

WOOLWORTHS GROUP



21 November 2018

ASX Market Announcements Office
Australian Securities Exchange
20 Bridge Street
Sydney NSW 2000

Chairman's and CEO's Address to 2018 AGM

Attached is a copy of the Chairman's and CEO's address to the 2018 AGM being held today.

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Annual General Meeting 2018

Chairman's Address

**International Convention Centre, Sydney
Wednesday 21 November 2018, 10 am**

So now ladies and gentlemen let me turn to my Chairman's address.

It is customary on such occasions for the Chairman to comment on the performance of the business during the past year. I want to take a different approach and give you some insights into how management and the Board are building a great company, dedicated to bettering the lives of our customers and team - that delivers over the long term for our shareholders.

I want to start with our people, because if we have highly engaged inspired team members, we will deliver great service to our customers.

In the last three years we have made enormous progress. Team advocacy measured as "I would recommend Woolies as a place to work" has risen steadily, as well as, recommending "Woolies as a place to shop".

There are some very clear reasons why this is the case, the building blocks, if you will, of a motivated team.

Firstly, we need to ensure that everyone who works or shops with us goes home safely. Over the last five years our total recordable injury frequency has significantly declined, which is great progress. But we cannot rest on our laurels, and this must always remain a priority.

Secondly, mental wellbeing remains a serious issue that we need to do more to address.

In order to improve our duty of care here we have initiated an "I am here" program, and a team assist program. We shall remain constantly vigilant.

Thirdly, we are making enormous progress in ensuring that our team members represent the communities they serve.

We have 32% of our general managers who are women, with no salary or wage gap. We have 1,976 Indigenous team members with a retention rate of 74%. We have a Proud Network to support LGBTI inclusion with 1,900 members and we were the first retailer in Australia to be awarded Gold Tier status in the AWEI.

We are proud of this progress, and committed to building on this momentum.

Now let me turn to the second area of focus, which is our ambition to be a great community partner.

At a time when the community is losing trust in big business, I think it is important that Woolworths speaks up, and proudly displays its credentials.

We have 29 million customers who shop with us weekly. We understand the pressure on family budgets. Over the last three years we have invested more than \$1 billion in bringing down the prices of our products, to make them more affordable. We have invested hundreds of millions in enabling customers to shop with us in a way that is convenient to them, either by visiting our stores, home delivery, or Pick up. We are committed to making healthier easier for our customers by providing free fresh fruit for children in each of our supermarkets.

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As a result, our Voice of Customer score which is a survey of around 50,000 customers a month has improved dramatically in recent years.

But we also recognise that to be a good corporate citizen, we must do much more.

Probably our most visible and newsworthy initiative here was to remove single-use plastic bags across the Woolworths Group.

Although our sales were impacted in the short term, as some customers switched to our competitors, we remained firm in our conviction that it was the right thing to do. Thankfully those customers have returned.

We also have a key role to play in reducing carbon emissions. We have committed to a 10% reduction in CO2 from the 2015 level, and are currently sitting at a 13% reduction. This is as a result of a focus on more efficient lighting, refrigeration and air conditioning. We are progressively putting solar panels on our supermarkets and distribution centres which will assist in further reductions.

We are committed to achieving zero food waste to landfill. One of the ways for us to achieve this is through a food diversion program. In Q1 of F19, we provided 3.2 million meals to food rescue through our partners OzHarvest, Foodbank and FareShare. 8.4 million kilos of food was diverted to farmers, through 642 of our stores in a partnership program.

Turning to our supply chain, we are committed to a sustainable supply chain, with 100% of our own brand tea and chocolate sourced sustainably.

We have a resolution at today's meeting regarding the rights of people who work with our supplier partners.

In November 2017 we publicly committed to work collaboratively on a pre-qualification labour-hire program for our fresh food supply chain.

We did that because we believe that protecting the rights of workers in our supply chain is the right thing to do.

We have worked diligently on a range of measures to achieve this over the past 12 months:

- In July 2018 we launched our Responsible Sourcing Policy, which applies to all of our suppliers including our fresh food supply chains
- We are developing further requirements for suppliers that operate in our fresh food supply chains, and have been working collaboratively with the N.U.W and other industry stakeholders on this since December 2017.

To achieve the changes we believe are required will involve a collaborative approach from all stakeholders, including unions, growers, labour-hire providers and suppliers. We continue to talk to all of these stakeholders including the N.U.W.

We will publicly report on the progress of our initiatives in next year's Sustainability Report. This will include disclosure on the complaints, audits, breaches and consequences in this area.

We believe we have made significant progress in the past 12 months. We will continue working over the next year, and beyond, to put in place the right protections for workers within our supply chain.

For this reason, we do not support the advisory resolution put to the AGM. But in the spirit of our ongoing discussion, we will allow questions on this topic, and share the proxy votes.

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As the owner of the largest number of poker machines in Australia, we are also committed to harm minimisation. During the year we completed two external reviews into responsible gaming practices. The first was undertaken to compare ALH's current practice to international best practice and the second was in relation to specific whistleblower complaints. We have implemented a number of changes following these reviews.

As we move forward with our JV partners in ALH we are committed to better governance and better operational management, to ensure we live up to our commitment to be Australia's most responsible operator of gaming machines.

Finally, in our commitment to give back to communities in which we operate, we invest 1% of our EBIT, on a rolling three year average, on community partnerships and programs.

Let me bring my presentation to a conclusion by now addressing the final area, which is shareholder value.

2018 was a solid year. Our business is growing with sales of \$56.7 billion, up 3.4% from 2017. EBIT was up 9.5%, with return on funds employed of 24.1%, demonstrating we are spending capital efficiently.

This solid performance was translated into a total dividend of 103 cents per share, which was a 22.6% increase over the previous year. The total dividend included 10 cents per share special dividend reflecting our improved financial position. The Board will continue to monitor the Group's financial position carefully and consider further capital management where appropriate.

We recently announced the sale of Woolworths Petrol to EG Group for \$1.725 billion and entered into a new commercial alliance. This is a positive result for the Group, customers and our shareholders. We expect the deal to be completed early next year, subject to Foreign Investment Review Board approval. We will consider all options for the proceeds, including capital management initiatives.

Finally, ladies and gentlemen, this could not have been achieved without the outstanding leadership of Brad and his team, the dedication of our 201,522 team members, and the support of my Board colleagues, who continue to go above and beyond.

We are, as one, dedicated to our noble purpose of *creating better experiences together that better people's lives*, to deliver for our shareholders.

I will now invite Brad to address the meeting.

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Annual General Meeting 2018

CEO's Address

**International Convention Centre, Sydney
Wednesday 21 November 2018, 10 am**

Good morning everyone.

At our last AGM, I spoke to you about our focus on transforming our business for our customers, our team, and the communities in which we operate, and in doing so deliver long-term sustainable growth for our shareholders.

Key to this is how we activate our Group purpose of creating better experiences together, our Ways-of-Working and our Core Values. Today, I wanted to give you an update on the progress we have made.

F18 Achievements

In F18, we were focused on six key priorities which were largely unchanged from the prior year. As we reflect on the last financial year, I am pleased to report that we have made good progress on each of these priorities

Our first and most important priority is to build a Customer 1st, Team 1st culture. Our new group purpose, ways-of-working and core values were activated across the Group in F18 with an increased focus on not only delivering results, but also on how they are delivered. Putting our customers and teams first resulted in improvement in our Voice of Customer, Voice of Team and Voice of Supplier scores. A particular highlight was the improvement in supplier feedback and Woolworths Supermarkets being recognised with a number one ranking in the Food Retail Advantage buying survey.

As one of the largest employers in Australia, we have a responsibility to foster an inclusive, diverse and safe environment for our team. A number of initiatives to support our Team 1st culture include the launch of our Woolworths Financial Wellbeing program with zero interest micro loans, Refugee Employment program, and Resourcing the Future program which supports Indigenous Australians. We are also particularly proud of being the first retailer in Australia to commit to paying superannuation for up to 12 months for those on parental leave.

Our second priority is to deliver connected, personalised and convenient shopping experiences for our customers. We continued to invest in digital and data as our customers increasingly want to shop us in multiple ways including in-store, online or pick up making it essential that we deliver the best experience possible on every platform.

The rollout of Pick up across the Group was a highlight in F18 with it now available in approximately 3000 sites and it has been a material driver of our strong online growth. Woolworths Rewards also continues to grow with more than 11 million members. During the year we connected Woolworths Rewards to BWS and BIG W which positively impacted sales in those businesses. Most recently, we announced that customers can now earn Woolworths Rewards points at 680 Caltex fuel sites across the country on fuel and convenience purchases.

In June of this year, we launched CountdownX to ensure Woolworths New Zealand remains at the forefront of the digital and data journey in New Zealand through leveraging learnings from WooliesX in Australia.

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Our Metro convenience food format continues to perform well with double-digit sales growth in F18. We opened a store in Pitt Street Mall which I encourage you to have a look at as it incorporates a number of the new and exciting concepts from our Marrickville Supermarket renewal.

Our Drinks business also worked hard on convenience with BWS expanding its On Demand offer, with plans to be in over 500 stores by Christmas. We acquired Jimmy Brings during the year and are expanding its footprint with the delivery service redefining what is possible with delivery within 30 minutes.

Since the start of F19 WooliesX has continued its focus on ultra-convenience for customers with an express delivery pilot in Sydney and Melbourne, the launch of a refreshed Woolworths App and the trial of Scan & Go at Double Bay. Heightened customer expectations and increased competition in this space will require further investment in F19 to keep pace with a rapidly evolving market.

Our third priority is to transform our Australian and New Zealand Food businesses. While our customer scores have improved over the course of the year, we were temporarily impacted by the removal of single-use plastic bags. Pleasingly, more recent scores have returned to levels prior to the removal of single-use plastic bags.

Over 80% of our customers now regularly score us 6 or 7 out of 7 on Voice of Customer measures. Despite these scores, we know we can continue to create better experiences for our customers and that is why we have moved to a Net Promoter Score measure which is a tougher measure given it focuses on customer advocacy and not only captures shoppers that are satisfied but also those customers that are dissatisfied as we look to be 'consistently good' at the fundamentals.

During the year, we delivered 80 stores in the Renewal format including 11 new stores and completed 54 Upgrades, touching approximately 13% of the Australian Food fleet. In addition to Marrickville, we opened a new concept value store in Plumpton and a store focused on an ethnic range in Lakemba. Learnings from the new store formats has already been incorporated into our latest flagship store which opened in Ascot, Brisbane in August and our store in Camberwell in Melbourne which opens on Friday.

We previously indicated that we needed to invest in New Zealand Food and the investment has been recognised by our customers with a strong improvement in comparable sales growth during the year. We invested in three major areas being Fruit & Vegetables, Digital and Data and team hours with investment in digital and data to continue in F19.

Natalie Davis, previously Woolworths Group Chief Customer Transformation Officer, has commenced as MD of New Zealand Food following the retirement of Dave Chambers in June.

We need to continue to evolve our Drinks business to keep up with our customers escalating range, service and convenience needs. BWS and Dan Murphy's delivered solid sales growth in an increasingly competitive market, however, EBIT growth in the second half was lower due to mix changes and lower gross profit in Dan Murphy's.

Online is growing strongly and we will continue to invest in digital and data using learnings from WooliesX. Steve Donohue has taken over as MD of Endeavour Drinks following the retirement of Martin Smith.

Our fifth priority is to unlock value in our Portfolio Businesses;

The turnaround of BIG W is progressing in line with plan and in F18 the business delivered strong item growth and the first positive year of sales growth since 2009. We lowered over 4,500 prices and started to invest in the in-store experience. While gross margins improved in the second half, we

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reported a loss of \$110 million for F18. We expect losses to moderate in F19 but note that we remain early in the journey to turn BIG W around.

Two weeks ago we announced the sale of the Woolworths Petrol business to the EG Group for \$1.725 billion. Woolworths customers will continue to have access to the popular 4 cents per litre fuel discount across the network, earn Woolworths Rewards points on fuel and merchandise purchases and have access to Woolworths own brand food products in store. We expect the deal to complete early next calendar year.

Our ALH Hotels business had a strong year with growth across all areas of the business. We are committed to further improve responsible gaming practices.

On the final priority, we have been very clear that we believe that sustainable cost savings across the Group can only come from improving our end-to-end processes and ensuring they are better for customers and simpler for stores. We made good progress on our productivity initiatives in Australian Food during the year. One highlight was the rollout of 1Store which included a new point of sale system. The rollout to all supermarkets and attached BWS stores was completed on schedule by the end of June and was one of the biggest change management projects to date at Woolworths Group. Going forward it will provide many benefits to our customers and store team including a more intuitive POS and increased speed through the checkout.

We also consolidated a number of productivity initiatives into our Simpler for Stores program and completed a series of detailed diagnostics with the implementation currently underway in the new financial year.

I hope you all got the chance to preview the exciting features of our new automated Melbourne South Regional Distribution Centre in the video before the meeting. We completed the building and automation installation of the MSRDC during the year. We expect the DC to be up and running in the new calendar year but will make sure that we have plans in place to ensure that our customers in Victoria are not disrupted during the changeover.

In August, we announced our full year results. All businesses saw an increase in customer satisfaction and customer numbers during the year. This has led to strong sales and EBIT growth and a significant reduction in net debt, even as we invest in strategic initiatives focused on delivering sustainable growth into the future.

Group NPAT from continuing operations was up 12.9% and Group EBIT from continuing operations was up 9.5% with all businesses delivering higher EBIT than the prior year with the exception of New Zealand Food. Our largest business, Australian Food EBIT increased by 9.6%.

Our improved financial profile also allowed for an increase in the F18 total dividend to 103 cents, up 22.6% on last year which included a special dividend of 10 cents per share that was paid to shareholders with the final dividend of 50 cents last month.

At the beginning of the month we reported our sales for the first quarter of the 2019 financial year with Group sales from Continuing Operations of \$14.9 billion, up 1.9% on the same quarter last year. It was a more challenging quarter for us with a slow start; however, customer and brand metrics have remained strong and we are starting to build momentum as we go into the festive season.

Australian Food sales for the quarter were AUD \$9.9 billion, an increase of 1.9% on the previous year. Comparable sales momentum improved materially in September compared to August leading to growth of 1.8% for the quarter.

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Looking forward

Our priorities for F19 remain largely consistent with F18 and we see enormous opportunities to improve our business and we are working very hard to deliver on these opportunities.

In Australian Food, we remain confident that we have strong plans in place to be 'consistently good' at the fundamentals and to drive further shopping differentiation relative to our competitors.

For Endeavour Drinks, it's about continuing to evolve the experience, not only to offer more convenience for our customers but also around delivering the right range in the right store and engaging our customers.

In New Zealand Food, we are continuing to invest in CountdownX to ensure our leadership in online and maintain sales momentum.

We see significant opportunity to continue to improve the performance of BIG W as we enter the critical Christmas trading period.

In closing, I would like to take the opportunity to thank all of our team members for all their hard work throughout the year. I also would like to extend my thanks, on behalf of management, to the Chairman and Board for their robust challenge and support.

Most importantly, today, I want to thank you, our shareholders, for your continued support and feedback and also assure you of our commitment to continue to improve our business. As I stand here today, we are 34 trading days to Christmas and I would like to encourage all of you and your extended families to 'Pick Woolies' for all of your Christmas shopping needs, make sure you get your 'Woolies worth' and support the Woolworths Group businesses.

I will now hand back to the Chairman to continue the meeting.