

# Managing Director's Report

**As Australia's second largest private sector employer and New Zealand's largest private sector employer, Woolworths has a significant role to play in the lives of our team members and the customers and communities we serve.**



While we are in a period of unprecedented change at Woolworths, we are firmly focused on rebuilding a sustainable business for our team, our customers and our suppliers.

Since becoming Woolworths Food Group Managing Director in 2015 and Woolworths Group CEO in February 2016, I have been determined to be clear with our team, whether they are in a support function or serving our customers in one of our more than 970 Woolworths Supermarkets, on what it is we collectively need to do to deliver on our customers' expectations. We are united under the banner of 'Good Food, Good Prices, Good Acts' and focused on the things that really matter. In short, 'We bring a little good to everyone, everyday' is the core of what we are here to do.

Woolworths Supermarkets are 80% of our Company revenue and getting this right will have significant benefits for the entire Woolworths Group and for communities across Australia. I am pleased that Countdown, Endeavour Drinks Group and BIG W are also doing good work and their progress is included in this report.

## HIGHLIGHTS

- Safety rates at work improved with a Lost Time Injury Frequency Rate (LTIFR) of 8.43, a reduction on 2015. Our Total Recordable Injury Frequency Rate (TRIFR) was 16.29, which was also a reduction on 2015.
- Woolworths is undertaking extensive work and analysis to understand any gender wage gaps and our Diversity and Inclusion strategy and remuneration principles will drive improvement in this area. Major initiatives within this strategy will be launched in November 2016, including a gender equity pay review effective 1st November which will deliver a step change towards closing the gap.
- During 2015, our Dan Murphy's business mapped community demographics across 250 stores so managers could make better-informed decisions about product ranging and recruitment.
- This year, Woolworths and The Salvation Army decided to formalise our partnership by establishing an advisory board and an ongoing formal partnership called STAND (Support Through Australian Natural Disasters). STAND will fund natural disaster response, recovery and resilience works in the community.

Woolworths was the first Australian retailer to commit to implementing the Australian Federal Government's voluntary Health Star Rating (HSR) front of pack labelling program. At year end FY16, over 50% of products in the Woolworths Own Brand portfolio had applied the star rating. We are on track to have stars across all eligible products within four years, well ahead of the Federal Government's five-year timeframe for completion.

## 2020 CORPORATE RESPONSIBILITY STRATEGY

Woolworths will soon release our goals and commitments under the Corporate Responsibility Strategy 2020. We have identified 20 targets under a framework of three priority areas of People, Planet and Prosperity.

I am passionate about ensuring the Woolworths team reflects the communities we serve and we will take further steps to encourage gender, cultural and LGBTI diversity in our team and to support inclusion and participation.

We want to play our part in contributing to a healthier Australia under our Planet commitments. This includes a move towards zero food waste and recyclable Woolworths Own Brand packaging. We are also committed to sustainable sourcing and reducing our carbon emissions.

Woolworths is a significant contributor to the prosperity of the communities we serve and believe these need to be founded on trusted relationships. We are committed to improving our relationships with our business partners and re-establishing a virtuous loop that also benefits our customers and community partners.

We will be transparent on our progress and provide regular updates going forward.

Thank you for your interest in Woolworths and I look forward to updating you on our progress soon.

**Brad Banducci**  
MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER

Woolworths is a signatory to the United Nations Global Compact (UNGC). UNGC signatories embrace a set of core values in the areas of human rights, labour standards, the environment and anti-corruption. In this report, we share our performance against the UNGC core values.

# PEOPLE: *encouraging diversity*

Australia is undergoing significant demographic change, and our customers are increasingly saying that an essential part of a great shopping experience is receiving fantastic customer service from people who reflect their communities. We are working to attract and retain a diverse workforce with a positive customer focus by providing a safe, equitable and engaging working environment.

## AN INCLUSIVE WORKPLACE

### INDIGENOUS EMPLOYEES<sup>5</sup>

**2,200+**

Woolworths wants all our employees to feel valued and respected at work, regardless of their gender, age, ethnicity, beliefs, disability, sexual orientation or gender identity. In 2015/16 we continued reviewing our strategies and goals to ensure they support a culture of diversity and inclusion.

## REPRESENTATION OF WOMEN

### PEOPLE WITH A DISABILITY<sup>6</sup>

**6,700+**

More than half of our total workforce is female and the Woolworths Board is split 50:50 between men and women. We are committed to improving the representation of women even further by increasing their numbers in executive and management roles.

In FY16, women held 39% of management positions in Woolworths, with the majority in Operations. Increasing female representation at all levels of management and across all functions is important as it will improve Woolworths' overall gender equality performance, provide aspirational role models and increase attraction and retention of high-performing women.

### FEMALE MANAGERS

**39%**

Woolworths is also focused on addressing gender pay gap issues. Woolworths is undertaking extensive work and analysis to understand any salary wage gaps. We have developed a diversity and inclusion strategy and remuneration principles to drive improvement in this area. Major initiatives within this strategy will be launched in November 2016, including a gender equity pay review effective 1st November which will deliver a significant step change towards closing the gap.



IMAGE: Woolworths International Women's Day Pledge For Parity campaign.

## INDIGENOUS EMPLOYEES

Woolworths is committed to creating opportunities and increasing Indigenous employment. This commitment is outlined in our Reconciliation Action Plan.

5 Employees self-declare if they are Indigenous in our employee engagement survey. This result excludes Endeavour Drinks Group, ALH Group and BIG W.  
6 Employees self-declare whether they have a disability in our Woolworths 2016 Voice of the Team Engagement Survey. A rewording of the relevant question to include an example of visual impairment may have skewed the result if employees who wear glasses answered this incorrectly. This result excludes Endeavour Drinks Group, ALH Group and BIG W.

We continue to work towards closing the gap between Indigenous and non-Indigenous Australians through our people strategy, which includes:

- Employment Parity Initiative:** In December 2015, Woolworths entered into a contract with the Australian Federal Government under the Employment Parity Initiative. This will result in Woolworths adding 1,600 new Indigenous team members to our business over the next three years. Currently, 1.1% of our staff identify as Indigenous. Our goal is to increase this to 2% of our Store Operations team and Graduate intake. To help us get there, we are carrying out targeted recruitment and cultural awareness training in partnership with a national provider, Diversity Dimensions, and have built a state-by-state workforce plan for our Supermarkets.
- Supply Nation:** Supply Nation is dedicated to growing diversity within the supply chain and we are working with them to engage Indigenous suppliers. For example, over the past year, we have increased our business with Message Stick Communications by 25% and with Young Guns Container Crew by 3%. We are also in our sixth year of working with tomato supplier Kalano.
- Jawun Indigenous Community Secondment Program:** During the year, Endeavour Drinks continued to partner with Jawun, a not-for-profit organisation that supports innovative programs of change in Indigenous communities. Their Secondment Program provides Indigenous communities with skilled Woolworths corporate employees to help in areas such as marketing and business planning.



**IMAGE:** CEO Brad Banducci attending the launch of the Woolworths' Employment Parity Initiative

## **BUILDING A WORKFORCE THAT MIRRORS OUR CUSTOMER BASE**

Understanding our customers is critical to providing the best shopping experience. During 2015, we undertook significant work around this in our Dan Murphy's business, with positive customer feedback. We mapped community demographics across 250 stores so managers could make better-informed decisions about product ranging and recruitment. Woolworths is rolling out a similar program across our other businesses between now and 2020.

## **ENABLING EVERYONE TO ACHIEVE THEIR FULL POTENTIAL**

Woolworths has a long and proud tradition of providing employment opportunities for people at all stages of their lives by championing inclusive work practices that we continually develop.

By 2020, we want all our Talent Acquisition teams to have completed unconscious bias training. This will also contribute to our goal of halving our reported bullying and discrimination statistics – an important step on our journey towards zero workplace bullying.

Our core focus areas are people with a disability, age diversity and LGBTI inclusion.

### **Disability**

Woolworths belongs to the Australian Network on Disability (AND), which represents corporate organisations in supporting disability employment. We are a Gold Member and sit on the AND Board.

Woolworths will continue to work with AND to build our disability action plan, with a view to significantly increasing work opportunities for people with a disability.

### **Age diversity**

Woolworths provides many young people in Australia and New Zealand with a great start to their careers. More than 79,000 of our team members are under the age of 25. We also value the experience of older workers, with almost 20,000 team members aged over 55 years. Our 25 Year Club, which acknowledges long service and dedication, now has more than 10,000 members.

## LGBTI

Woolworths recently became a member of Pride in Diversity, Australia's national not-for-profit employer support program for all aspects of Lesbian, Gay, Bisexual, Transgender and Intersex (LGBTI) workplace inclusion.

We will work closely with Pride Diversity to achieve our goal of being a Gold Tier employer in the Australian Workplace Equality Index (AWEI).

We also have a number of initiatives underway to build understanding and inclusion of the LGBTI community within Woolworths and our broader customer base. For example, taking part in Wear it Purple Day, internal forums and events, a 1,000+ member Google+ community and a Woolworths Ally support program.

## ENGAGING AND VALUING PEOPLE

### ENGAGEMENT

Woolworths understands the importance of having an engaged workforce and that this is a lead indicator of customer satisfaction.

We run a detailed team engagement survey each year. During 2015/16, overall engagement increased by 3% year on year, which was in line with the percentage improvement in our customer feedback scores.

Our engagement survey results highlighted strengths such as our communications approach, encouraging people to speak up, empowering them to make decisions and providing career development options.

We are working on achieving further positive increases so we can match national and international industry engagement standards. Over the next 12 months, we will be measuring team member engagement more frequently and communicating the results regularly.

### PARENTAL LEAVE

We continue to offer paid maternity leave to eligible Australian-based employees. This includes six weeks of paid maternity leave, two weeks return-to-work bonus and up to 104 weeks of unpaid parental leave.

	2015		2016	
	ACCESSED PARENTAL LEAVE	RETURNED FROM PARENTAL LEAVE	ACCESSED PARENTAL LEAVE	RETURNED FROM PARENTAL LEAVE
Female	2023	1775	2091	1883
Male	14	15	20	17
Total	2037	1790	2111	1900

## SAFETY AND HEALTH

At the time of this Report, Woolworths reported a Lost Time Injury Frequency Rate (LTIFR) of 8.43<sup>7</sup>, a year on year reduction of 26.24% compared to the restated LTIFR for 2015<sup>8</sup>.

In 2016, our Total Recordable Injury Frequency Rate (TRIFR) was 16.29<sup>9</sup>, which was also a reduction of 23.54% compared to the restated TRIFR for 2014/15.

### Woolworths Limited LTIFR for 2014-2016

KPI	2014 <sup>1</sup>	2015 <sup>1</sup>	2016
LTIFR (million hours worked)	11.78	11.43	8.43
LTIFR (200,000 hours worked)	2.36	2.29	1.69
% change on previous year	-4.45%	-2.99%	-26.24%

Excludes ALH Group and Home Improvement.

1 Previous year numbers have been updated to reflect any delayed reporting.

LOST TIME INJURY  
FREQUENCY RATE<sup>7</sup>

**8.43** LTIFR

TOTAL RECORDABLE INJURY  
FREQUENCY RATE<sup>9</sup>

**16.29** TRIFR

A YEAR ON YEAR TRIFR  
REDUCTION OF<sup>10</sup>

**↓ 23.54%**

### DESTINATION ZERO - GUIDING PRINCIPLES

Actively caring for each other

Striving to prevent incidents, injuries and illnesses

No service or task is so urgent and important that we cannot do it safely

We are responsible for our own decisions and actions; the standard we walk past is the standard we accept

We will promote and celebrate our successes.

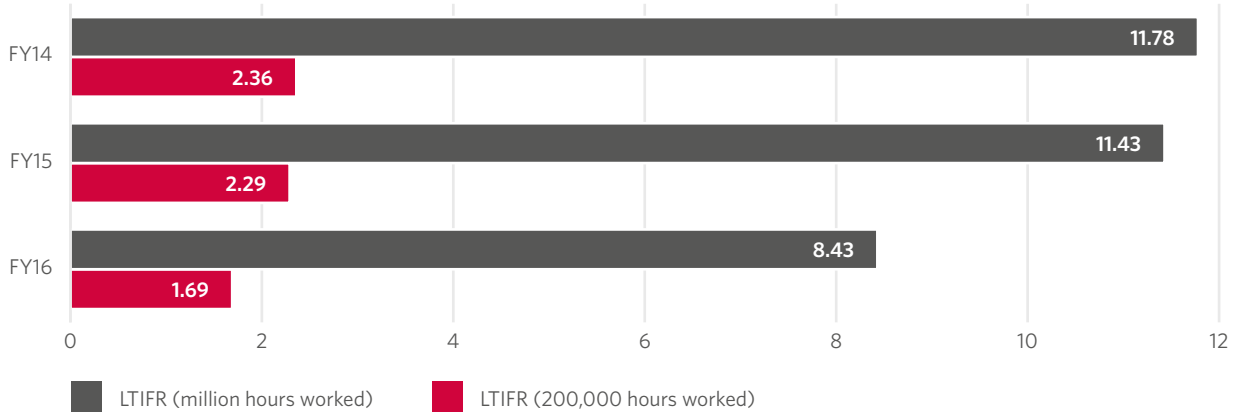
7 Excludes ALH Group, Masters and HTH.

8 LTIFR continues to update after the reporting period for delayed reporting.

9 Excludes ALH Group, Masters and HTH.

10 TRIFR continues to update after the reporting period for delayed reporting.

## Woolworths Limited LTIFR for 2014-2016



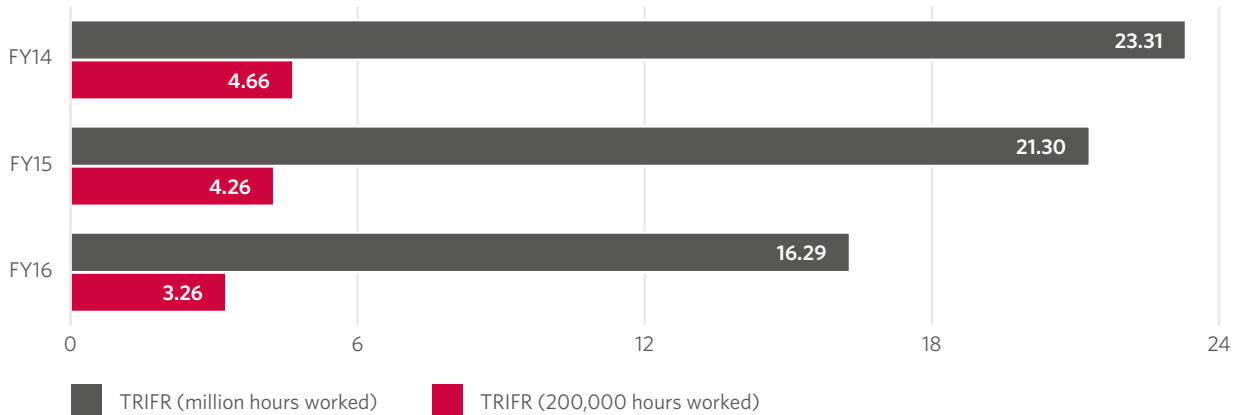
## Woolworths Limited TRIFR for 2014-2016

KPI	2014 <sup>1</sup>	2015 <sup>1</sup>	2016
TRIFR (million hours worked)	23.31	21.30	16.29
TRIFR (200,000 hours worked)	4.66	4.26	3.26
% change on previous year	-26.97%	-8.62%	-23.54%

Excludes ALH Group and Home Improvement.

<sup>1</sup> Previous year numbers have been updated to reflect any delayed reporting.

## Woolworths Limited TRIFR for 2014-2016



Our vision is to become one of the safest places to work and shop. Our aspiration is 'Destination ZERO', a place where every day people go home free from injuries or illness.

During 2015/16, we refreshed Destination ZERO and reinforced our guiding principles as part of revisions to our Safety & Health policy.

## NATIONAL SAFETY COUNCIL OF AUSTRALIA - HIGHLY COMMENDED AWARD

During 2015, Woolworths was selected as a Finalist in the National Safety Council of Australia (NSCA) Awards. We won the Highly Commended award for the implementation of the Univer Brake Interlock System (UBIS), a joint venture between Woolworths and Univer that makes our loading docks safer.

## REDUCING THE RISK OF MANUAL HANDLING INJURIES

To address the risk of manual handling in our business, we engaged a leading ergonomist to conduct an independent review of our retail operations. The recommendations were on how to improve work design for our team members to prevent these types of injuries.

In addition, the Logistics team has adapted a vacuum picker for heavy and high frequency products. This technology is presently being trialled across three distribution centres. The feedback from both front line and operations teams has been very positive.

## MAKING SERIOUS INJURIES FROM BANDSAWS A THING OF THE PAST

The solution to eliminate serious injuries from bandsaws was developed by the Woolworths Meat Company team. The bandsaw comes to an immediate and complete stop when contact is made with a special glove worn by the operator. All bandsaws in our meat plants will be transitioned to the new model during FY17.

## FOCUSING ON CRITICAL RISK

During 2015/16 we completed a review of risks across the organisation, with a particular focus on critical risks. Woolworths engaged an external expert to facilitate workshops that helped us to better understand our control environment. This work will continue throughout FY17.

## CELEBRATING SAFETY

Over 100 safety and operational team members from across the country came together to further learn and be inspired about safety. Internal and external speakers presented on various topics including critical risk, mental health, manual handling, workers' compensation and the organisation's overall safety strategy and vision. Additionally, several of our team members were recognised for demonstrating ongoing excellence in safety leadership.

## HEALTH AND WELLBEING

### Employee nutrition education

To help Woolworths achieve our vision to become a world class retailer and a leader in nutrition and health, we have made nutrition understanding a key competency for all employees. Our ambition is to engage all our employees as healthy lifestyle advocates so that together, we can inspire a healthier Australia.

To this end, in 2014 we launched the Woolworths Nutrition Academy; an easily-accessible training hub and nutrition information source for all employees. This year we ran a series of staff Lunch and Learn sessions about health and nutrition at the Woolworths Support Office. The sessions were recorded and uploaded onto our *All Good* employee wellbeing website.

### Employee Assistance Program

Stress at work and home can impact our employees' wellbeing. Through our partnership with Converge Australia, all staff have access to an Employee Assistance Program that offers a confidential counselling service.

### FINALIST IN THE NATIONAL SAFETY COUNCIL OF AUSTRALIA (NSCA) AWARDS



### WOOLWORTHS MEAT COMPANY TEAM BANDSAW INNOVATION



# PLANET:

## *for a healthy Australia*

Woolworths operates in a world where consumer demand and competitive pressures are increasing. At the same time, we want to play our part in alleviating environmental pressures and mitigating climate change. Our challenge is to use natural resources even more efficiently and still meet our business goals. We will do this through innovation, collaboration and engagement.

### CARBON EMISSIONS - FACILITIES

#### SOLAR PANELS ON STORES

**4,000**

Over the last eight years, Woolworths has invested in energy efficiency improvements to meet our challenging 2015 target to reduce carbon emissions from stores, distribution centres and offices by 40%. Our goal was to bring facilities emissions back to the baseline year of 2006/07, despite growing our business. We tackled this by focusing on energy efficiency, particularly in new and refurbished stores, which are 30% more energy efficient than those we opened in 2008. We met our goal in 2015 and maintained this achievement in 2016.

#### WASTE DIVERTED FROM LANDFILL

**11%**

#### diversion increase

A key focus area will be refrigeration in more than 1,000 stores with refrigeration systems. We will increase our use of natural refrigerants as we move towards replacing HFC refrigerants with HFC-free or hybrid systems; and reduce refrigerant leakage to our target level of a 15% reduction of CO<sub>2</sub>-e below 2015 levels.

#### Innovative projects

From our continued investment into energy efficiency, we have developed a good understanding of the approaches needed to reduce energy use. We integrate energy efficiency into the way we build and refurbish stores and we roll-out efficiency improvements to existing stores. We are implementing new innovative projects to improve reporting and planning to further reduce energy use.

#### ENERGY USE BY NEW STORES

**30%**

#### less than in 2008 <sup>11</sup>

Project Enlighten, a technology-based energy efficiency project that we rolled out over 18 months from early 2015, has so far saved 157,000MWh and \$24 million from a capital investment of \$81 million. The project invested in improving lighting, refrigeration and air conditioning.

We have now begun the next phase of our energy efficiency drive, focusing on end-to-end energy management. Project Navitas will bring together performance data from the lighting, refrigeration and air-conditioning initiatives we undertook during Project Enlighten into a single dashboard visual display system to improve our reporting and planning. We are also establishing an Energy Management Centre of Excellence.

#### ENERGY SAVINGS FROM PROJECT ENLIGHTEN

**157,000MWh**

#### Renewable energy

Under Project Enlighten, we invested \$2.3 million in installing more than 4,000 rooftop solar panel systems at our Supermarkets, BIG W, liquor stores and petrol sites across all mainland states and territories. During FY16, these sites generated 1,560MWh.

<sup>11</sup> For stores in FY16 compared to those opened in 2008.

## CARBON EMISSIONS - TRANSPORT

Emissions from company cars (tonnes of CO<sub>2</sub>-e)

COUNTRY	2013	2014	2015	2016
Australia	14,992	9,939	8,654	<b>8,860</b>
New Zealand	1,936	1,898	1,926	<b>1,987</b>
Total	16,928	11,837	10,580	<b>10,847</b>

During 2015/16 we continued our commitment to reduce the carbon footprint of our company car fleet, with emissions more than 40% below our 2007 baseline. Fuel efficiency will continue to be an important consideration when selecting vehicles for our fleet.

## WATER

As part of our focus on sustainable water consumption, we collected 22ML of rainwater at nine distribution centres and used it to replace potable water in truck washing, cooling towers, toilets and gardens.

Our largest impact on water usage is through the Woolworths supply chain. We will continue to help our largest water-using suppliers to assess their risks and opportunities and build their capacity for managing water security, environmental impacts and drought resilience.

## WASTE AND RECYCLING

Managing waste is a key corporate responsibility focus for Woolworths. We remain committed to targets of moving towards zero food waste to landfill and reducing the volume of recyclable materials that are not recycled. As well as addressing these challenges in our business, we see it as our responsibility to support the role our customers can play.

In 2016, we invested in improving our waste data management, leading to higher accuracy in waste data that is helping us to better measure our performance and make more informed decisions.

## WASTE DISPOSAL

In FY16, the amount of waste we sent to landfill increased slightly by 5%. However, the volume of materials that we recycled or diverted from landfill increased by 11%. These results reflect both accounting changes and our increased diversion of waste from landfill.

## WASTE DISPOSED TO OR DIVERTED FROM LANDFILL

	2013	2014	2015	2016
Materials diverted from landfill	227,314	251,244	246,659	<b>274,930</b>
Waste to landfill	131,069	107,011	107,429	<b>112,265</b>

Note: Waste to landfill data is only from Australian Supermarkets, New Zealand Supermarkets and BIG W.

## WASTE AUDITS

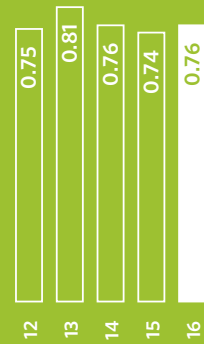
During our annual audit of the waste streams for 26 Australian Woolworths Supermarkets during FY16, we found:

- Plastic film increased from 0.9% to 1.37% (target is below 1%)
- Volume of recyclable cardboard increased from 1.08% to 1.64% (target is below 1%)

We are working on improving our results with a Resource Recovery Roadshow for stores and new training and education materials.

## OUR RESOURCE EFFICIENCY TRENDS

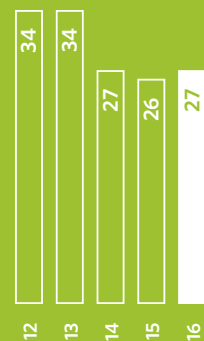
### CARBON INTENSITY (t CO<sub>2</sub>-e/SQUARE METERS)



### ENERGY INTENSITY (GJ/SQUARE METERS)



### WASTE INTENSITY (T/SQUARE METERS)





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**SUPERMARKETS WITH  
COMMERCIAL FOOD  
RECYCLING PROGRAM**


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**584**


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**SUPERMARKETS WITH  
FARMERS' DONATION  
PROGRAM**


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**752**


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**SUPERMARKETS WITH  
FOOD RESCUE CHARITIES  
PROGRAM**


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**913**


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**FOOD WASTE**

More than half of Woolworths' waste stream is waste food. We will continue to move towards zero food waste to landfill by increasing our stores' access to diversion options and encouraging them to separate food waste into organics bins. We want to reduce the amount of food waste that we send to landfill every year.

We have introduced commercial food recycling services to 200 more stores over the past 12 months. We have also launched a new end-to-end stock-loss initiative – Faster, Fresher Food – and are continuing our ongoing program of donating food to farmers and food rescue charities such as OzHarvest, Foodbank, FareShare and SecondBite.

By the end of FY16, more than 95% of Woolworths Supermarkets – which account for 85% of Woolworths' food waste generation – had access to at least one food waste diversion option. We will continue to expand this program to cover more stores across the Group.

**Supermarkets – diverting food from landfill**

AUSTRALIA AND NEW ZEALAND	2016 NUMBER	2016 %
Supermarkets with commercial food recycling program	584	50%
Supermarkets with farmers' donation program	752	65%
Supermarkets with food rescue charities program	913	79%
Supermarkets with at least one food recovery program	1,131	97%
Total all Supermarkets	1,161	

**ENCOURAGING SEPARATION OF ORGANIC WASTE**

We have designed our Hearts and Minds program to educate employees about the why, what and how of separating organic and non-organic waste. All our stores now have colour-coded bins and display materials.

The training program includes a training guide for managers, interactive activities and e-learning. We are encouraging continuous learning through a customised app that is gamified and by communicating improvement overall and by store.

Stores are incentivised to compete against each other in a league table.



**PACKAGING STEWARDSHIP**

Packaging plays a key role in the retail supply chain. It protects the significant investment that we and our suppliers have made in growing, processing and transporting the products on our shelves and ensures they are delivered safely to customers' kitchens. It also plays a role in brand marketing.

**Own Brand packaging**

When we design the packaging for Woolworths' Own Brand products, the key elements are protection, accessibility, recyclability, recycled content and brand messaging.

We try to use our packaging as efficiently as possible. In August 2016, we eliminated polystyrene trays from our Macro Organics supply network, using compostable or recyclable plastic trays instead.

Another packaging reduction initiative is for semi-loose organic produce, where we have replaced trays and plastic wrap with a band around the product for identification purposes.

We will continue to work with all our suppliers to actively pursue alternatives that reduce the amount of packaging or increase its recyclability.

**Soft plastics**

The soft plastic that packages many frozen products and bakery items cannot be recycled through Australia's kerbside recycling program.

Woolworths partners with the REDcycle recycling program to keep it out of landfill and dispose of it responsibly.

REDcycle collects the plastic from dedicated bins at the front of 100 Woolworths' Supermarkets in Sydney and Melbourne and sends it to an Australian processor to make plastic park furniture. Since we began the partnership in 2015, we have disposed of 190 tonnes of plastic this way, equivalent to 47.6 million pieces of packaging.

**NEW MACRO  
 ORGANICS PACKAGING**



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**RSPO-CERTIFIED OWN BRAND  
FOOD PRODUCTS**
**100%**


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**FSC-CERTIFIED OFFICE PAPER**
**229,000  
reams**


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**RESPONSIBLE SOURCING**

Sourcing products that have been produced sustainably is a challenge for every retailer, especially for raw materials and goods in high risk categories and from high risk countries, where we have no direct oversight of the supply chain. However, more and more of our customers expect to be offered sustainably sourced product choices and supplying them is a key element in our ambition to be an industry leader in responsible sourcing.

We have set ourselves the target of sourcing key raw materials and commodities that are produced sustainably and independently certified. We have also committed to promoting behaviour change in our customers by raising their awareness of sustainably sourced products.

**DEFORESTATION**

As a member of the Consumer Goods Forum (CGF), Woolworths is a signatory to the CGF Deforestation Resolution of 2010 for achieving net zero deforestation by 2020. We have pledged to achieve this by ethically sourcing the relevant high-impact commodities, including palm oil, timber, pulp and paper, and packaging.

We are working towards a 2020 target of sourcing these products from independently-certified sustainable supply chains. If this is not feasible, we will consider credible offsetting schemes.

**Palm oil**

The Roundtable on Sustainable Palm Oil (RSPO) is a multi-stakeholder organisation comprising retailers, manufacturers, palm oil producers, traders and non-government organisations. It sets global standards for palm oil production and manages a certification scheme. In FY16, 100% of the palm oil in our Own Brand food products was RSPO-certified.

**Paper and timber**

We source all our Own Brand tissue, toilet paper and kitchen towel products from independently-certified, sustainable sources and use sustainably-produced paper for our catalogues and offices.

Catalogues are a key marketing tool for Woolworths. During 2015/16, we produced almost 950 million of them across our brands in Australia and New Zealand, using 52,201 tonnes of paper. All of it came from certified sustainable sources, either through the Forest Stewardship Council (FSC) or the Programme for the Endorsement of Forest Certifications (PEFC).

Within our business, we procure more than 229,000 reams of paper for office use every year, all of it FSC-certified.

Across the Group, we saw a year on year decrease in paper usage in 2015/16, continuing an overall downward trend. This is due to a number of waste reduction initiatives such as using swipe cards to encourage staff to collect their printing rather than printing and forgetting.

**Microbeads**

Microbeads are micro-plastic particles (0.1-0.5 millimetres in size) added as exfoliates to personal care products such as body wash.

The particles are too small to be filtered out by many municipal wastewater treatment plants and can damage the local environment when they end up in rivers.

We have been working with our suppliers to phase out microbeads in Woolworths Own Brand skin care and body wash products. In 2015, we completed the phase-out for those products that are in production. Phasing out the products that are already produced and in stock will be completed by the end of 2016.

# PROSPERITY: *founded on trusted relationships*

With more than 3,000 stores spread across Australia and New Zealand, Woolworths' prosperity affects multiple stakeholders. The success of our business is directly linked to that of our employees, suppliers, shareholders and the communities we serve. It is our responsibility to manage our relationships with these stakeholders in a way that maximises prosperity without compromising our corporate responsibilities.

## JOBS AND EMPLOYMENT

### JOBS CREATED - INDIRECT

**805,000**

### CONTRIBUTION TO THE ECONOMY - INDIRECT<sup>12</sup>

**\$118B**

### WAGES PAID

**\$7.7B**

### CREATING JOBS FOR AUSTRALIANS AND KIWIS

- More than 188,000 employees - Australia
- Close to 18,000 employees - New Zealand
- 805,000 indirect jobs
- 79,096 young employees<sup>13</sup>

Woolworths is committed to growing our business, and with growth comes new opportunities for employment. Over the past year, 44,991 people joined Woolworths in Australia, New Zealand and our international sourcing offices.

Having a part time job at our Supermarkets is a rite of passage for young Australians and Kiwis, so it is not surprising that many of our new hires during FY16 were young people, many of them starting out in the workforce.

### INVESTORS

Our economic contribution in FY16

- \$58.1B total sales<sup>14</sup>
- \$1.0B dividends to shareholders
- \$2.56B EBIT<sup>14</sup>
- \$1.6B net profit after tax<sup>14</sup>
- \$118B indirect contribution to economy<sup>15</sup>

The financial results for the year were disappointing, with sales from continuing operations down marginally to \$58.1 billion and net profit after tax<sup>16</sup> down 39.2% to \$1.6 billion. Our Board announced a reduced final dividend of 33 cents per share, down 54.2% on the previous year.

FY16 was a year of significant progress, with a new operating model, some hard decisions around underperforming businesses and a new focus on providing a great all-round shopping experience for customers.

However, there is still much to do. Across the business, we will be working in FY17 to build a culture where we listen to and collaborate more with our customers, team members and suppliers. Our ultimate goal is to increase the prosperity of all our stakeholders by leveraging these trusted relationships to improve our market performance, cost base and profitability.

<sup>12</sup> Flow-on from value of sales. Based on 2009 multiplier.

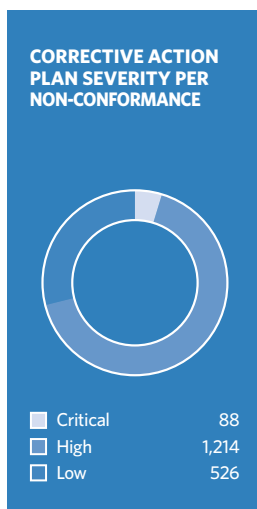
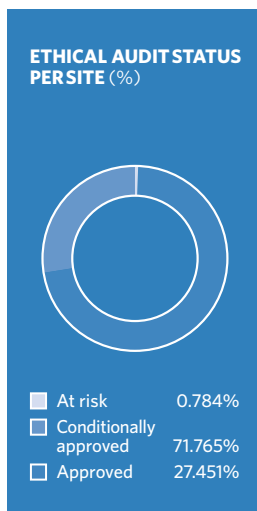
<sup>13</sup> Aged under 25 years.

<sup>14</sup> Before significant items.

<sup>15</sup> Flow-on from value of sales.

<sup>16</sup> Based on continuing operations.

## FACTORY AUDITS BEFORE THEY START PRODUCTION FOR US



## SUPPLIERS

Suppliers are a critical stakeholder group for Woolworths, whether we stock their brands in our stores or they produce our Own Brand products. Having their cooperation and collaboration is essential for the success of our 2020 Corporate Responsibility Strategy. Building positive, productive relationships with local, national and international suppliers is a key plank in the Strategy.

### Advantage Report

During 2015/16 we continued to work closely with the Advantage Group to better understand our suppliers. We received more regular feedback and obtained additional feedback that was specific to the Woolworths Own Brand business.

We are moving from annual surveys to twice-yearly surveys and developing a bi-monthly Voice of Supplier Pulse survey. These actions will support earlier intervention with issues and help us to build closer supplier relationships.

### Improving supply chain working conditions

Woolworths upholds human rights for both our employees and for people working in our supply chain.

Our long-established ethical sourcing policy enshrines the International Labour Organisation (ILO) Conventions and the UN Global Compact's core values of human rights, labour standards, the environment and anti-corruption.

We expect all suppliers to comply with our ethical sourcing policy, which has a compliance audit program for factories making our Own Brand products. We prioritise the audits according to the human rights risks of the country where the factory is located and the product category.

We engage experienced third-party certification bodies to conduct the audits and to rate factories as approved, conditionally approved or at risk. Factories at risk or that need critical corrective actions cannot start production for Woolworths until these issues are resolved.

Woolworths is committed to increasing supply chain transparency. In 2016, BIG W disclosed details about sourcing from high risk countries.

The factories we deal with are listed on the Woolworths Limited website and we keep the list updated. We also provide information about audit outcomes in our annual Corporate Responsibility report (see diagrams).

### Ethical sourcing - overseas workers

Woolworths expects all local suppliers to comply with Australian and New Zealand workplace laws and ethical standards. To remain part of the Woolworths supply chain, these laws and standards must guide suppliers' treatment of all workers, including the seasonal migrant workers who are so essential for our produce suppliers during peak harvesting periods. We also expect our suppliers to be responsible for ensuring their suppliers and labour hire companies are legally compliant.

Australia has a strong rule of law around this issue and well-established independent agencies that monitor and enforce the laws more effectively than private sector companies can. However, we acknowledge there are issues with some unscrupulous labour hire companies and accept our responsibility to work with key industry bodies and other stakeholders to help improve labour practices in our supply chain.

As part of our commitment to being part of the solution, Woolworths belongs to a working group convened and led by the National Farmers' Federation (NFF) and the Produce Marketing Association (PMA). The working group is developing a best practice scheme for agricultural employment.

Our new Supplier Excellence Audit program, which we announced in April 2016, incorporates our policy for engaging and employing overseas workers. The program focuses on improving quality and product safety standards across Woolworths' extensive global sourcing network.

We conduct regular internal training sessions with staff who interact with suppliers to make sure they stay up to date with the latest workplace laws and Woolworths' expectations.

## COMMUNITY

Woolworths is proud to be an important contributor to communities across Australia and New Zealand. Our goal is to contribute the equivalent to at least 1% of our pre-tax profits on a three-year rolling average every year to the communities in which we operate.

Being part of the community fabric has mutual benefits. It helps to strengthen our relationships with local customers, employees and suppliers so we understand each other better and build trust. We build on these relationships to encourage people to support a range of charitable organisations and community programs and to drive real change in the areas of nutrition and health, employment and food waste reduction.

### Our community contribution 2015/16

Contribution to the community<sup>17</sup> as a % of pre-tax profit<sup>18</sup>

= 0.92% on a rolling average basis

### Disaster relief

Woolworths has a long history of helping communities to recover from droughts, floods, cyclones, bushfires and other natural disasters.

Since 2010, we have partnered with The Salvation Army to do this work, contributing more than \$29 million in cash donations from the business, in-kind materials and staff and customer donations. In 2015/16, we contributed a total of \$1.1 million.

#### TAKING A STAND: BUILDING OUR PARTNERSHIP WITH THE SALVOS

Woolworths has supported The Salvation Army (The Salvos) since 1954. Over the past five years we have averaged more than \$2 million a year in contributions, with a further \$3 million a year donated by our customers.

This year, Woolworths and The Salvos decided to formalise our partnership by establishing an advisory board and an ongoing formal partnership called STAND (Support Through Australian Natural Disasters). STAND will fund natural disaster response, recovery and resilience works in the community.

It will operate at two levels: year-round contributions and support to The Salvos, and a higher level of engagement if disaster strikes, in the form of collecting customer donations, providing the opportunity for staff to volunteer and deploying on the ground resources to support Salvos Emergency Services.

STAND will deliver shared value through adherence to clear metrics. We will reinforce our commitment through staff engagement and initiatives such as volunteering at times of disaster and seconding senior staff to act as strategic advisors to The Salvos' operations.



### DIRECT COMMUNITY INVESTMENTS

#### 1. CASH DONATIONS

\$6.95M

#### 2. IN KIND

\$16.53M

#### 3. STAFF TIME

\$7.8M

### DIRECT COMMUNITY INVESTMENT TOTALLING

\$31.3M

### CUSTOMER FUNDRAISING

\$19.49M

17 Excludes leveraged funds.

18 Before significant items.