks, IT infrastructure disruptions and data loss, including protection of sensitive data • Heightened cyber security disclosure requirements, increasing the potential financial and reputational impact of breaches
5 TALENT AND CHANGE MANAGEMENT	<ul style="list-style-type: none"> • Failure to attract and retain retail talent • Failure to effectively drive organisational change management and culture
6 RESPONSIBLE RETAILING	<ul style="list-style-type: none"> • Failure to maintain quality, ethical, and sustainability leadership position, resulting in the loss of competitive advantage and brand deterioration • Compromised product safety and traceability • Scarcity of supply and increasing cost of natural resources (especially water and energy) impacting our operations and supply chain • Failure to transform our business in line with the country's transformation objectives • Non-compliance with regulatory requirements

USEFUL LINKS

[More detail](#)

[Material Issues](#)



GOVERNANCE STRUCTURE

The WHL Board and committee governance structures are supported by three aligned subsidiary governance structures for WSA, DJ, and CRG respectively. Brief details regarding the role of each committee are summarised here.

Number of meetings Number of members Attendance %

● AUDIT COMMITTEE

In addition to its statutory duties set out in the Companies Act, the committee provides independent oversight of the effectiveness of internal financial controls and the system of internal controls, and assists the Board in overseeing the integrity of the Group's Annual Financial Statements and related external reports. The committee further oversees the effectiveness of the Group's external and internal assurance functions.

Members: Hubert Brody (Chairman), Patrick Allaway, Zarina Bassa, and Andrew Higginson

● RISK AND COMPLIANCE COMMITTEE

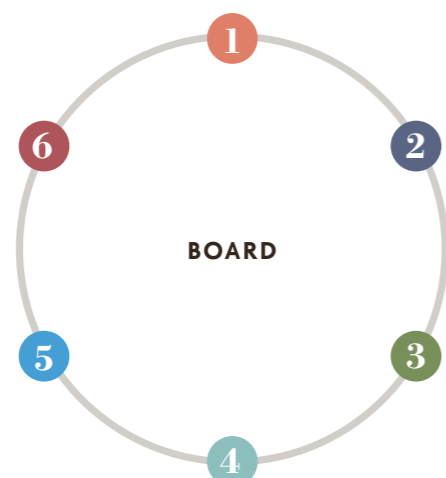
Assists the Board in setting the direction for the manner in which risk is approached and addressed throughout the Group. The committee oversees and directs the Group's implementation of an effective policy and plan for risk management and compliance.

Members: Zarina Bassa (Chairman), Simon Susman, Patrick Allaway, Hubert Brody, Andrew Higginson, Gail Kelly, Reeza Isaacs, Nombulelo Moholi, Sizakele Mzimela, Ian Moir, Sam Ngumeni, and Zyda Rylands

● REMUNERATION COMMITTEE

Ensures the employee value proposition promotes fair, responsible, transparent remuneration and reasonable employment practices within the Group and which promotes the alignment of short-, medium-, and long-term performance objectives and outcomes between shareholders and employees. It also ensures the establishment of an appropriate remuneration framework and adoption of remuneration policies that aim to attract and retain top talent, deliver the Group's long-term strategy, and drive sustainable performance.

Members: Tom Boardman (Chairman), Simon Susman, Patrick Allaway, Zarina Bassa, Andrew Higginson, Gail Kelly, and Nombulelo Moholi



● NOMINATIONS COMMITTEE

Assists the Board with the appointment of directors and to ensure a transparent and accountable process to determine an optimally diverse Board and committee composition. The committee also has the responsibility to ensure appropriate succession planning for the Chairman, directors, the Group CEO and Group Executive Committee members.

Members: Tom Boardman (Chairman), Simon Susman, Zarina Bassa, and Gail Kelly

● TREASURY COMMITTEE

SUB-COMMITTEE OF THE AUDIT COMMITTEE
Proactively manages the Group's treasury exposures within acceptable risk limits and in compliance with policy guidelines as approved by the Board.

Members: Reeza Isaacs (Chairman), Patrick Allaway, Hubert Brody, and Ian Moir

● SOCIAL AND ETHICS COMMITTEE

In addition to its statutory duties in terms of the Companies Act, the committee ensures that the Group's activities support its intent to be a responsible corporate citizen. The committee assists the Board in setting the tone for an ethical organisational culture by overseeing the Group's conduct, approach, and manner in which the business is conducted, with due regard to value creation in society.

Members: Nombulelo Moholi (Chairman), Simon Susman, Tom Boardman, Ian Moir, and Zyda Rylands

● SUSTAINABILITY COMMITTEE

Ensures that the sustainability strategy positions the Group as a leader in responsible retailing in the countries in which it trades. The committee further ensures that the sustainability initiatives and objectives are effectively integrated into the business and that the Group operates in an environmentally responsible manner.

Members: Simon Susman (Chairman), Tom Boardman, Gail Kelly, Nombulelo Moholi, Ian Moir, and Zyda Rylands

USEFUL LINKS

[Board Charter and committees' terms of reference](#)

[2018 Annual Financial Statements](#)

More detail

[Social and Ethics Committee Report](#)

[Remuneration Report](#)

INFORMATION MANAGEMENT COMMITTEE

The role of the Committee is to proactively manage the Group's information in a way that supports the business, by setting and achieving its strategic objectives in compliance with policy guidelines as approved by the Board.

Members: Sam Ngumeni (Chairman), Reeza Isaacs, Chantel Reddiar and senior leadership team members of operating subsidiaries.

SUBSIDIARIES

The Board and its committees are supported by the board and committees/panel of its three main subsidiaries: WSA, DJ, and CRG respectively. These, in turn each have an investment committee as well as an executive committee, which feed into the Group Executive Committee. The Group CEO chairs the main subsidiary boards, with each subsidiary committee/panel being chaired by an Independent Non-executive Director of the Group.

● AUDIT COMMITTEE

95%

Key focus areas in 2018
(more detail is provided in the Audit Committee Report):

- Overseeing the assessment of the carrying value of the David Jones assets which resulted in the impairment charge of A\$712.5 million (R6 927 million)
- Concluding on the Group's position and timing of Mandatory Audit Firm Rotation and its application for the Group
- Overseeing the DJ systems implementation
- Assessing the external auditor performance based on Audit Quality Indicators
- Overseeing audit partner rotation from Mr Anthony Cadman to Ms Johanna Cornelia de Villiers
- Continued implementation and issuance under the Domestic Medium-Term Note Programme
- Reconstitution of Executive Treasury Committee to sub-committee of the Audit Committee
- Alignment of audit approach across geographies to ensure adequate coverage and appropriate assurance over the internal control environment
- King IV assessment

● SOCIAL AND ETHICS COMMITTEE

93%

Key focus areas for 2018
(more detail is provided in the Social and Ethics Committee Report):

- Oversight of stakeholder engagement practices
- Monitoring Group social development initiatives
- Monitored human capital transformation with specific reference to Employment Equity and skills development
- Overseeing the Group's Enterprise and Supplier Development initiatives
- King IV assessment

● RISK AND COMPLIANCE COMMITTEE

94%

Key focus areas in 2018
(more detail is provided in the Risk and Compliance sub-section of the Governance Report):

- Reviewed the Group's key risk profile on a quarterly basis to ensure risks emanating from the current and emerging business environment and from the strategic objectives are reflected on the risk profile
- Assessed completeness of the risks covered in the Combined Assurance Model, including risk tolerance and appetite levels
- Oversight of the formulation of an Information Management Committee as an executive committee managing the Group's information in a way that supports the Group
- Oversight over management's response to a number of risk-related events, security incidents in KwaZulu-Natal, the water crisis in Western Cape and the threat associated with cyber risk across the Group
- Comprehensive review of our Group Insurance programme and 2018 placement terms
- Reviewed the Group's systems and processes in place to prevent and detect fraud
- Oversight of the IT Governance framework, strategic alignment and the execution of IT projects
- Reviewed the Group's health and safety programme
- Assessed the adequacy and effectiveness of controls in place to ensure regulatory compliance across jurisdictions
- King IV assessment

● SUSTAINABILITY COMMITTEE

100%

Key focus areas after 2018:

- Approved, monitored, and reviewed the Good Business Journey programme, including targets and key focus areas as per the '2020' initiative
- Considered and approved the packaging vision and commitments for 2020 and 2022
- Oversight of development of GBJ in Australia to align across the Group
- King IV assessment

● REMUNERATION COMMITTEE

100%

Key focus areas in 2018
(more detail is provided in the Remuneration Committee Report):

- Engagements with key shareholders on the impact of David Jones impairment on the Group's short- and long-term incentive schemes
- Review of executive remuneration including retention mechanisms
- Annual benchmarking of executive remuneration and Non-executive Director fees
- Succession planning for the executive management team and talent management
- Proactive engagement with key shareholders
- Long-term incentive scheme review including performance conditions
- Short-term incentive scheme application in the current trading environment, including the retention of critical role talent
- Reviewed the performance goals and evaluation of the Group CEO and Group Exco
- King IV assessment

● NOMINATIONS COMMITTEE

100%

Key focus areas after 2018:

- Oversaw certain amendments of the Memorandum of Incorporation, and took the lead in interrogating the integrity of those provisions
- Continued to deal with the issue of Board succession, with a continued focus on the diversity imperative
- Ensured a formal and transparent Board nomination and election process during the appointment of Sizakele Mzimela
- Conducted the directors' independence review
- Consideration and recommendation of amendments to the Board Diversity Policy and monitoring of targets
- Oversight over the director effectiveness assessment for 2018 and tabled the relevant recommendations and recommended the Chairman, Lead Independent Director, retiring directors and audit committee members for re-election
- Oversight of the Group CEO succession
- King IV assessment

SOCIAL AND ETHICS COMMITTEE REPORT

WHL has always subscribed to the highest standards of corporate citizenship, social responsibility, sustainability, and ethics. The Group's values inform and underpin the way we do business across our Group. From values-based leadership to passionate brand advocacy, we seek to embed our values across all dimensions of our business. The implementation of King IV during the year under review required the committee to consider the application of the principles relating to leadership, ethics, and corporate citizenship in ensuring the four governance outcomes.

To this end, a key focus of the Social and Ethics Committee is to assist the Board in setting the tone for an ethical organisational culture and overseeing the Group's commitment to social and economic development, fair labour practices, environmental responsibility, and good corporate citizenship.

The committee comprises both Executive and Non-executive Directors and details of the committee composition, attendance, and meetings can be found in the Governance Report and the Notice of Annual General Meeting. The committee's terms of reference are available on our website at www.woolworthsholdings.co.za and set out in detail both the committee's statutory duties as well as Board delegated duties which include the oversight of all the Group's operating entities, including those in Australia.

We acknowledge that the critical areas within our mandate are constantly evolving in a world of complexity and amidst significant governance failures across South Africa; it is,

therefore, essential that the Group responds to this evolution by adapting its processes, policies, and practices concerning the environmental, social, and governance agenda of WHL – our role is that of active corporate citizenship.

We do this by ensuring that:

- the principles of responsible corporate citizenship are a critical component of the Group's overall strategy
- we are constantly reviewing the social, transformation, environmental, and ethics risks that impact the Group
- we report to the Board and to our stakeholders on the activities of the committee and engage on our mandate with shareholders
- we oversee management's efforts in delivering the Group's vision

Our mandate as set out in the Companies Act is a broad one. There is much work to be done if the Social and Ethics Committee of any organisation is to be effective. An annual self-assessment of our statutory obligations has been undertaken for the year under review and I am pleased to report on behalf of the committee that we have performed all of the statutory requirements expected of a Social and Ethics Committee.

We have, however, elected to report on those matters that we believe our stakeholders would like to hear most about – and are happy to engage on any other statutory requirements at the 2018 annual general meeting.

OUR TRANSFORMATION JOURNEY

CONTRIBUTING TO OUR SOCIAL DEVELOPMENT IMPERATIVES

Setting the tone from the top – the WHL Board has committed to and has progressed on the following targets relating to its Board composition:

DIVERSITY	TARGET	ACTUAL
Gender minimum of 33% for female Board membership, with an aspiration to achieve 40% by 2020	33%	38%
Race minimum of 33% for race diversity at Board level, with a target of 40% by 2020	33%	46%

As a Group, diversity in gender and race remains a key strength and we continue on our transformation journey both as a Board and as a Group.

A significant portion of the period under review has been characterised by heightened transformation activity in South Africa. The Group remains an active social contributor and is involved in initiatives such as the 'YES' (Youth Employment Service) initiative launched by President Ramaphosa in March 2018 in partnership with the CEO Initiative. With close to six million youth unemployed, this initiative is one of the ways in which the private sector is able to come together with government to improve employability as well as to alleviate the high youth unemployment rate. Woolworths is one of the first companies to commit to working with government by participating in the YES initiative, and we are currently working with YES to co-create the implementation.

The Group has refreshed its anti-bribery policy and conducted a comprehensive review of its anti-bribery and corruption initiatives across all operating jurisdictions in Africa. The Organisation for Economic Co-operation and Development's (OECD) recommendations on anti-corruption, together with the principles of the UN Global Compact, remain the Group's guiding principles in this regard.

OUR PEOPLE

Our people and transformation strategy is anchored in our values. We remain committed to the UN's Universal Declaration of Human Rights and the International Labour Organization's principles. The committee supports management's belief that entrenching a deep values-based culture across WSA, DJ, and CRG is critical for business performance and organisational sustainability, and we have tailored our people and transformation strategies with regard to the context of the regions within which we operate. There are different challenges that face our people in South Africa and Australia, and the committee is committed to overseeing that our people are treated fairly and ethically – this, in turn, ensures that our people remain committed to living the Group's values and treating the Group's stakeholders fairly and ethically.

The Group's efforts in delivering on its overall business strategy, together with navigating the current challenging business environment, places increased attention on its people policies and initiatives as we strive to ensure that we retain our key talent. In light of this, the Group's people strategy has remained focused on ensuring that the Group has created an environment in which staff remained engaged and active contributors of value creation.

USEFUL LINKS

[2018 Good Business Journey Report](#)





SKILLS DEVELOPMENT AND EMPLOYMENT EQUITY

Skills Development remains strongly positioned as a mechanism to upskill and advance designated groups, and in the South African context goes hand in hand with employment equity (EE). To this end, management is continuously improving the necessary integration between EE and Skills Development. Management is working tirelessly to ensure that the threshold is met while delivering a value-adding learning and development strategy for a diverse Woolworths (WUSA) community. EE remains a key focus of the Group's transformation agenda, and management continues to work towards alignment between the national economically active population and the targets set within WUSA.

Investment in training and development

WOOLWORTHS SA
R110M

DAVID JONES
R2.0M

COUNTRY ROAD GROUP
R1.7M

SUPPLY CHAIN TRANSFORMATION

The creation of inclusive supply chains in order to drive increased procurement from black-owned and black women-owned, small- and medium-sized enterprises, remains a key imperative. This area of transformation further encourages the development and support of small, black-owned suppliers and other identified enterprises to become competent in supplying goods and services, and in so doing, enables them to grow into sustainable businesses.

There is currently a deep focus on Supply Chain Transformation strategy in the business focusing on:

- Modelling future scenarios and setting targets at the most granular level possible; most importantly, the targets for procurement from black-owned businesses
- Capacity building of buying and procurement teams
- Developing broader business unit ESD strategies, which include Preferential Procurement, Supplier Development and Enterprise Development, and aligning these with our business strategy

Supplier and Enterprise Development programme

49
suppliers who are part of the Woolworths development programme with a procurement spend of R246 million during the 2018 financial year

R800M
accumulated procurement spend over three years with enterprise development beneficiaries

R25.3M *disbursed in loans over the last three years*

1 084 *new jobs created through the programme over three years and 230 during the 2018 financial year*

R51.3M
non-cash investment supporting The Clothing Bank, empowering 448 women, up from R44.4 million last year

Further details of a number of notable achievements on our transformation journey are provided in our Good Business Journey Report. The committee encourages stakeholders to read the case studies contained in the Good Business Journey Report, which evidences the Group's successes in contributing to the mindful development of sustainable businesses, and, indeed, some of the challenges as well.

USEFUL LINKS

[2018 Good Business Journey Report](#)

SOCIAL DEVELOPMENT

Contributing to the communities where we operate, as well as further afield, remains a Group imperative. Our social development strategy is not only aligned to our core business strategy, but also to the developmental priorities of the countries in which we operate and the challenges they face.

In a developing world context, these challenges are increasingly exacerbated by economic and climatic pressures that often serve to increase the cost of living, stretch or diminish access to basic resources, and increase inequality. These challenges only serve to decrease the resilience of impoverished individuals or communities and reduce the likelihood of breaking out of the poverty cycle. The increasing number of service delivery protests in South Africa are reflective of the deep levels of inequality and we remain committed as a business to playing our part to uplift the communities within which we operate.

In Australia, David Jones and Country Road Group focus their community investment activities around the causes that resonate with their customers and their staff, with some commonality in the areas of health and wellbeing, empowerment, and social services.

In South Africa, the Group's social development initiatives within our community base are aligned with the work done by The Woolworths Trust, as it seeks to promote Woolworths (WSA) contributions to social development. The Group Social Development strategy has been expanded to extend to other African countries in which WSA operates and where it has been well-received.

As a Group, WHL has committed funds amounting to R817 million towards the upliftment of the societies within which we operate during the 2018 financial year.

HEALTH AND SAFETY

The safety of all stakeholders, both in our stores and at our places of work, will always be one of our primary focus areas of priority. The Risk and Compliance Committee continues to review the Group's compliance with applicable health and safety laws. Health and public safety matters are considered in some detail, and the Group's compliance department actively monitors and reports on compliance with the relevant legislation in this regard. This year, we were faced with an unprecedented potential threat to the safety of our employees and customers in KwaZulu-Natal, South Africa. The Risk and Compliance Committee oversaw management's response and actions, all of which were designed to mitigate any eventuality of actual harm. In addition, the committee had oversight over management's response to the unfortunate Listeriosis outbreak in South Africa.

BROAD-BASED BLACK ECONOMIC EMPOWERMENT (BBBEE)

The Group's BBBEE rating for the 2018 financial year, as verified by Empowerdex, has been determined at Level 6. Management's focus during the year under review has been on supplier education and awareness in order to create the capacity required to enable the proper validation of preferential procurement. With this firm foundation, we are now engaged in strategic target-setting up to 2020 and beyond, with clear direction and support from management and leadership. This ensures that the delivery of BBBEE transformation is well-entrenched and integrated into individual business strategies.

HUMAN RIGHTS DECLARATION

The Group is committed to respecting human rights, which includes ensuring that all our stakeholders are treated with dignity, respect, and care. The Group values diversity and inclusion and is committed to non-sexism and non-racism across our daily practices and within the framework of all our policies and procedures. This journey is underpinned by the Group's values and solid transformation principles to ensure the sustainability and impact of our efforts. The committee is pleased to report that the Group remains compliant with the international set of protocols within which we operate, and continues to promote equality through processes and policies put in place to prevent and eliminate any form of discrimination.

CUSTOMER RELATIONSHIPS

One of the Group's values is to be 'Customer Obsessed'. As part of our statutory mandate, the committee is required to consider various aspects of customer relationships. The Group recognises that in order to create the right experiences for our customers, we need to create the right experiences for employees. Our people strategies in both South Africa and Australia are built on this recognition.

As we continue to function in a very difficult operating environment, our customers remain our foremost priority.

We continue to ensure that we:

- embed our shared values so that our customers, our people, our partners, and our communities know what we stand for
- build a culture of collaboration and work together for the benefit of our customers
- put our customers and our people at the heart of everything we do, and inspire them through the pride in our brands
- continue to build our resilience and our ability to renew our businesses
- build a more inclusive and diverse culture where all voices can be heard

From a compliance perspective, the committee is responsible for ensuring that the Group operates within relevant consumer laws. All customer complaint matters for the year under review were managed and investigated timeously.

STAKEHOLDER ENGAGEMENT

Our stakeholder engagement process focuses on establishing and maintaining mutually beneficial relationships with all our stakeholders, driven primarily by the material issues identified through continuous engagement. The Group's stakeholder universe includes our employees, customers, shareholders, lenders, suppliers, communities, business partners, unions, NGOs, academia, industry bodies, government, regulators, and the media, among others. To focus our reporting on these stakeholders, we have mapped them according

to materiality – in this case, their ability to impact the business and the Group's ability to impact our stakeholders.

The Group continues to evolve its approach and strategic intent with regard to stakeholder engagement. The process of mapping stakeholder relationships continues to be undertaken across the Group, and stakeholder engagement continues to be key in enhancing the Group's sustained value creation.

USEFUL LINKS

[*2018 Good Business Journey Report*](#)

[*2018 BBBEE Verification Certificate*](#)



SUSTAINABILITY

In pursuit of our vision to be one of the world's most responsible retailers, we continue to evolve the Group's Good Business Journey programme, which consists of eight focus areas, and the material aspects of addressing sustainability in the Group. These eight areas are transformation, social development, health and wellness, ethical sourcing, sustainable farming, waste, water, as well as energy and climate change. During the year under review, the Group announced its packaging vision of zero packaging waste to landfill and its commitments to phasing out single-use shopping bags by 2020, as well as all packaging of private label products to be reusable or recyclable by 2022. In addition, the committee, together with the Risk and Compliance Committee, was engaged on the

business continuity management plans that management had implemented in order to deal with the water crisis in the Western Cape. As I write, though, the Western Cape is enjoying some rainfall, which may be sufficient to defer Day Zero. Woolworths, however, continues to advocate the #THINKWATER campaign.

All environmental matters are monitored through the Sustainability Committee, which ensures that our sustainability initiatives and objectives are effectively integrated into the business and that the Group operates in an environmentally responsible manner. The Good Business Journey Report, published as part of the Group's integrated reporting, is a comprehensive report setting out detailed information relating to the Group's sustainability initiatives.

ETHICS AND BUSINESS INTEGRITY

All ethical policies and adherence thereto are overseen by the committee, whose main role in this regard is to ensure implementation and compliance with the Group's ethos of remaining true to its values.

The committee endeavours to promote a culture of openness and transparency throughout the Group and, as such, employees and other stakeholders are encouraged to report unethical conduct and other transgressions which they may become aware of. An independently monitored whistle-blowing hotline, Deloitte's Tip-Offs Anonymous, has been made available to employees across the Group's businesses. Stakeholders are able to report suspected

fraud or other activities which are considered to be ethical transgressions.

Tip-Offs training and awareness sessions are conducted periodically to promote utilisation of the facility where necessary. The Tip-Offs service has also been extended to key customers and suppliers in the South African business and to selected suppliers and customers at the Group's international businesses.

USEFUL LINKS

[2018 Good Business Journey Report](#)

CONCLUSION

We are pleased to confirm to you, our stakeholders, that the Group continues to meet its environmental, social, and governance responsibilities. The committee reports, through its Chairman, to shareholders at the Group's Annual General Meeting on matters within its mandate. The committee confirms that it has discharged its responsibilities appropriately during the year under review. We continue to seek ways in which to further create value and contribute positively to the environmental, social, and governance imperatives of the jurisdictions within which we operate. WHL has retained its inclusion in the FTSE/JSE Responsible Investment Index for 2018/2019, and has been included for the sixth year in succession in the Dow Jones Sustainability Index, a globally respected sustainability index.

There has been no material non-compliance with legislation or non-adherence to codes of best practice in terms of the areas within the committee's mandate for the period under review.

I encourage all our stakeholders to share their views with us in terms of the Group's social and ethics performance via Governance@woolworths.co.za. Consistent and honest feedback from stakeholders is imperative to our efforts of fostering greater accountability on matters related to transformation and sustainability, and in assisting us to deliver more effectively on the Group's goals and targets in terms of these critical issues.

Finally, I thank the executive management team and my fellow committee members for their unwavering support in fulfilling the committee mandate for the year under review.

N MOHOLI

Chairman of the Social and Ethics Committee

OUR REMUNERATION REPORT

THIS REPORT COMPRISES THREE SECTIONS:

SECTION 1

A report of material matters covered by the committee during the year, from the Chairman of the Remuneration Committee

SECTION 2

The remuneration philosophy, policy, and framework tabled at the Annual General Meeting (AGM) for a non-binding advisory vote by the Group's shareholders

SECTION 3

The implementation of the remuneration policy in the 2018 financial year, tabled at the AGM for a separate non-binding advisory vote by the Group's shareholders

SECTION 1: REMUNERATION COMMITTEE CHAIRMAN'S REPORT

I am pleased to present the Remuneration Report for the Group.

This report highlights the material matters dealt with by the Remuneration Committee during the year. It also addresses the Group's performance for the year ended 24 June 2018, as well as the corresponding remuneration outcomes.

The remuneration policy has been designed to deliver performance at a short-, medium-, and long-term level, with appropriate performance conditions for the differing time periods.

The Group experienced a challenging financial year, with performance well below expectations. An impairment of the David Jones investment, and the poor response to the challenging economic and trading conditions in both South Africa and Australia, are reflected in a HEPS decline of 17.7%. For much of 2017, South Africa was plagued with an uncertain political environment, low consumer confidence, and high living costs. Australia has felt the impact of the entrance of international retailers and low growth. Group adjusted profit before tax (aPBT) decreased by 13.8% to R4.8 billion.

A well-established one-year financial planning process and a medium-term plan (MTP) provide strategic direction and manage business performance over a three-year period.

The MTP is updated on an annual basis and is approved by the Board as part of the bi-annual strategic review. Targets set in the MTP aim to deliver increased value to shareholders, and should result in Group performance above that of its major competitors, as well as growth above market conditions. It is therefore appropriate that Executive Directors are rewarded when they achieve performance of the MTP targets. The hurdle rates and performance conditions for STI and LTI are therefore set to motivate and reward sustainable performance.

ALLOCATION OF ONCE-OFF AWARDS FOCUSED TO DELIVER 2020 MTP

The Group CEO and the Executive Directors are regarded as being key to ensure that the Group delivers sustainable returns for shareholders. To motivate this sustainable performance over the next three years, the Remuneration Committee approved a once-off allocation of Restricted Shares (RSP) to the Group CEO and Executive Directors, focused towards the delivery of the Group's 2020 MTP.

The Group CEO was awarded 475 118 RSP shares with performance conditions correlated to the achievement of the Group's 2020 MTP. The RSP performance conditions are aHEPS (50% weighting), cash management (30% weighting),

and ROCE (20% weighting). Targets are not disclosed as this would reveal confidential and commercially sensitive information. The performance conditions do not have any linear vesting. Non-achievement of the conditions will result in full forfeiture, and achievement will result in 100% vesting.

The Executive Directors received RSP awards with performance conditions based on achievement of individual annual performance objectives over the three-year period. The committee recognises that the achievement is based on a qualitative assessment of performance and the achievement of Group aPBT.

IMPACT OF IMPAIRMENT OF CARRYING VALUE OF DAVID JONES ON SHORT- AND LONG-TERM INCENTIVES

The Group acquired DJ in 2015 for an amount of R21.5 billion. During the year, a non-cash impairment of A\$712.5 million was recognised against the carrying value of the DJ investment due to below-trading performance of DJ, and poor or delayed execution of the business transformational initiatives.

SHORT-TERM PERFORMANCE INCENTIVE

The non-cash impairment does not impact the aPBT actual or target for the 2018 financial year. However, the Remuneration Committee agreed that, as the key drivers of the implementation of the Group's strategic and operational initiatives, incentives for the Executive Directors and senior executives in business operations, should be impacted by the impairment.

Therefore, the Group CEO, Executive Directors, and Exco members of the operating subsidiaries will not qualify for any STI payment relating to the performance of the 2018 financial year.

LONG-TERM PERFORMANCE INCENTIVE

The non-cash impairment has the effect of reducing the ROCE target used for performance conditions of the PSP (for Executive Directors) and RSP (for Group CEO) and thereby make the achievement of the MTP ROCE performance condition easier to achieve.

It would be inappropriate for the Executive Directors to benefit from a reduced ROCE while shareholders have experienced a significant loss of value. The Remuneration Committee has therefore agreed to 'add-back' the impairment charge and not recognise the impairment for purposes of the ROCE performance condition, i.e., maintain the original targets. Due to the method of calculation and the vesting period being three years, this will invariably result in non-achievement of that component of the PSP award for these years.

With respect to the ROCE hurdle rates for the 2019 financial year onwards, it was agreed that the targets would be set at a higher level to compensate for the reduction in the base value given the impairment. The Board requires executive management to deliver growth going forward, particularly to achieve the MTP for the next three years to 2020. It would be appropriate for the directors to receive the opportunity to be rewarded for delivering improved performance and have the opportunity to benefit from performance which recovers the 'lost value' of previous long-term incentive awards not vesting.

CHANGES TO THE REMUNERATION POLICY FOR THE 2019 FINANCIAL YEAR

As part of an ongoing process to ensure that the incentive plans reflect best practice, are appropriate for the Group's operating model and are market related, the Remuneration Committee has agreed the following changes to the design of the schemes for the 2019 financial year.

REMUNERATION ELEMENT	CHANGE	REASON FOR CHANGE
SHORT-TERM INCENTIVE SCHEME	Corporate short-term incentive bonus pool has been reduced.	The bonus pool for the 2019 financial year has been reduced by 50% to align with budgeted growth expectations.
LONG-TERM INCENTIVE SCHEME	Removal of TSR as a performance condition and replace with a measure of cash flow with a 20% weighting.	Cash flow measure is more closely aligned to driving shareholder value than TSR. Cash flow is a key target of the MTP.
	The growth target of HEPS to include the CPI rates of both South Africa and Australia.	Reflects the differing trading environments and cycles of the two main geographies in which the Group trades.
	Return on Capital Employed (ROCE) performance condition to be used as a base after the impairment of DJ acquisition, but with higher targets.	Recognises the need to recover shareholder value.

SINGLE FIGURE REMUNERATION

The Remuneration Committee has applied the King IV recommendation that companies must provide a single total figure of remuneration. Disclosure of the remuneration received and receivable, for the reporting period and all the remuneration elements that it comprises are presented in the Implementation Report.

INDEPENDENT EXTERNAL ADVICE

The committee continues to use independent external advice on remuneration trends and market benchmarks. PwC provided advice on local and global remuneration trends as well as with specific benchmarking data on executive remuneration and Non-executive Directors' fees. Independent external remuneration advice was provided by PwC and Mercer for the Australian operations.

SHAREHOLDER ENGAGEMENT

At the 2017 AGM (held on 28 November 2017), the Group presented both the remuneration policy and the Implementation Report as two separate non-binding votes to shareholders for approval. The Group received overwhelming support from shareholders, with 96.92% approval received for the remuneration policy and 93.57% for the Implementation Report.

The Board Chairman and myself held various discussions with key shareholders prior to the AGM and disclosed the following issues raised by shareholders prior to the AGM, and during the course of the year.

In line with King IV, the Board will put both the remuneration policy and the Implementation Report as non-binding advisory shareholder resolutions at the AGM on 28 November 2018. We invite any shareholder wishing to engage the Chairman of the Remuneration Committee on the Group's remuneration policy to do so via email at Governance@woolworths.co.za.

If 25% or more of the shareholders vote against either resolution at the AGM, the Board will invite dissenting shareholders to engage with the committee on their concerns.

TOPIC	SHAREHOLDER COMMENTS	REMUNERATION COMMITTEE RESPONSES
TOTAL SHAREHOLDER RETURN (TSR)	A number of comments were received relating to TSR including: <ul style="list-style-type: none"> • Disclosure • Weighting • Threshold targets • Relevance of measure 	The committee considered all the comments and, as noted in the 2017 Report, and on advice from shareholders, agreed to replace TSR with a cash flow performance condition from the 2019 financial year onwards.
DISCLOSURE	The disclosure of the Group CEO's RSP award is misleading as it appears to be a retention award with no performance conditions.	RSPs awarded to the Group CEO have clear performance conditions attached to them. The disclosure has been reviewed to ensure greater clarity.
	There is no prospective disclosure for the specific HEPS and ROCE targets; however the targets are disclosed retrospectively.	We believe prospective disclosure is competitively disadvantageous. The targets are disclosed when testing takes place.
	The Group does not disclose the recruitment policy and the termination or takeover provisions in relation to variable awards. There is no evidence of a clawback provision in place for directors' contracts.	The committee believes that the rules of the PSP scheme adequately provide for the cessation of employment.
SHARE OWNERSHIP	There are no explicit executive ownership targets in place, while existing ownership appears good.	The committee is comfortable with the general practice that directors retain their shareholdings.

CONCLUSION

The committee remains confident that the Group's remuneration philosophy and policies are aligned to its strategy, aligned with market best practice, and are subject to a robust re-examination each year. However, where it is clear that the remuneration policy should be reconsidered in order to adapt to changing business realities and to maximise shareholder value, or where shareholders have raised legitimate concerns regarding an aspect of the remuneration policy, the committee will consider amending relevant aspects of the Group's remuneration framework.

The committee is pleased to submit a high-level summary of the Remuneration and Implementation Reports on pages 143 and 144 and the detailed Reports on pages 146 to 168. The detailed reports will be tabled at the AGM to shareholders for separate non-binding advisory votes.



TA BOARDMAN

Chairman of the Remuneration Committee

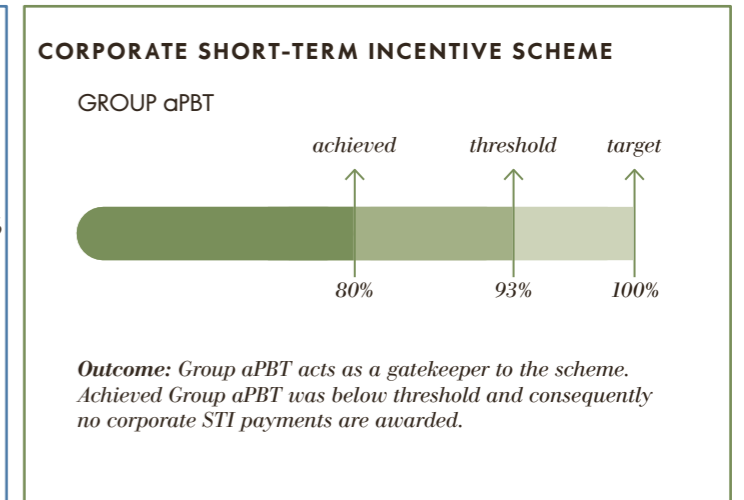
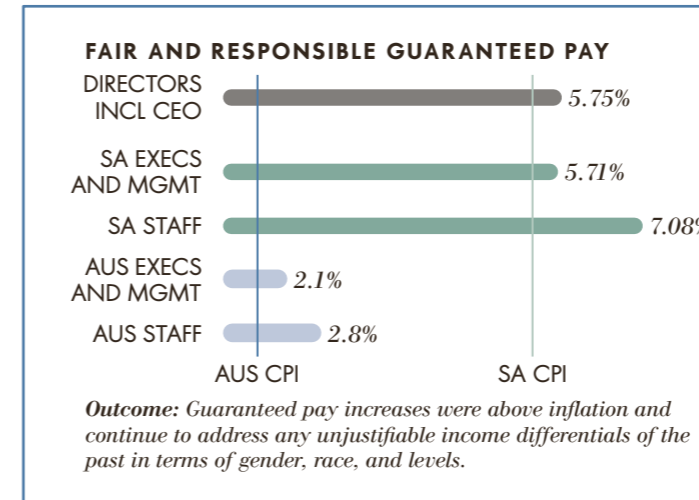
OUTCOMES FOR FINANCIAL YEAR ENDED 24 JUNE 2018

SUMMARY REMUNERATION & IMPLEMENTATION REPORT

REMUNERATION FRAMEWORK

The remuneration framework has been designed to achieve a fair and sustainable balance between annual, and short- and long-term variable remuneration.

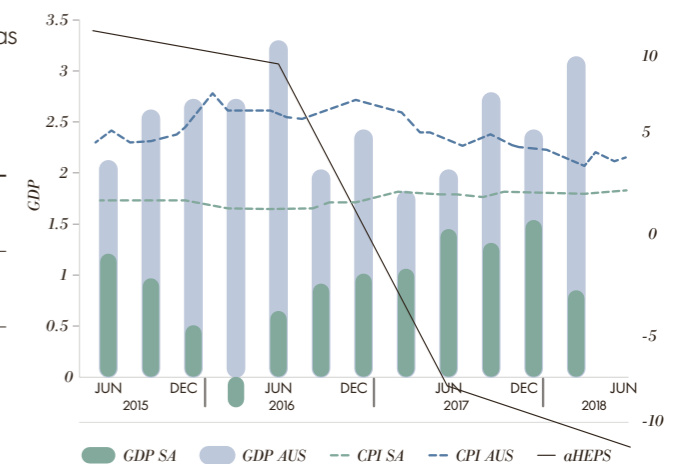
	GUARANTEED PAY	SHORT-TERM PERFORMANCE	LONG-TERM INCENTIVES
PARTICIPATION	All permanent employees	All permanent employees	Executive directors, senior executives and selected employees
PERFORMANCE PERIOD	Ongoing	One year	Generally three years, up to five years
MECHANICS	Market-related and individual performance	Formula directed, with committee discretion	Formula directed
METHOD OF DELIVERY	Cash	Cash	WHL shares
TIMING OF DELIVERY	1 October	Annually in September if warranted	Annually in August/September
PERFORMANCE MEASURES	n/a	Group aPBT is the gatekeeper EBIT of the businesses	HEPS; TSR and ROCE
PURPOSE	Attraction and retention	Delivery of one-year strategic initiatives and financial performance	Delivery of three-year MTP and selected retention



LONG-TERM INCENTIVE SHARE SCHEME

The graph opposite highlights that the Group's aHEPS growth has shown a decline over the last three years, with the more recent performance below CPI and GDP growth.

MEASURE	WEIGHTING	ACHIEVED	THRESHOLD	TARGET	RESULT
aHEPS growth of SA CPI +	50%	366.3	490.0	552.9	Below threshold
TSR	30%	-9%	4%	11%	Below threshold
ROCE	20%	15.2%	17.7%	19.0%	Below threshold



SINGLE FIGURE REMUNERATION

The Group has followed the King IV recommendation and disclosed the single figure remuneration for the Executive Directors' remuneration for 2018. The intention of single figure remuneration is to disclose the remuneration earned or accrued by directors based on the performance of the current year, including any income attributable to unvested long-term share schemes. The 2017 figures have been calculated on a comparable basis, with the previously reported basis shown for information.

	GUARANTEED PAY			SHORT-TERM INCENTIVES	LONG-TERM INCENTIVES		REMUNERATION	PREVIOUSLY REPORTED
	Base salary R'000	Benefits R'000	Total guaranteed pay R'000	Performance bonus R'000	Fair value of shares R'000	Dividends received R'000	Total remuneration R'000	Total remuneration R'000
2018	37 891	1 387	39 278	-	6 996	5 012	51 286	
2017	35 326	1 302	36 628	-	3 355	3 240	43 222	58 508

USEFUL LINKS

[More detail](#)

[Remuneration Policy](#)

[Implementation Report](#)



**SECTION 2:
REMUNERATION PHILOSOPHY,
POLICY, AND REWARD FRAMEWORK**

This report specifically deals with the remuneration for the Group Chief Executive Officer (Group CEO), Executive Directors and Executive Committee (execs) members. Disclosure is also provided in line with the requirements of South African legislation and King IV. The policy applies on a Group-wide basis. In order to provide a more comprehensive view, policies applicable either to different levels of employees and/or different geographic areas are included where appropriate.

THE FOLLOWING COLOURS ARE USED IN THE REMUNERATION REPORT TO DENOTE THE FOLLOWING:

REMUNERATION	GUARANTEED PAY (GP)	VARIABLE PAY (VP)	SHORT-TERM INCENTIVES (STI)	LONG-TERM INCENTIVES (LTI)	DIRECTORS' FEES
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REMUNERATION PHILOSOPHY

The Group's remuneration philosophy is to ensure that employees are rewarded appropriately for their contribution to the execution of the strategy of the Group. As an integral component of the Employee Value Proposition (EVP), the remuneration policy has been designed so that it will continue to attract, engage, retain, and motivate the right, diverse talent required to deliver sustainable profit growth.

The remuneration policies are designed to achieve alignment between the Group's business strategy and the behaviours of all employees against the values of the Group. The policies recognise and reward individual responsibility, performance, and behaviour in the achievement of the business areas' goals. These policies are applicable to all Group employees and participation in short- and long-term incentive schemes is dependent on an individual's role and level within the Group.

The remuneration policy and the implementation thereof are focused on achieving a fair and sustainable balance between GP, STIs, LTIs, and retention schemes for these employees. The fair and responsible application of the remuneration policy (on a Group-wide basis) is guided by the King IV principles relating to fair and responsible remuneration, which have been adopted by the WHL Group.

FAIR AND RESPONSIBLE REMUNERATION

In consideration of King IV, the Group's remuneration policy addresses fair and responsible remuneration for executive management in the context of overall employee remuneration. The Group has developed a 'fair pay barometer' to measure fair and responsible remuneration in a manner which is relevant to its business model. This will be reviewed and improved over time in line with best practice and governance guidelines. The barometer is covered in section 3 of the Remuneration Report on page 155.

REMUNERATION FRAMEWORK

The Group's EVP framework balances remuneration (financial rewards) with other non-financial rewards to drive and deliver a high performance culture. The remuneration component of the EVP framework is made up of two elements – Guaranteed Pay (GP) and Variable Pay (VP) as illustrated below:

REMUNERATION			
GUARANTEED PAY		VARIABLE PAY	
Benchmarked against applicable retail and non-retail companies within geographic locations, to ensure the GP is competitive so as to attract and retain the required level of experience and expertise required for the Group		Short- and long-term incentives with the opportunity to earn additional financial rewards over performance periods of between one and five years	
BASE PAY	BENEFITS	SHORT-TERM INCENTIVES	LONG-TERM INCENTIVES
Market-related salary tailored to roles and performance	Market-related benefits including pension/superannuation, healthcare, vehicle allowances, discounts on purchases	Annual performance bonus paid on the achievement of one-year financial targets All employees in the Group participate in a STI scheme appropriate to the level and role that they perform in the Group.	Share schemes designed to incentivise Group CEO, executive director, execs and senior- to middle-management levels across the Group, on delivery of long-term strategic goals aligned with shareholder expectations: <ul style="list-style-type: none"> Performance Share Plan (PSP) Restricted Share Plan (RSP)

REMUNERATION MIX AND ALIGNMENT TO STRATEGY

REMUNERATION MIX

To achieve a performance culture and an alignment with shareholders through value creation, the total reward mix for the Group CEO, Executive Directors, Exco members, and senior management is geared towards a higher percentage of variable pay 'at risk' for the achievement of stretch goals.

The chart below illustrates the potential composition (Rand and % composition) for the aggregate of the Group CEO and Executive Directors at below, on-target and stretch levels.

Aggregated Executive Directors (including Group CEO)

BELOW	(GP) 100%		
ON-TARGET	(GP) 43%	(STI) 36%	(LTI) 21%
STRETCH	(GP) 29%	(STI) 42%	(LTI) 29%

The 'below' level assumes no vesting of annual LTI allocations and no STI payments. On-target level assumes 50% vesting of annual LTI allocations and on-target STI performance. Stretch assumes 100% vesting of annual LTI allocations and stretch STI performance.

ALIGNMENT TO STRATEGY

The goals and performance measures are aligned with Group, company, and individual performance. The Group performance conditions for STI and LTI, underpinning the vesting of 'at risk' remuneration, have been selected as measures that encourage sustainable growth, without undue excessive risk taking.

While the performance measures of both the STI and LTI are financial in nature, the achievement of non-financial outcomes is incorporated in the measurement of individual employee performance. At an individual level, 40% of their IPM rating is achieved by measuring the behaviours they display in the manner in which they carry out their job. The expected behaviours are aligned to the Group's values. Many of these individual measures are linked to the achievement of the Good Business Journey programme outcomes, driving business transformation, customer service, and environmental and social transformation and development outcomes.


The table below illustrates how the measures at an individual, company and Group level support the Group's strategy, and are aligned to expectations of shareholders in creating sustainable growth and value creation.

GROUP METRIC	SHORT-TERM INCENTIVES		STRATEGIC FOCUS AREAS	LONG-TERM INCENTIVES
	COMPANY/BUSINESS AREA METRIC	INDIVIDUAL METRICS (EXAMPLES)		SHAREHOLDER METRICS
αPBT	EBIT	Market growth/share	Build stronger, more profitable customer relationships	HEPS
		Net promoter score	Towards connected retail	
		Online sales	Be a leading fashion retailer in the southern hemisphere	
	Direct Profit	Retail space growth	Become a big food business with a difference	TSR performance
		Transformation of DJ	Drive synergies and efficiencies across the Group	
		Water reduction	Embed the Good Business Journey throughout our business	ROCE
		Employment equity		

EXECUTIVE DIRECTORS

REMUNERATION POLICY APPLICABLE TO THE 2018 FINANCIAL YEAR

The table below sets out the components of the remuneration framework which have been applied by the WHL Group in the 2018 financial year for the Group Chief Executive Officer (Group CEO), Executive Directors and key senior executives (execs). Components

GUARANTEED PAY		SHORT-TERM INCENTIVES
BASE SALARY	RETIREMENT/SUPERANNUATION, HEALTHCARE, AND OTHER BENEFITS	SHORT-TERM PERFORMANCE BONUS
PURPOSE AND LINK TO STRATEGY Market-related level of remuneration with consideration to specific requirements of the role.	PURPOSE AND LINK TO STRATEGY Benefits and allowances of a compulsory and non-compulsory nature appropriate to the market and contribute to well-being of employees, in line with EVP.	PURPOSE AND LINK TO STRATEGY Motivate executives and senior management to achieve short-term strategic, financial, and non-financial objectives in the one-year business plan.
MECHANICS Reviewed annually against retail peer companies in South Africa, Australia and other countries in which the Group trades. Market conditions, company performance, internal comparability, individual performance and responsibility, are taken into consideration. Includes performance against financial and non-financial objectives and individual behaviour against Group values.	MECHANICS Benefits include: • retirement funding, superannuation • healthcare • motor vehicle allowance and vehicle leasing options • product discount on purchases made in the Group's stores • other benefits as per specific country	MECHANICS The target is determined annually in advance. STI calculated as follows: • Group CEO: 100% based on Group performance • Group COO and Group FD: 100% based on Group performance • Executive Directors and execs: 50% – 75% based on Group performance with remaining 50% – 25% based on Company and/or specific business area performance IPM and specific company EBIT performance are multipliers for the final calculations. Payments commence when threshold incentive trigger is achieved. Earnings potential is applied on a sliding scale between threshold, on-target, and stretch performance.
OPPORTUNITY & MAXIMUM LIMIT Base salary reviewed in context of company and Group performance, CPI, and affordability.	OPPORTUNITY & MAXIMUM LIMIT Some benefits and the quantum of the benefits will vary according to Group's subsidiaries and the market in which they trade.	OPPORTUNITY & MAXIMUM LIMIT On-target and stretch performance percentage of GP: GROUP CEO 100% 125% GROUP COO AND GROUP FD 80% 150% WSA CEO 80% 150% DJ AND CRG CEOs 80% 125% EXECS (WSA) 30% TO 50% 75% TO 150%
PERFORMANCE CONDITIONS Adjustments influenced by individual performance metrics aligned with strategy and behaviours to Group values.	PERFORMANCE CONDITIONS n/a	PERFORMANCE CONDITIONS Target: % growth of Group aPBT and/or company EBIT. Group aPBT acts as a gatekeeper for profit pool accumulation. In finalising STI payments, the Remuneration Committee may exercise discretion to mitigate any unintended consequences.
		OTHERS All employees in the Group participate in an STI scheme at different levels of % of GP at on-target and stretch level. A percentage of Group performance is included in the STI calculation regardless of the participant's employer company. Group STI payments are made in cash in September each year after the finalisation of WHL audited annual financial results. Store and supply chain employees participate in gain-share or commission schemes appropriate to their employer company. Cash payments may be made monthly, quarterly, and biannually dependent on the scheme. The Remuneration Committee has the discretion to exercise reasonability and discretion to pay ex gratia payments where extraordinary value has been created by executives.
		NO. OF PARTICIPANTS 45 835 

USEFUL LINKS

More detail



[Remuneration Policy](#)

[STI calculations](#)

[PSP allocations](#)

[Single Figure Remuneration](#)

of the framework may differ between the three main operating subsidiaries of the WHL Group and, where elements are different, the details per subsidiary are highlighted. The remuneration framework is applied to all Group employees, with LTI components not available to lower management when the 'line-of-sight' is not easily attributable to those roles.

LONG-TERM INCENTIVES	
PERFORMANCE SHARE PLAN	RESTRICTED SHARE PLAN
PURPOSE AND LINK TO STRATEGY Motivate employees to achieve three-year strategy aligning shareholder and executive interests.	PURPOSE AND LINK TO STRATEGY Retain and motivate employees who are key to the delivery of the Group's long-term strategy. Enables the recruitment of key executives to address value forfeited on resignation from a previous employer.
MECHANICS Participants are entitled to the delivery of conditional awards in shares after three years from date of grant, provided that certain performance conditions are met. Vesting occurs subject to the achievement of performance conditions over a three-year performance period. Vesting occurs on a linear scale in accordance with an agreed threshold and stretch target. Participants receive a payment settled in equity on vesting equal to the value of dividends paid on the vested shares during the vesting period.	MECHANICS Participants allocated the unrestricted delivery of shares after a three- to five-year period from the date of grant, or shorter period at the discretion of the Remuneration Committee. Vesting occurs on condition that the participant is still in the employ of the Group on the expiry of the agreed vesting period and any applicable performance conditions are achieved. Staggered vesting occurs from year three to year five. The Remuneration Committee has the discretion to amend vesting periods where appropriate. Participants entitled to receive dividends during the vesting period. RSP allocations are currently not awarded to Australia-based employees.
OPPORTUNITY & MAXIMUM LIMIT Grants are made annually at the discretion of the Remuneration Committee based on GP at grant date. Allocations capped at: GROUP COO AND GROUP FD 100% WSA, DJ AND CRG CEOs 100% EXECS (WSA) 46% TO 79% DJ AND CRG EXCO 46% TO 50%	OPPORTUNITY & MAXIMUM LIMIT GROUP CEO Annual allocation: GROUP CEO 150% OTHER CATEGORIES/PARTICIPANTS The Remuneration Committee has the discretion to determine the minimum and maximum award on GP at grant date. Allocations limited to the Group CEO, Executive Directors, Group execs and selected core and scarce employees.
PERFORMANCE CONDITIONS Group measures weighted: HEPS: 50%, ROCE: 30%, TSR: 20% HEPS - GROWTH THRESHOLD STRETCH TARGET VESTING 30% 100% ROCE - TARGETS FROM MEDIUM-TERM PLAN THRESHOLD STRETCH TARGET VESTING 30% 100% Stretch target based on average three-year projected performance from MTP. TSR PERFORMANCE OF WHL COMPARED TO PEER GROUP MEDIAN UPPER VESTING 0% 100% No retesting of performance conditions. Awards lapse if performance conditions are not achieved.	PERFORMANCE CONDITIONS GROUP CEO The Group CEO receives an annual allocation of RSP with performance conditions and weightings with those of the PSP as below. HEPS - GROWTH THRESHOLD STRETCH TARGET VESTING 30% 100% ROCE - TARGETS FROM MEDIUM-TERM PLAN THRESHOLD STRETCH TARGET VESTING 30% 100% Stretch target based on average three-year projected performance from MTP. TSR PERFORMANCE OF WHL COMPARED TO PEER GROUP MEDIAN UPPER VESTING 0% 100% No retesting of performance conditions. Awards lapse if performance conditions are not achieved.
OTHERS Peer group consists of a selection of JSE-listed companies based on PwC closeness metric approach that selects peer group based on the following factors: sector, EBITDA, total assets, market capitalisation, and price earnings ratio. Rules governing cessation of employment, change in control and delisting as per scheme rules aligned with King IV recommendations.	OTHERS Rules governing cessation of employment, change in control and delisting as per scheme rules aligned with King IV recommendations. Shares are purchased on the open market and held by third-party in escrow.
NO. OF PARTICIPANTS 693 	NO. OF PARTICIPANTS 56 

EXECUTIVE DIRECTORS (CONTINUED)

SERVICE CONTRACTS AND NOTICE PERIODS

It is the policy that the Executive Directors and execs have employment agreements with the company which may be terminated with notice periods of between three and six months. The Group CEO's contract has a 12-month notice period. Employment agreements may also include restraint of trade agreements.

Expatriate execs are employed on a fixed-term contract subject to obtaining and maintaining applicable work permits.

THE TRUST IS GUIDED BY THE TRUST DEED AND SHARE SCHEME RULES, IN COMPLIANCE WITH THE JOHANNESBURG STOCK EXCHANGE LIMITED (JSE) LISTINGS REQUIREMENTS, AND WAS APPROVED BY SHAREHOLDERS IN NOVEMBER 2010

WOOLWORTHS HOLDINGS SHARE TRUST

The Woolworths Holdings Share Trust, managed by two trustees – Independent Non-executive Directors – administers the utilisation of shares for the purposes of the long-term incentive share schemes. The Trust is guided by the Trust Deed and share scheme rules, in compliance with the Johannesburg Stock Exchange Limited (JSE) Listings Requirements, and was approved by shareholders in November 2010.

The maximum number of shares available for allocation in terms of the LTI share schemes is 85 000 000, representing approximately 8% of the current issued

share capital. In any one financial year, the maximum market value of grants and/or offers in terms of the LTI schemes may not exceed 250% (face value) of an individual's GP. The aggregate total number of shares awarded to an individual participant in terms of the LTI scheme may not exceed 12 700 000.

Shares allocated to participants under the LTI schemes may be purchased on the open market or new shares may be issued. Shares and grants may not be awarded or exercised during a closed period.



Witchery, Autumn 2018

NON-EXECUTIVE DIRECTORS

REMUNERATION POLICY

The table below sets out the remuneration policies applied by the Group for the 2018 financial year for Non-executive Directors.

These policies are also applicable for the 2019 financial year and form the underlying basis for the directors' fees tabled for shareholder approval at the AGM to be held on 28 November 2018.

NON-EXECUTIVE DIRECTORS' REMUNERATION	
FEES	OTHER BENEFITS
<p>CHAIRMAN, LID AND DIRECTORS A market-related fee to attract and retain experienced and diverse Non-executive Directors.</p>	<p>MECHANICS Non-executive Directors receive product discount provided on purchases made in WHL Group stores. No other benefits are provided. Non-executive Directors do not participate in any STI or LTI schemes. The Chairman receives post-retirement healthcare by virtue of him previously holding the role of Group CEO and retiring from that position.</p>
<p>COMMITTEE MEMBERSHIP Fees reflect the additional responsibilities undertaken through membership of committees. Committee chairmen receive an additional amount.</p>	
<p>MECHANICS An annual fee structure, as directors are required to provide input on an ongoing basis throughout the year that is not confined to attendance at meetings. Directors based in the United Kingdom are paid directors' fees in sterling and directors based in Australia in Australian dollars. Non-executive Directors who perform a similar role for the main operating subsidiaries are remunerated for those functions – Patrick Allaway is a Non-executive Director of DJ and CRG. Zarina Bassa is a Non-executive Director of WSA. Fees reflect the time commitment, demands, and responsibility of the role. Audited Non-executive Directors' fees for the 2018 financial year are shown on page 167.</p>	
<p>OTHER Fees are reviewed annually against retail peer companies in South Africa, Australia, and the United Kingdom. Fees are proposed by Executive Directors based on independently benchmarked fees. The Remuneration Committee recommends the fees to the Board for final approval by shareholders. Fees are paid quarterly in arrears in cash.</p>	

PROPOSED NON-EXECUTIVE DIRECTORS' FEES

The proposed fees for the Non-executive Directors have been independently benchmarked by PWC. Three comparator groups have been used for the benchmarks:

- industry-based group of 10 retail JSE listed companies
- size-based group of 12 JSE listed companies
- international group of 11 retail companies listed in Australia and the UK

The Board has proposed that the 2019 fees (exclusive of SA VAT) will remain unchanged from 2018.

The proposed fees (exclusive of South African VAT) for the calendar year 1 January 2019 to 30 December 2019 are shown in the table below:

	Current approved fees (R'000)	Proposed fees (R'000)	% increase
Chairman	1 728.2	1 728.2	0%
Lead Independent Director	662.5	662.5	0%
South African-based director	400.6	400.6	0%
United Kingdom-based director (paid in £)	£75.9	£75.9	0%
Australian-based director (paid in A\$)	A\$158.9	A\$158.9	0%
Audit Committee chairman	345.1	345.1	0%
Audit Committee member	189.2	189.2	0%
Nominations Committee chairman	178.1	178.1	0%
Nominations Committee member	111.3	111.3	0%
Remuneration Committee chairman	233.8	233.8	0%
Remuneration Committee member	122.4	122.4	0%
Risk and Compliance Committee chairman	233.7	233.7	0%
Risk and Compliance Committee member	122.4	122.4	0%
Social and Ethics Committee chairman	189.2	189.2	0%
Social and Ethics Committee member	111.3	111.3	0%
Sustainability Committee chairman	189.2	189.2	0%
Sustainability Committee member	111.3	111.3	0%
Treasury Committee member	44.5	44.5	0%
Hourly rate for additional services	R5 342	R5 342	0%

SERVICE CONTRACTS

Non-executive Directors do not have service contracts, but serve the company through a letter of appointment, which may be terminated without liability for compensation. Directors must be elected by shareholders at an AGM on a rotational basis, usually being three-year intervals.

FAIR AND RESPONSIBLE PAY BAROMETER

SECTION 3: APPLICATION OF REMUNERATION POLICY FOR THE YEAR ENDED 24 JUNE 2018

This section of the report specifically deals with the remuneration for the Group CEO, Executive Directors and Non-executive Directors. Where appropriate, details are included for execs and other employees.

The Board reviewed the executive structure within the Group and concluded that the prescribed officer roles are held by Executive Directors.

COMPLIANCE WITH THE REMUNERATION POLICY

The Remuneration Committee monitored the implementation of the remuneration policy throughout the year, and is of the view that the Group was in material compliance with the 2018 remuneration policy (as set out in the 2017 Integrated Annual Report).

FAIR AND RESPONSIBLE REMUNERATION

As explained earlier, a remuneration barometer was introduced during the year to show the Group's fair and responsible remuneration policies. It is pleasing to note that the Group continues to make significant progress in terms of managing 'the ethics of pay'. The barometer opposite explains the application for the 2018 financial year.

GROUP CEO AND EXECUTIVE DIRECTORS

REMUNERATION MIX

The chart below has been prepared on the same basis as the chart on page 146 representing the potential mix of GP, STI and LTI compared with the actual mix achieved for the year ended 24 June 2018. The chart reflects the composition for the aggregation for the Group CEO and Executive Directors.

On-target level assumes 50% vesting of annual LTI allocations and on-target STI performance. Stretch (maximum) assumes 100% vesting of annual LTI allocations and stretch STI performance.

The achieved remuneration mix is as a result of the nil payout for short-term performance incentives for the year, explained in more detail on page 158, while LTI vesting did not occur.

Aggregated Executive Directors (including Group CEO)

ACHIEVED

(GP) 100%

ON-TARGET

(GP) 43%

(STI) 36%

(LTI) 21%

STRETCH

(GP) 29%

(STI) 42%

(LTI) 29%

USEFUL LINKS

More detail

[Single Figure Remuneration](#)

GUARANTEED PAY

The annual GP increases effective 1 October 2017 are set out in the table below. Increases are in line with inflation in South Africa and Australia.

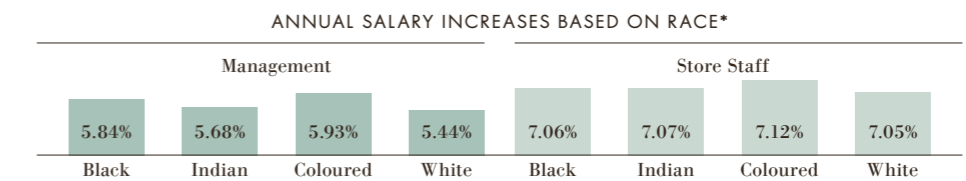
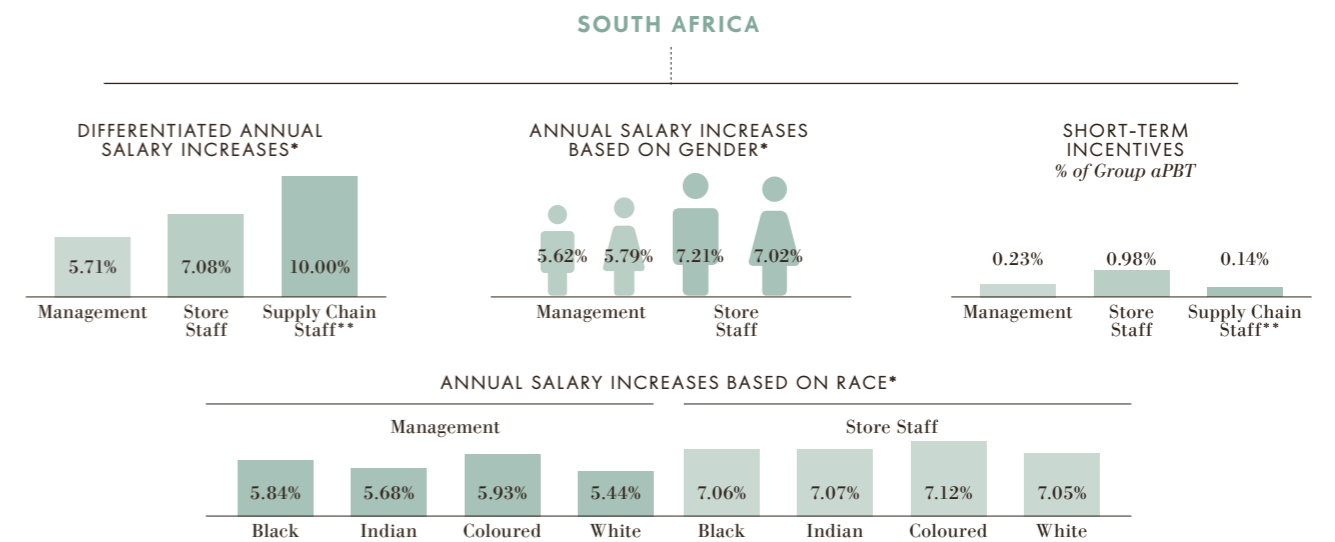
	GUARANTEED PAY % INCREASE
Group CEO and Executive Directors	5.75%
Senior executives and management:	
South Africa	5.71%
Australia	2.10%
Senior Staff	
Staff South Africa	7.08%
Staff Australia	2.80%

Guaranteed pay increases are referenced to inflation for the differing geographic areas. Increases were effective 1 October 2017.

We are pleased that the Group continues to address and reduce the pay gap between management and staff by awarding staff higher increases than management. Adjustments to guaranteed pay were above CPI in South Africa and Australia.

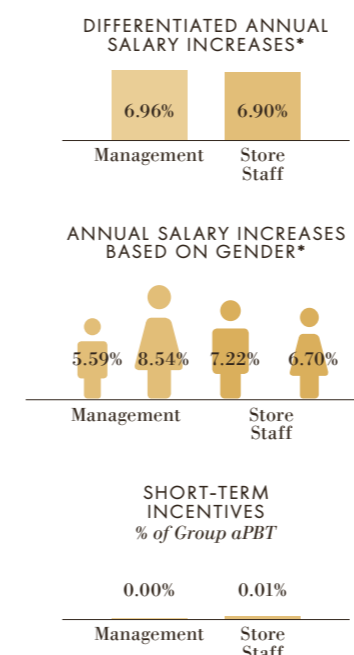
SINGLE FIGURE REMUNERATION

Increases awarded to the Executive Directors are shown in the single figure remuneration calculation.



MINIMUM WAGE Store Staff: above legislative minimums
** Supply Chain staff, applicable to WSA only, belong to a union and received an across-the-board 10% increase.

REST OF AFRICA

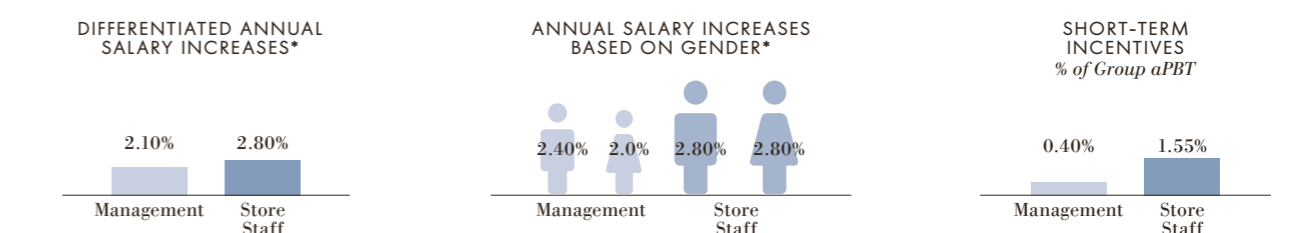


MINIMUM WAGE Store Staff: on or above legislative minimums

EXECUTIVE DIRECTORS



AUSTRALIA AND NEW ZEALAND



MINIMUM WAGE Store Staff: on or above legislative minimums

PERMANENT EMPLOYEES
* % increase effective 1 October 2017

SHORT-TERM INCENTIVES (STI)

The framework and mechanics of the STI scheme explained below were applied to all employees in the Group.

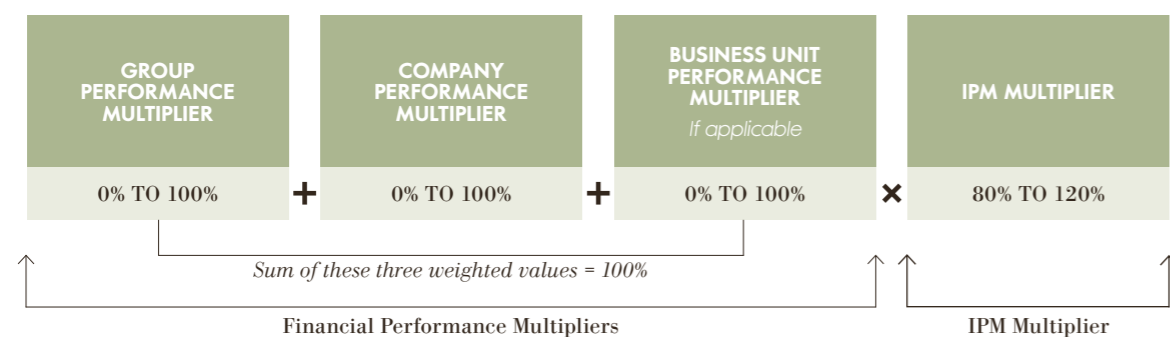
The STI is calculated as follows:

- Group CEO: 100% based on Group performance
- Group COO and Group FD: 100% based on Group performance
- Executive Directors and execs:
 - 50% – 75% based on Group performance; with remaining
 - 50% – 25% based on company and/or specific business area performance

Individual performance scores (IPM) and specific company EBIT performance are multipliers for the final payments. Business unit modifiers are applicable for employees at levels below execs.

The high-level design of the STI scheme is as follows:

- incentives are calculated at a business unit level taking into account the scheme design and parameters
- a principle of budgeted pre-incentive profit is used across all units as the trigger for on-target incentives
- a gatekeeper of 93% of Group aPBT for threshold bonuses is built into the scheme
- at the Group level (as a top-down approach), a final measure is built into the scheme to ensure affordability and threshold performance, i.e., 93% achieved



The target is determined annually in advance.

THE GROUP SHORT-TERM INCENTIVE TRIGGER WAS NOT ACHIEVED; NO PERFORMANCE BONUS PAYMENTS IN THE 2018 FINANCIAL YEAR.

PERFORMANCE FOR THE PERIOD

As explained in the Finance Director's report, the Group achieved aPBT of R4.8 billion. The performance conditions for the short-term performance bonus were tested to determine if the minimum incentive trigger had been achieved. As the gatekeeper for any entity to pay a corporate STI is the achievement of >93% of aPBT, no bonuses for the 2018 financial year will be paid.

The analysis of the STI calculations for the Group CEO and Executive Directors based on Group, company and individual performance are shown in the table below.

	PERFORMANCE				ACHIEVEMENT LEVEL	RESULTANT BONUS %
	WEIGHTING	BELOW	THRESHOLD	TARGET		
GROUP PERFORMANCE aPBT	50%–100%	●			80%	
COMPANY PERFORMANCE	50%					
WOOLWORTHS SOUTH AFRICA aEBIT		●			89%	
DAVID JONES aEBIT		●			51%	
COUNTRY ROAD GROUP aEBIT		●			88%	
INDIVIDUAL PERFORMANCE MULTIPLIER						
Ian Moir			●		80%	0%
Reeza Isaacs			●		80%	0%
Sam Ngumeni			●		80%	0%
Zyda Rylands			●		80%	0%
John Dixon (pro rata to 21 May 2018)			N/A		N/A	N/A

SINGLE FIGURE REMUNERATION

No amounts are included in single figure remuneration for the 2018 financial year as the STI performance conditions were not met.

USEFUL LINKS

[More detail](#)

[Single Figure Remuneration](#)

LONG-TERM INCENTIVES

ALLOCATIONS DURING 2018

The allocations for the Group CEO and Executive Directors for components of LTI were approved by the Remuneration Committee during the 2018 financial year and are shown in the tables below.

	ANNUAL ROLLING ALLOCATIONS						TOTAL ALLOCATIONS NUMBER
	PSP AWARDS			RSP AWARDS			
	BASIS	NUMBER	FACE VALUE R'000	BASIS	NUMBER	FACE VALUE R'000	
Ian Moir				150% of GP	475 118	28 500	475 118
Reeza Isaacs	100% of GP	78 014	4 876				78 014
Sam Ngumeni	100% of GP	89 137	5 850				89 137
Zyda Rylands	100% of GP	106 659	7 000				106 659
John Dixon	100% of GP	290 350	19 055				290 350
Total		564 160	36 781		475 118	28 500	1 039 278

	ONCE-OFF ALLOCATION		
	RSP AWARDS		
	BASIS	NUMBER	FACE VALUE R'000
Ian Moir	150% of GP	475 117	28 500
Reeza Isaacs	50% of GP	42 678	2 560
Sam Ngumeni	50% of GP	48 762	2 925
Zyda Rylands	50% of GP	58 348	3 500
John Dixon	50% of GP (PSP)	145 175	9 527
Total		770 080	47 012

LTI allocations made to Executive Directors and execs were made in line with the percentage allocations described in the remuneration policy table on page 150.

Once-off allocations of RSP shares were approved by the Remuneration Committee in order to drive the achievement of the MTP for the 2020 financial year. The RSP award allocated to the Group CEO has performance conditions in line with the MTP, while the awards to the Executive Directors are conditional on acceptable performance at the end of the three-year vesting period.

SINGLE FIGURE REMUNERATION

LTI allocations made during the 2018 financial year are shown in the fair value calculation of unvested shares. They will be included in single figure remuneration for the 2020 financial year, subject to achievement of performance conditions.

VESTING OF LTI ALLOCATIONS RELATING TO THE PERFORMANCE FOR THE 2018 FINANCIAL YEAR

The performance conditions for the PSP September 2015 allocations were tested to determine if vesting had been achieved.

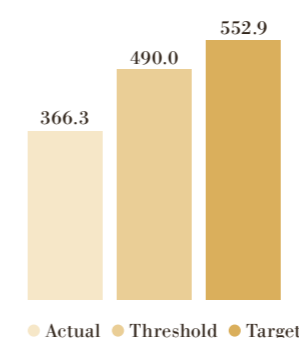
The performance conditions are:

- 50% based on HEPS growth of CPI plus 5% per annum
- 30% based on TSR performance compared to the peer group TSR performance
- 20% based on ROCE percentage achievement against targets from MTP.

HEPS PERFORMANCE

This graph shows the target HEPS which was required for the full vesting of this performance condition.

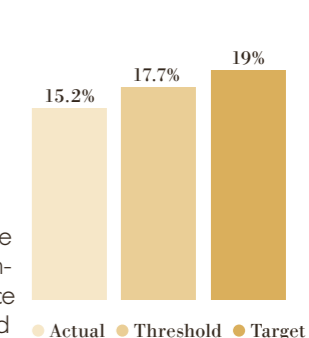
Adjusted HEPS achieved was 366.3 cps, significantly below the target HEPS of 552.9 cps and the threshold HEPS of 490.0 cps. The HEPS performance condition has not been met and vesting is 0%.



ROCE PERFORMANCE

The graph shows the target ROCE required for full vesting for this performance condition.

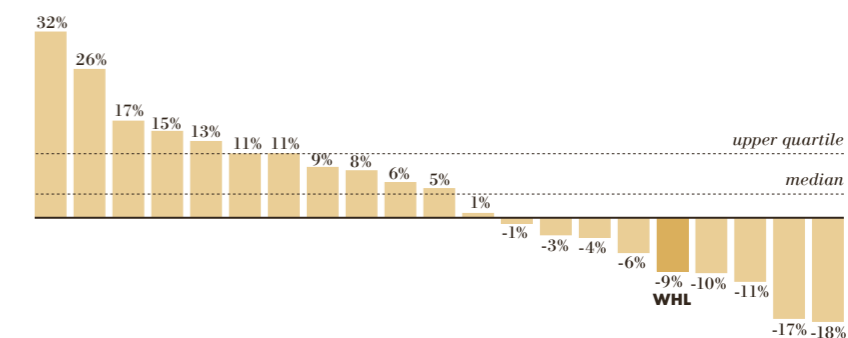
Actual ROCE achieved was 15.2%, impacted by the poor trading performance experienced by the Group. As the achieved ROCE is below the threshold ROCE of 17.7% and on-target of 19.0%, this performance condition has not been met and vesting is therefore 0%.



TSR PERFORMANCE

This graph compares the TSR performance of the company to the TSR index of the peer group at the lower and upper quartiles.

Actual TSR performance for WHL was a decline of 9%, below the upper quartile and median of the peer group performance. The TSR performance condition has not been met and vesting is therefore 0%.



SINGLE FIGURE REMUNERATION

No amounts are included in single figure remuneration for the 2018 financial year as the performance conditions have not been met for the PSP allocations (Executive Directors) and RSP allocation (Group CEO).

USEFUL LINKS

[More detail](#)

[Single Figure Remuneration](#)

[Participation in Share Schemes](#)

LONG-TERM INCENTIVES (CONTINUED)

PAYMENTS FOR LOSS OF OFFICE OR TERMINATION OF EMPLOYMENT

As communicated during the year, John Dixon ceased to be a director effective 21 May 2018. As part of his termination agreement, John will be paid his notice period of 12 months' salary as per his employment agreement. This amount equates to A\$1.8m and will be paid at the end of his garden leave period. He receives his salary of A\$1.0m for the duration of the garden leave. The company will pay for costs incurred relocating him back to the UK.

In terms of the rules of the long term incentive schemes, he will forfeit any unvested PSP shares held at the date of his resignation.

UTILISATION OF SHARES HELD BY WOOLWORTHS HOLDINGS SHARE TRUST

In line with the JSE requirements, an analysis of the shares utilised for the purposes of LTI is shown in the table below:

Opening balance available	18 733 797
Allocations made to participants	(6 751 211)
Exercised/lapsed	768 205
Sold by participants	3 499 847
Closing balance available	16 250 638



David Jones, Wollongong, Australia

SINGLE FIGURE REMUNERATION FOR YEAR ENDED 24 JUNE 2018 (AUDITED)

The Group has followed King IV recommendations and disclosed the single figure remuneration paid to Executive Directors of Woolworths Holdings Limited, in connection with the affairs of the Company and its subsidiaries during the year ended 24 June 2018 and comparatives for 25 June 2017.

The intention of single figure remuneration is to disclose the remuneration earned and/or accrued by directors based on the performance of the current year, the vesting of shares with non-financial performance conditions, and including any income attributable to unvested long-term share schemes. The 2017 figures have been calculated on a comparable basis, with the previously reported basis shown for information. Details are set out below:

Notes	GUARANTEED PAY			SHORT-TERM INCENTIVES	LONG-TERM INCENTIVES		SINGLE FIGURE REMUNERATION	Total remuneration R'000	
	Base salary R'000	Benefits (1) R'000	Total guaranteed pay (2) R'000	Performance bonus (3) R'000	Fair value of shares (4) R'000	Dividends received (5) R'000	Total remuneration R'000		
2018									
Ian Moir	18 915	139	19 054	-	6 996	4 504	30 555		
Reeza Isaacs	5 378	387	5 765	-	-	199	5 964		
Sam Ngumeni	6 168	449	6 617	-	-	141	6 758		
Zyda Rylands	7 430	412	7 842	-	-	168	8 009		
	37 891	1 387	39 278	-	6 996	5 012	51 286		
AUSTRALIA-BASED (AMOUNTS EXPRESSED IN A\$'000)									
John Dixon (6)	1 717	205	1 922	-	-	-	1 922		
								Restated 2017	Disclosed 2017
2017 (7)									
Ian Moir	18 673	135	18 808	-	2 184	3 054	24 046	34 675	
Reeza Isaacs	4 752	373	5 125	-	261	164	5 550	7 282	
Sam Ngumeni	5 369	422	5 791	-	573	22	6 386	7 531	
Zyda Rylands	6 532	372	6 904	-	337	-	7 240	9 020	
	35 326	1 302	36 628	-	3 355	3 240	43 222	58 508	
AUSTRALIA-BASED (AMOUNTS EXPRESSED IN A\$'000)									
John Dixon (6)	1 564	287	1 851	-	-	-	1 851		

NOTES

- Benefits include retirement, healthcare, related benefits, long-service awards, and discounts received on purchases made in WHL Group stores. Benefits for John Dixon includes in-country legislative components.
- Guaranteed pay and other benefits: actual payments made in the financial year.
- Short-term incentives: amounts accrued in the financial year relating to the financial performance against target for the year.
- Fair value of shares: value of LTI and/or RSP vesting of performance conditions based on the three-year period FY2016 – FY2018. FY2018 valued at actual share price of R65.59 on the vesting date. For FY2017, the 30-day VWAP of R64.56 was used.
- Dividends received during the financial year on all unvested RSP shares held during the year.
- John Dixon resigned as an Executive Director on 21 May 2018; his remuneration is disclosed for the full year in A\$. John will be paid his notice period of 12 months' salary as per his employment agreement. This amount equates to A\$1.8m. He is entitled to a salary of A\$1.0 million until 31 December 2018 in terms of his employment agreement. The Company will pay for costs incurred relocating him back to the UK.
- The 2017 figures have been restated to assist with comparability.

DIRECTORS' PARTICIPATION IN SHARE SCHEMES

Shares purchased and options granted to Executive Directors in terms of the Woolworths Holdings Share Trust which had not been exercised at 24 June 2018 are set out below.

IAN MOIR																	
SCHEME	Award date	Vesting date	Expiry date	As at 25 June 2017		Awarded		Forfeited		Sold or transferred			As at 24 June 2018				
				NUMBER	PRICE RANDBS	NUMBER	PRICE RANDBS	NUMBER	PRICE RANDBS	NUMBER	PRICE RANDBS	REALISATION VALUE (1) RANDBS	VESTED	UNVESTED	TOTAL	FAIR VALUE RANDBS (2)	
SARS	25 Aug 2011	28 Aug 2014	25 Aug 2018	87 468	27.89								87 468		87 468		
	23 Aug 2012	27 Aug 2015	23 Aug 2019	72 288	51.48								72 288		72 288		
	29 Aug 2013	29 Aug 2016	29 Aug 2020	103 755	56.06								103 755		103 755		
Total				263 511									263 511		263 511		
RSP	09 Oct 2014	09 Oct 2017	09 Oct 2017	258 210	69.71			224 384		33 826	59.42	2 009 912			-		
	05 Jan 2015	16 Feb 2018	16 Feb 2019	213 000	92.14					106 500	65.69	6 995 985		106 500	106 500	3 026 805	
	27 Aug 2015	27 Aug 2018	27 Aug 2018	186 126	96.71									186 126	186 126	-	
	25 Aug 2016	26 Aug 2019	26 Aug 2019	318 442	84.79									318 442	318 442	9 050 345	
	24 Aug 2017	24 Aug 2020	24 Aug 2020			475 118	59.99							475 118	475 118	13 503 186	
	24 Aug 2017	24 Aug 2020	24 Aug 2020			475 117	59.99							475 117	475 117	13 503 158	
Total				975 778		950 235		224 384		140 326		9 005 897		1 561 303	1 561 303	39 083 493	
Total				1 239 289		950 235		224 384		140 326		9 005 897		263 511	1 561 303	1 824 814	39 083 493

REEZA ISAACS																
SCHEME	Award date	Vesting date	Expiry date	As at 25 June 2017		Awarded		Forfeited		Sold or transferred			As at 24 June 2018			
				NUMBER	PRICE RANDBS	NUMBER	PRICE RANDBS	NUMBER	PRICE RANDBS	NUMBER	PRICE RANDBS	REALISATION VALUE (1) RANDBS	VESTED	UNVESTED	TOTAL	FAIR VALUE RANDBS (2)
SARS	15 Sep 2014	15 Sep 2017	15 Sep 2021	25 115	74.06			25 115								
Total				25 115				25 115								
LTIP	15 Sep 2014	15 Sep 2017	15 Sep 2017	27 208	74.06	523	59.62	23 644		4 087	59.62	243 667				
Total				27 208		523		23 644		4 087		243 667				
RSP	01 Jun 2013	24 Aug 2017	24 Aug 2018	52 420	73.92					26 210	63.86	1 673 747		26 210	26 210	
	24 Aug 2017	25 Aug 2020	25 Aug 2020			42 678	59.99							42 678	42 678	2 425 877
Total				52 420		42 678				26 210		1 673 747		68 888	68 888	2 425 877
PSP	27 Aug 2015	27 Aug 2018	27 Aug 2018	37 581	96.70									37 581	37 581	
	11 Feb 2016	11 Feb 2019	14 Feb 2019	9 990	93.69									9 990	9 990	
	25 Aug 2016	26 Aug 2019	26 Aug 2019	55 498	87.86									55 498	55 498	1 577 292
	24 Aug 2017	24 Aug 2020	24 Aug 2020			78 014	65.63							78 014	78 014	2 217 212
Total				103 069		78 014								181 083	181 083	3 794 504
Total				207 812		121 215		48 759		30 297		1 917 414		249 971	249 971	6 220 382

NOTES

1. Realisation value based on taxable benefit at date of sale or transfer.
2. Fair value calculated based on 30-day VWAP at 30 June 2018 of R56.84 and 50% vesting probability for all unvested awards.

DIRECTORS' PARTICIPATION IN SHARE SCHEMES (CONTINUED)

SAM NGUMENI																
SCHEME	Award date	Vesting date	Expiry date	As at 25 June 2017		Awarded		Forfeited		Sold or transferred			As at 24 June 2018			FAIR VALUE RANDB (2)
				NUMBER	PRICE RANDB	NUMBER	PRICE RANDB	NUMBER	PRICE RANDB	NUMBER	PRICE RANDB	REALISATION VALUE (1)	VESTED	UNVESTED	TOTAL	
SARS	15 Sep 2014	15 Sep 2017	15 Sep 2021	55 092	74.06			55 092								
Total				55 092				55 092								
LTIP	15 Sep 2014	15 Sep 2017	15 Sep 2017	59 682	74.06	1 146	59.62	51 864		8 964	59.62	534 434				
Total				59 682		1 146		51 864		8 964		534 434				
RSP	23 Aug 2012	23 Aug 2017	23 Aug 2017	6 953	59.25					6 953	63.86	444 019				
	24 Aug 2017	24 Aug 2020	24 Aug 2020			48 762	59.99						48 762		48 762	2 771 700
Total				6 953		48 762				6 953		444 019		48 762	48 762	2 771 700
PSP	27 Aug 2015	27 Aug 2018	27 Aug 2018	40 848	96.70								40 848		40 848	-
	11 Feb 2016	11 Feb 2019	11 Feb 2019	10 858	93.69								10 858		10 858	-
	25 Aug 2016	26 Aug 2019	26 Aug 2019	60 324	87.86								60 324		60 324	1 714 450
	24 Aug 2017	24 Aug 2020	24 Aug 2020			89 137	65.63						89 137		89 137	2 533 336
Total				112 030		89 137	65.63							201 167	201 167	4 247 786
Total				233 757		139 045		106 956		15 917		978 453		249 929	249 929	7 019 487

ZYDA RYLANDS																
SCHEME	Award date	Vesting date	Expiry date	As at 25 June 2017		Awarded		Forfeited		Sold or transferred			As at 24 June 2018			FAIR VALUE RANDB (2)
				NUMBER	PRICE RANDB	NUMBER	PRICE RANDB	NUMBER	PRICE RANDB	NUMBER	PRICE RANDB	REALISATION VALUE (1)	VESTED	UNVESTED	TOTAL	
SHARE OPTION	17 Oct 2008	17 Oct 2013	17 Oct 2018	65 279	8.81					65 279	56.56	3 117 072				
Total				65 279						65 279		3 117 072				
SARS	25 Aug 2011	28 Aug 2014	25 Aug 2018	53 538	27.89					53 538	56.56	1 534 934				
	23 Aug 2012	27 Aug 2015	23 Aug 2019	38 304	51.48								38 304		38 304	
	29 Aug 2013	29 Aug 2016	29 Aug 2020	40 790	56.06								40 790		40 790	
	15 Sep 2014	15 Sep 2017	15 Sep 2021	32 358	74.06			32 358								
Total				164 990				32 358		53 538		1 534 934		79 094	79 094	
LTIP	15 Sep 2014	15 Sep 2017	15 Sep 2017	35 055	74.06	673	59.62	30 463		5 265	59.62	313 899				
Total				35 055		673		30 463		5 265		313 899				
RSP	24 Aug 2017	24 Aug 2020	24 Aug 2020			58 348	59.99						58 348		58 348	3 316 582
Total						58 348							58 348		58 348	3 316 582
PSP	27 Aug 2015	27 Aug 2018	27 Aug 2018	105 073	96.70								105 073		105 073	-
	25 Aug 2016	26 Aug 2019	26 Aug 2019	73 982	87.86								73 982		73 982	2 102 620
	24 Aug 2017	24 Aug 2020	24 Aug 2020			106 659	65.63						106 659		106 659	3 031 323
Total				179 055		106 659								285 714	285 714	5 133 944
Total				444 379		165 680		62 821		124 082		4 965 905		79 094	344 062	423 156

NOTES

1. Realisation value based on taxable benefit at date of sale or transfer.
2. Fair value calculated based on 30-day VWAP at 30 June 2018 of R56.84 and 50% vesting probability for all unvested awards.

NON-EXECUTIVE DIRECTORS' FEES AND EMOLUMENTS (AUDITED)

Emoluments paid to Non-executive Directors of Woolworths Holdings Limited in connection with the affairs of the Company and its subsidiaries during the year ended 24 June 2018, and comparatives for 25 June 2017 are set out below.

2018

NON-EXECUTIVE DIRECTORS

Notes	Directors' fees R'000	Audit Committee member R'000	Remuneration Committee member R'000	Risk and compliance Committee member R'000	Nominations Committee member R'000	Sustainability Committee member R'000	Social and ethics Committee member R'000	Benefits (1) R'000	Total non-executive directors' remuneration R'000
Simon Susman (2)	1 657	-	119	119	108	108	108	167	2 386
Patrick Allaway (3)	3 041	184	119	119	-	-	-	3	3 466
Peter Bacon (4)	150	89	58	-	-	-	-	9	306
Zarina Bassa (5)	1 164	184	119	227	108	-	-	107	1 909
Tom Boardman	644	-	227	-	173	108	108	75	1 335
Hubert Brody (6)	700	335	-	119	-	-	-	78	1 232
Andrew Higginson (7)	1 274	184	119	119	-	-	-	57	1 753
Gail Kelly (8)	1 741	-	119	119	108	108	-	62	2 257
Nombulelo Moholi	384	-	119	119	-	108	184	82	996
Stuart Rose (9)	1 146	-	119	119	108	184	-	53	1 729
	11 901	976	1 118	1 060	605	616	400	693	17 369

NOTES

- Benefits are discounts received on purchases made in WHL Group stores, and reimbursement of VAT on directors' fees approved by shareholders at the 2017 AGM.
- Simon Susman receives post-retirement healthcare by virtue of him previously holding the role of Group CEO and retiring from that position. Benefits of R166 970 (2017: R82 294) include the following:
 - post-retirement healthcare benefit of R28 416 (2017: R30 740)
 - discounts received on purchases made in WHL Group stores of R42 574 (2017: R51 554)
 - VAT reimbursement R95 980.
- Patrick Allaway's director's fees are paid in Australian dollars as an Australian resident. Directors' fees earned include fees as a Non-executive Director for David Jones and Country Road Group of A\$150 000 (2017: A\$150 000).
- Peter Bacon retired from the Board on 28 November 2017.

2017

NON-EXECUTIVE DIRECTORS

Notes	Directors' fees R'000	Audit Committee member R'000	Remuneration Committee member R'000	Risk and compliance Committee member R'000	Nominations Committee member R'000	Sustainability Committee member R'000	Social and ethics Committee member R'000	Benefits (1) R'000	Total non-executive directors' remuneration R'000
Simon Susman (2)	1 547	-	113	112	103	103	103	82	2 163
Patrick Allaway (3)	3 106	174	113	113	-	-	-	-	3 506
Peter Bacon (4)	359	174	113	-	-	-	-	14	660
Zarina Bassa (5)	1 091	175	113	215	102	-	-	14	1 710
Tom Boardman	588	-	215	-	164	103	102	19	1 191
Hubert Brody (6)	658	318	-	112	-	-	-	-	1 088
Andrew Higginson (7)	1 294	174	113	113	-	-	-	-	1 694
Gail Kelly (8)	2 335	-	113	113	102	102	-	4	2 769
Nombulelo Moholi	359	-	112	113	-	-	121	28	733
Stuart Rose (9)	1 294	-	112	113	103	174	-	-	1 796
Thina Siwendu (10)	223	-	-	84	-	76	130	15	528
	12 854	1 015	1 117	1 088	574	558	456	176	17 838

- Zarina Bassa's director's fees earned include fees as a Non-executive Director for Woolworths SA of R780 202 (2017: R732 875).
- Hubert Brody's director's fees earned include fees for the attendance at the Treasury Committee and Chairman of Woolworths SA Audit Review Panel of R315 788 (2017: R299 300).
- Andrew Higginson's director's fees are paid in Sterling as a British resident.
- Gail Kelly's director's fees are paid in Australian dollars as an Australian resident. Gail resigned as a Non-executive Director of David Jones and Country Road Group on 1 October 2017. She earned fees of A\$19 327 (2017: A\$75 000).
- Stuart Rose's director's fees were paid in Sterling as a British resident. Stuart Rose resigned from the Board on 28 May 2018.
- Thina Siwendu resigned from the Board on 15 February 2017.

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