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SOCIAL AND ETHICS COMMITTEE REPORT

As a responsible corporate citizen, our commitment to ethical leadership and the demonstration of sound corporate governance practices remains underpinned by the Group's values.

Our values present the foundation on which the Group seeks to include shareholder and broader stakeholder considerations. We insist on the same values-based behaviour on the part of our suppliers and other stakeholders with whom we do business. Our approach to responsible business is evidenced by the Board's commitment to create sustainable value for all stakeholders.

ROLE OF THE COMMITTEE

The role of the committee is to ensure that the Group's activities support its vision to be one of the world's most responsible retailers and to assist the Board in setting the tone for an ethical organisational culture. This is achieved by overseeing the Group's conduct, approach, and manner in which the business is conducted with due regard to value creation opportunities. To achieve this, the committee oversees the Group's activities in relation to social and economic development, good corporate citizenship, customer relations, labour and employment, which

includes skills development and health and safety. Environmental issues fall within the remit of the Group's Sustainability Committee. The committee approved a three-year rotational workplan in August 2015 that ensures significant focus is applied to key deliberations.

Details of the committee composition and meetings can be found in the Corporate Governance Report and the committee's terms of reference are available on our website at www.woolworthsholdings.co.za.

HIGHLIGHTS AND ACTIVITIES OF THE 2017 FINANCIAL YEAR

PEOPLE TRANSFORMATION

Our people resources are at the forefront of driving a successful Group strategy. We have emphasised focus on retaining and growing talent across the business, transformation within the South African context, and gender diversity within the Australian context.

This year, Zyda Rylands, our Woolworths South Africa CEO, was awarded the inaugural Woman of the Year Award by the World Retail Congress, held in Dubai. Zyda has grown up in the business and her achievement is testament to the success of our people transformation initiatives.

Employment equity and transformation strategies have been reviewed within the South African context and progress monitored against targets. The Group employs 44 520 people. This comprises 31 267 employees in WSA, the majority of these in South Africa, 7 663 employees in DJ and 5 590 employees in CRG. The expanded Group presents opportunities for employees to gain experience across sub-Saharan Africa, Australia and New Zealand which further assists the Group to attract a talented and diverse workforce.

The Group's business model is built on differentiation through product and customer experience. This means that the Group requires talent with deep technical and specialist retail skills which are not always readily available in the market. Our transformation strategy is therefore premised on a philosophy of 'retain, develop and grow from within'. Skills development continues to be a key focus area for us as an enabler of this strategy.

WHL has historically achieved great success as one of the leaders in skills development in the retail sector and it remains our intention to make sure that we have a workforce that is skilled with the right capabilities to deliver our business and transformation strategy. Due to the changing Skills Education Training Authorities (SETA) landscape, management have been tasked to review WSA's funding principles and model so that the delivery of our skills development and transformation strategies are not compromised.

The demand for talent continues to escalate and we have seen increased turnover, especially in the middle management

and specialist categories. One of the Group's key strategies is therefore to continuously review its employee value proposition across the Group.

Governance workshops were conducted across the Group to embed the relevant ethical principles such as avoiding conflicts of interest, doing the right thing, protecting your rights in a digital age, and making risk-based decisions. These workshops were well received and will be extended to wider audiences within the business.

SOCIAL DEVELOPMENT – UPLIFTING OUR COMMUNITIES

The Group remains committed to creating positive societal impacts given the role of business as an integral part of society.

WSA's social development strategy is aligned both to the Group's core business strategy and to the national development priorities of South Africa. We strive to make a meaningful difference through the activities of The Woolworths Trust, The MySchool MyVillage MyPlanet programme, and other community and non-governmental organisation partnerships. This work continues to contribute to building WSA's social equity.

The Group's corporate social responsibility in the rest of its African operations is receiving further focus as part of the broader Good Business Journey. The Woolworths Trust will play an oversight role to ensure alignment and delivery on agreed principles. Stores in these jurisdictions are currently active in their communities and are supporting charities through surplus food and clothing donations. Opportunities for employees to get involved in more community initiatives are being investigated and will form part of a flagship social development programme that aligns to the corporate CSI strategy.

The DJ Community Investment strategy forms one of the six pillars of DJ's Good Business Journey and supports a number of charities that align with key cause areas of wellbeing and empowerment.

CRG has prioritised social development as one of their seven Good Business Journey focus areas and supports a range of charities through the various brand community partnerships. CRG has recently developed and finalised its Charitable

Donations Policy and Brand Community Partnership Principles, to govern their approach to making charitable donations, and developing, managing, and evaluating brand community partnerships. CRG is aiming to donate 0.5% of sales to charitable causes by 2020.

The total social contribution across the Group geographies during the 2017 financial year amounted to R757 million (2016: R693 million).

HEALTH AND PUBLIC SAFETY

The safety of all stakeholders in our stores and at our places of work remains of paramount importance.

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 by the committee, and the Group's compliance department actively monitors and reports on compliance with the relevant legislation in this regard.

HUMAN RIGHTS DECLARATIONS

The Group remains committed to monitoring that the operational entities and its suppliers operate in a way that respects workers' rights, maintains safe working conditions, upholds local employment laws, and protects the environment and the welfare of animals.

The Group-wide ethics hotline, which is administered independently of the Group, is just one of the mechanisms within which stakeholders can anonymously report any alleged infringements of human rights protections.

CUSTOMER RELATIONS

As customers are a key stakeholder, the Group is committed to nurturing its relationships with them. The committee is responsible for overseeing that the Group operates within the ambit of the relevant consumer laws.

All customer complaint matters were timeously managed and investigated. We assure our customers and shareholders that we have reviewed our quality checking processes where appropriate.



**IN APRIL 2017,
WE CELEBRATED 10 YEARS
SINCE THE INCEPTION OF
OUR GOOD BUSINESS JOURNEY
PROGRAMME.**


BROAD-BASED BLACK ECONOMIC EMPOWERMENT (BBBEE)

The committee oversees the Group's efforts in South Africa in relation to transformation and the various elements that comprise the BBBEE scorecard. The Group's BBBEE verification is completed in September each year, following the conclusion of the financial year-end. As such, the contributor level attained for the FY2016, as independently assessed in September 2016, resulted in a Level 6 contributor status. The Group's rating was negatively impacted given that its supplier base had to conduct revised verification exercises. The management team is endeavouring to assist these suppliers through education and awareness of the requirements of the revised BBBEE Codes and will continue to improve this rating.

WSA continues to develop relevant strategies and set improved targets as a sign of its commitment to effect the intended transformation through the BBBEE Codes framework and scorecard. Woolworths' transformation strategy seeks to make an impact focusing broadly on:

- People transformation
- Supply chain transformation
- Social development

The transformation strategy takes a long-term view with continuous capacity building and education, specifically on the Enterprise and Supplier Development strategy. There have been several notable achievements in this regard and we refer readers to the Good Business Journey Report for further detail.

 The Group's BBBEE scorecard for 2017 will be available on www.woolworthsholdings.co.za as soon as the verification has been finalised.

SUSTAINABILITY

In April 2017, we celebrated 10 years since the inception of our Good Business Journey (GBJ) programme. This milestone was marked through the invigoration of the GBJ's strategic focus areas across the business, reflecting and celebrating achievements to date, and incorporating lessons learnt to ensure that we are able to meet our new 2020 targets.

The GBJ was a first of its kind in South African retail, whereby sustainability became a strategic platform for the business with publicly announced targets. Over the last 10 years the GBJ has set new standards across its eight focus areas of transformation, social development, health and wellness, ethical sourcing, sustainable farming, waste, water, and energy.

As one of the strategic focus areas, the Group continues to embed the GBJ programme into DJ and CRG. Progress on the GBJ is included as a metric on all of the businesses' strategic scorecards. The drive to more local sourcing from Southern Africa has also assisted WSA to reduce lead times in production, thereby supporting the Group's strategy to be a leading fashion retailer in the southern hemisphere.

All environmental matters are monitored through the Sustainability Committee, which ensures that the sustainability initiatives and objectives are effectively integrated into the business and that the Group operates in an environmentally responsible manner.

The GBJ 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, and we encourage you to read through the report which is available on the website at www.woolworthsholdings.co.za.

CONCLUSION

The committee confirms that it has discharged its responsibilities appropriately. This was further evidenced by the results of the external evaluation of the committee's performance this year, which reflected that the committee was performing effectively.

Management have confirmed that there has been no material non-compliance with legislation or regulations which are within the remit of the committee's mandate. In addition, there have not been any infringements of the relevant governance codes, and as such the committee has concurred that the Group remains a responsible corporate citizen as aligned to our stated vision to be one of the world's most responsible retailers.

We continue in our efforts 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 2017/2018, and has been included for the sixth year in succession in the Dow Jones Sustainability Index 2016/2017, a globally respected sustainability index. The Group has attained a number of various awards in recognition of its endeavours as it continues along its journey of value creation for all stakeholders.

The committee has considered, in some detail, the principles and practices advocated by the King IV Report on Corporate Governance and we believe, having mindfully considered the recommendations, that the Group is already, in substance, practicing the relevant King IV recommendations, and, more importantly, achieving the desired governance outcomes including ethical leadership.

On behalf of the committee, we also extend our appreciation to the previous chairperson, Thina Siwendu, who chaired the committee until February of this year and contributed to the outcomes detailed in this report.

N MAHOLI

Chairman of the Social and Ethics Committee

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we're doing, visit*

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www.woolworths.co.za
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We appreciate any feedback on our Integrated Report.
Please contact InvestorRelations@woolworths.co.za



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