

Board of Directors

GORDON CAIRNS MA (Hons) CHAIRMAN

Gordon Cairns is Chairman of Origin Energy Limited (Chairman since October 2013, Director since 2007), a Non-executive Director of Macquarie Group Limited (since November 2014), Macquarie Bank Limited (since November 2014), World Education Australia Limited and Quick Service Restaurant Group Pty Ltd. Mr Cairns was previously Chairman of David Jones Limited (March 2014 to August 2014) and Rebel Group Limited, and a Non-executive Director of Westpac Banking Corporation (July 2004 to December 2013). Mr Cairns has extensive Australian and international experience as a senior executive. He was previously Chief Executive Officer of Lion Nathan Limited, and held senior management positions in marketing, operations and finance with PepsiCo, Cadbury Limited and Nestle.

BRAD BANDUCCI MBA, LLB, BComm (Acc) MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER

Brad Banducci has a Master of Business Administration from the Australian Graduate School of Management and received Bachelor of Laws and Bachelor of Commerce Degrees from the University of KwaZulu-Natal. Before his appointment as the Managing Director and Chief Executive Officer of the Group, he was Managing Director of Woolworths Food Group from March 2015 to February 2016 and he retains this responsibility pending a new appointment. He was formerly Director of Liquor from 2012 until March 2015. Brad joined the Group in 2011 after the acquisition of the Cellarmasters Group, a direct wine retail and production company. He was Chief Executive Officer of Cellarmasters from 2007 to 2011. Prior to this, he was the Chief Financial Officer and Director, and later a Non-Executive Director at Tyro Payments and a Vice President and Director with The Boston Consulting Group, where he was a core member of their retail practice for 15 years.

JILLIAN BROADBENT, AO BA (Maths & Economics) INDEPENDENT NON-EXECUTIVE DIRECTOR

Jillian Broadbent AO has a B.A. (Maths and Economics) from the University of Sydney. Ms Broadbent is currently Chair of the Board of Swiss Re Life & Health Australia Limited, Chair of the Clean Energy Finance Corporation and Chancellor of the University of Wollongong. Ms Broadbent was a Member of the Board of the Reserve Bank of Australia (1998 to 2013) and has served as a Director of ASX Limited, Coca-Cola Amatil Limited, Special Broadcasting Service Corporation (SBS), Qantas Airways Limited, Westfield Property Trusts and Woodside Petroleum Ltd. Ms Broadbent has extensive experience in corporate banking and finance in both Australia and internationally, primarily with Bankers Trust Australia.

HOLLY KRAMER BA (Hons), MBA INDEPENDENT NON-EXECUTIVE DIRECTOR

Holly Kramer has a BA with Honours in Economics and Political Science from Yale University and an MBA from Georgetown University. Ms Kramer is currently a Non-executive Director of Nine Entertainment Corporation (since May 2015), AMP Limited (since October 2015), Australia Post (since November 2015), as well as regional community-owned telco, Southern Phone Company Limited and the Alannah and Madeleine Foundation. She is also a member of Chief Executive Women. Ms Kramer has more than 20 years' experience in general management, marketing and sales including roles at the Ford Motor Company (in the US and Australia), Pacific Brands and Telstra. Whilst at Telstra, her roles included Group Managing Director, Telstra Product Management and Chief of Marketing. Her most recent position was Chief Executive Officer of Best & Less, a subsidiary of South African retail group Pepkor.

SIOBHAN MCKENNA B.Ec (Hons), MPhil INDEPENDENT NON-EXECUTIVE DIRECTOR

Siobhan McKenna has a Bachelor of Economics (Honours) degree from the Australian National University as well as a Master of Philosophy (International Relations) from Cambridge University. Ms McKenna is currently a Director of Ten Network Holdings Limited (since 2012), Amcil Limited (since March 2016), Nova Entertainment, The Australian Ballet, and a Trustee of the MCG Trust. Ms McKenna is a former Commissioner of the Australian Productivity Commission, a former Chairman and Board Member of NBN Co Limited, and a former partner of McKinsey & Company.

SCOTT PERKINS BCom, LLB (Hons) INDEPENDENT NON-EXECUTIVE DIRECTOR

Scott Perkins has a Bachelor of Commerce and a Bachelor of Laws with Honours from Auckland University. Mr Perkins is a Non-executive Director of Brambles Limited (since 1 June 2015), Origin Energy Limited (since 1 September 2015), the Museum of Contemporary Art in Sydney (since 2011), the New Zealand Initiative (since 2012) and is Chairman of Sweet Louise (since 2005). In the past Mr Perkins was a Director of Meridian Energy (1999-2002). Mr Perkins has extensive Australian and international experience as a leading corporate adviser. He was formerly Head of Corporate Finance for Deutsche Bank Australia and New Zealand and a member of the Executive Committee with overall responsibility for the Bank's activities in this region. He was also a member of the Asia Pacific Corporate and Investment Bank Management Committee. Prior to that he was Chief Executive Officer of Deutsche Bank New Zealand and Deputy CEO of Bankers Trust New Zealand. Mr Perkins' experience encompasses advising leading local and international companies across a broad range of markets on strategy, mergers and acquisitions and capital markets matters. He is an active participant in not-for-profit communities in Australia and New Zealand. He has a long-standing commitment to breast cancer causes, the visual arts and public policy development.

KATHRYN (KATHEE) TESIJA BSRMM INDEPENDENT NON-EXECUTIVE DIRECTOR

Kathee Tesija has a Bachelor's Degree in Fashion Merchandising from the University of Wisconsin, USA. Ms Tesija has extensive retailing experience in the US market, particularly in merchandising and supply chain management. In her executive career, she led the merchandising and supply chain functions at Target Corporation in the US from 2008, and was the Chief Merchandising and Supply Chain Officer and Executive Vice President when she left the company in 2015. After leaving, Kathee became a Strategic Advisor to Target Corporation until 2016 and had held various senior leadership positions at Target Corporation within merchandising since joining the business in 1986. Ms Tesija, a US resident, is also an independent Director of the US telecommunications company, Verizon Communications, Inc., and is a senior advisor and consultant for Simptactful, a retail consulting agency in the US.

MICHAEL ULLMER BSc (Maths) (Hons), FCA, SF Fin INDEPENDENT NON-EXECUTIVE DIRECTOR

Michael Ullmer has a degree in mathematics from the University of Sussex. Mr Ullmer is a Fellow of the Institute of Chartered Accountants and a Senior Fellow of the Financial Services Institute of Australasia. Mr Ullmer is a Director of Lend Lease (since December 2011), a Trustee of the National Gallery of Victoria and Chairman of the Melbourne Symphony Orchestra. Mr Ullmer has extensive experience in the accounting and banking sectors. He was the Deputy Group Chief



Left to right: Michael Ullmer, Kathee Tesija, Siobhan McKenna, Gordon Cairns, Jillian Broadbent, Brad Banducci, Scott Perkins, Holly Kramer and Richard Dammery

Executive at National Australia Bank (NAB) from October 2007 until he stepped down from the Bank in August 2011. He joined NAB in 2004 as Finance Director and held a number of key positions including Chairman of the subsidiaries Great Western Bank (US) and JBWere. Prior to NAB, Mr Ullmer was at Commonwealth Bank of Australia initially as Chief Financial Officer and then Group Executive for Institutional and Business Banking. Before that he was a Partner at Accounting Firms KPMG (1982 to 1992) and Coopers & Lybrand (1992 to 1997). Mr Ullmer was previously a Director of National Australia Bank (2004 to 2011), Fosters Group Ltd (2008 to 2011), and Bank of New Zealand (2007 to 2011).

RALPH WATERS CPEng, HonFIEAust, M Bus
RETIRED 01/09/15

Ralph Waters was most recently a Director of Asciano Limited (2012 to August 2016). In the past, Mr Waters was a Director of Fletcher Building Limited (2001 to October 2014, Chairman from 2010) and Fisher and Paykel Appliances Holdings Limited (2001 to 2011, Chairman from 2009), a Director of Fonterra Co-operative Group Limited (2006 to 2013), Westpac New Zealand Limited (2006 to 2012) and a Director of Cricket World Cup 2015 Ltd (2011 to November 2015, Chairman from February 2013).

GRANT O'BRIEN Adv. Management Program Harvard
RETIRED 26/02/16

Grant O'Brien's career extended more than 25 years with Woolworths, starting as an accountant in Purity Supermarkets in Tasmania, a division of Woolworths Limited. He was appointed Managing Director and Chief Executive Officer in 2011. He has held the roles of Deputy Chief Executive Officer and CEO Designate, Chief Operating Officer Australian Food and Petrol, Director New Business Development, General Manager Woolworths Liquor, Senior Business Manager Marketing Supermarkets, and Marketing and Merchandise Manager for Purity. He completed the Advanced Management Program at Harvard in 2010.

CHRISTINE CROSS BEd, MSc
RETIRED 23/11/15

Christine Cross has a BEd and MSc in Food Science and a Diploma in Management. Ms Cross is a Director of Sonae SGPS SA (since 2009), Plantasgen (since 2009), Kathmandu Holdings Limited (since 2012) and Brambles Limited (since January 2014). She was formerly a Director of Next Group plc (formerly known as Next PLC) (2005–2014), of Fairmont Hotels & Resorts Inc, Empire Company Limited (2003 to 2011), Taylor Wimpey plc and Premier Foods plc (2008 to 2010). Ms Cross is a Retail Advisor to Apax Partners Venture Capital & Private Equity (since 2005).

CARLA (JAYNE) HRDLICKA BA, MBA
RETIRED 08/02/16

Jayne Hrdlicka is the CEO of Jetstar Group and prior to this was the Qantas Group Executive of Strategy, Technology and Transformation. Ms Hrdlicka is an experienced executive and advisor. Prior to her executive career, Jayne was a Senior Partner with management consulting firm Bain & Company.

ALLAN (DAVID) MACKAY BBA
RETIRED 23/10/15

David Mackay is a Director of Fortune Brands Home & Security Inc. (since 2011) and Keurig Green Mountain, Inc. (since 2012). Mr Mackay was an Independent Director and Non-executive Chairman of Beam, Inc (2011 to April 2014) and Managing Director of Sara Lee Bakery in Australia (1992 to 1998). Mr Mackay has extensive Australian and international retail and consumer goods experience. He had a long career with Kellogg Company in America and internationally, retiring as CEO and President of Kellogg Company in 2011 after holding a number of key positions within the company in the UK and the USA. Throughout his time at Kellogg, Mr Mackay was a member of Kellogg Company's Board and the Company's global leadership team.

Group Executive Committee



1.



2.



3.



4.



5.



6.



7.

1. **Brad Banducci**, Managing Director and Chief Executive Officer, and Managing Director Woolworths Food Group (right)
2. **David Marr**, Chief Financial Officer (left)
3. **Paul Graham**, Chief Supply Chain Officer (right)
4. **James Goth**, Chief Strategy Officer (left)
5. **Martin Smith**, Managing Director Endeavour Drinks Group (right)
6. **Colin Storrie**, Group Portfolio Director (left)
7. **Richard Dammerly**, Chief Legal Officer and Company Secretary

Former Group Executive Committee Members

Peter McConnell, Director of Corporate and Public Affairs from 29 July 2013 - 22 July 2016

David Guise, Director of Human Resources from 8 October 2012 - 1 July 2016

Matt Stanton, Chief Transformation Officer from 2 February 2015 - 24 March 2016

Matt Tyson, Managing Director of Home Improvement from 10 February 2015 - 29 February 2016

Penny Winn, Director of Group Retail Services from 12 December 2011 - 31 October 2015

Directors' Statutory Report

This Report is given by the Directors in respect of Woolworths Limited (the 'Company') and the entities it controlled at the end of, or during the financial period ended 26 June 2016 (together referred to as the 'Group').

THE DIRECTORS

The persons who have been Directors of the Company at any time during or since the end of the financial period and up to the date of this report are:

NON-EXECUTIVE DIRECTORS

NON-EXECUTIVE DIRECTOR	APPOINTMENT/(RETIREMENT) DATE	MEMBER OF:				
		BOARD	AUDIT, RISK, MANAGEMENT & COMPLIANCE COMMITTEE	PEOPLE POLICY COMMITTEE	SUSTAINABILITY COMMITTEE	NOMINATION COMMITTEE
G M Cairns	01/09/15	■	■	■	■	■
J R Broadbent	28/01/11	■	■	-	■	■
H S Kramer	08/02/16	■	-	■	■	■
S L McKenna	08/02/16	■	■	■	-	■
S R Perkins	01/09/14	■	■	■	■	■
K A Tesija	09/05/16	■	-	-	-	■
M J Ullmer	30/01/12	■	■	-	■	■
R G Waters ¹	28/01/11 - (01/09/15)	■	■	■	■	■
C Cross	30/01/12 - (23/11/15)	■	-	■	■	■
C J Hrdlicka	10/08/10 - (08/02/16)	■	-	■	-	■
A D D Mackay	30/01/12 - (23/10/15)	■	-	■	■	■

■ Chairman of Board/committee.

■ Former Chairman of Board/committee.

■ Member of Board/committee.

■ Former member of Board/committee.

¹ Ralph Waters was appointed Chairman of the Board on 22/11/12 subsequent to his appointment as a Director on 28/01/11.

EXECUTIVE DIRECTORS

B L Banducci Managing Director and Chief Executive Officer (appointed 26/02/16)

G O'Brien Managing Director and Chief Executive Officer (appointed 01/10/11 and retired 26/02/16)

Details of the experience, qualifications, special responsibilities and other directorships of listed companies in respect of each of the Directors are set out against their respective names from pages 26 to 27.

COMPANY SECRETARY

Richard Dammary was appointed Chief Legal Officer and Company Secretary in September 2014. Prior to this, he was a senior corporate partner with the law firm Minter Ellison.

Richard's previous experience includes various general counsel and general management roles, as well as working in private legal practice. He was the General Counsel and Company Secretary of Coles Group Limited prior to its acquisition by Wesfarmers Ltd.

Richard holds a BA (Hons) and LLB from Monash University, an MBA from the University of Melbourne, a PhD from University of Cambridge, and he is a Fellow of the Australian Institute of Company Directors.

Directors' Statutory Report

PRINCIPAL ACTIVITIES

Woolworths Limited operates primarily in Australia and New Zealand with 3,827 stores and approximately 205,000 employees at year end. The principal activities of the Group during the year were retail operations across:

- **Australian Food and Petrol:** operating 992 Woolworths Supermarkets, five Thomas Dux stores as well as 530 petrol canopies
- **Endeavour Drinks Group:** operating 1,486 liquor stores under the Dan Murphy's and BWS brands and two Summergate stores. Woolworths also operates the Cellarmasters, Langtons and winemarket.com.au online platforms
- **New Zealand Supermarkets:** operating 184 Countdown Supermarkets as well as a wholesale operation which supplies a further 64 stores
- **BIGW:** operating 186 BIGW stores
- **Hotels:** operating 331 hotels, including bars, dining, gaming, accommodation and venue hire operations
- **Home Improvement:** operating 63 Masters stores and 43 Home Timber and Hardware stores as well as a wholesale operation which supplies a further 349 stores. Home Improvement is reported as a discontinued operation

Woolworths also has online operations for its primary trading divisions and five EziBuy stores as well as the EziBuy direct-to-consumer online platform.

CONSOLIDATED RESULTS AND REVIEW OF THE OPERATIONS

The net amount of consolidated loss for the financial period after income tax expense attributable to members of the Company and its controlled entities was \$1,234.8 million (2015: profit of \$2,146.0 million).

A review of the operations of the Group and its principal businesses during the financial period and the results of those operations are set out from pages 8 to 25 inclusive in the Annual Report.

DIVIDENDS

The amounts set out below have been paid by the Company during the financial period by way of dividend or have been declared by the Directors of the Company, by way of dividend, but not paid during the financial period up to the date of this report. All dividends were fully franked at the tax rate indicated.

	FRANKING TAX RATE %	DIVIDEND CENTS PER SHARE	TOTAL PAID/ PAYABLE \$M
Final 2015 Dividend			
Paid on 9 October 2015	30	72	912.0
Interim 2016 Dividend			
Paid on 8 April 2016	30	44	559.2
Final 2016 Dividend			
Payable on 7 October 2016 (declared on 25 August 2016)	30	33	422.0

A net increase in the issued share capital of the Company of 12,143,526 fully paid ordinary shares occurred as a result of the issue on 9 October 2015 of 4,321,933 fully paid ordinary shares and the issue on 8 April 2016 of 7,821,593 fully paid ordinary shares pursuant to the Dividend Reinvestment Plan (DRP). Neither the 2015 final dividend nor the 2016 interim dividend was underwritten and a cap of 20,000 maximum share participation in the Dividend Reinvestment Plan was in operation for the 2015 final dividend. The DRP for the 2016 final dividend will be underwritten to a maximum of 50%.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Other than the matters disclosed in Note 27 and Note 37 to the financial statements, there were no significant changes in the Group's state of affairs during the financial period other than as disclosed in this Annual Report.

GRANT OF PERFORMANCE RIGHTS

During the year, the Company made performance rights offers under both the long-term incentive (LTI) plan and the deferred short-term incentive (STI) plan with stringent performance measures. This includes:

- On 20 November 2015 offers were made granting 2,020,756 performance rights with an effective date of 1 July 2015
- On 4 December 2015 offers were made granting 93,524 performance rights with an effective date of 1 July 2015

A further 811,052 performance rights (attraction and retention) were offered with various effective dates between 1 July 2015 to 20 June 2016.

Between 27 June 2016 and 9 September 2016, 26,053 performance rights (attraction and retention) have been issued. No other performance rights or options have been issued during this period.

Directors' Statutory Report

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL PERIOD

Other than the matters disclosed in Note 37 to the financial statements, there has not been any matter or circumstance occurring subsequent to the end of the financial year that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

DIRECTORS' INTERESTS IN SHARES/PERFORMANCE RIGHTS

Particulars of Directors' relevant interests in shares and performance rights in the Company as at 26 June 2016 are set out in Table 5.2 and 5.3 of the Remuneration Report. These remain unchanged as at 22 August 2016.

MEETINGS OF DIRECTORS

The table below sets out the number of meetings of the Directors, including meetings of Committees of Directors, held during the financial period ended 26 June 2016, and the number of meetings attended by each Director. In addition to attending formal Board and Board Committee meetings, the Directors undertake other duties including attending strategic review sessions, retail market study trips, as well as meeting preparation and research. Directors also attend special purpose committees, as required for significant one-off transactions or projects. These additional responsibilities constitute a further significant time commitment by Directors.

Meetings held/attended while in office:

DIRECTOR	SCHEDULED BOARD MEETINGS ¹		OTHER BOARD MEETINGS		AUDIT, RISK MANAGEMENT AND COMPLIANCE COMMITTEE		PEOPLE POLICY COMMITTEE		SUSTAINABILITY COMMITTEE		NOMINATION COMMITTEE	
	(A)	(B)	(A)	(B)	(A)	(B)	(A)	(B)	(A)	(B)	(A)	(B)
G M Cairns	10	10	1	1	4	4	4	4	5	5	4	4
B L Banducci ²	4	4	-	-	-	-	-	-	-	-	-	-
J R Broadbent	12	11	4	3	6	6	-	-	3	3	6	6
H S Kramer	5	4	1	1	-	-	2	2	3	1	2	2
S L McKenna	5	5	1	1	2	2	2	2	-	-	2	2
S R Perkins	12	12	4	3	6	6	6	6	5	5	6	6
K A Tesija	2	2	-	-	-	-	-	-	-	-	-	-
M J Ullmer	12	12	4	3	6	6	-	-	5	5	6	6
R G Waters	2	2	3	3	2	2	2	2	-	-	2	2
C Cross	4	4	3	2	-	-	3	3	-	-	2	2
C J Hrdlicka	7	7	3	3	-	-	4	4	-	-	3	3
A D D Mackay	3	2	3	3	-	-	3	3	-	-	2	2
G O'Brien ²	8	8	4	4	-	-	-	-	-	-	-	-

Some Directors elect to attend committee meetings that they are not a member of. Such attendances are not reflected in the table above.

(A) Number of meetings eligible to attend.

(B) Number of meetings attended.

1 Excludes circular resolutions and sub-committee meetings.

2 The Managing Director and Chief Executive Officer attends all committee meetings, except the Nomination Committee, in his capacity as a representative of management rather than as a Director.

ENVIRONMENTAL REGULATION

Woolworths Limited operations are subject to a range of environmental regulations under the law of the Commonwealth of Australia and its states and territories.

The Group is also subject to various state and local government food licensing requirements, and may be subject to environmental and town planning regulations incidental to the development of shopping centre sites.

The Group has not incurred any significant liabilities under any environmental legislation.

Directors' Statutory Report

DIRECTORS' AND OFFICERS' INDEMNITY/INSURANCE

- (i) The Constitution of the Company provides that the Company will indemnify to the maximum extent permitted by law, any current or former director, secretary or other officer of the Company or a wholly owned subsidiary of the Company against:
- (a) any liability incurred by the person in that capacity; (b) legal costs incurred in defending, or otherwise in connection with proceedings, whether civil, criminal or of an administrative or investigatory nature in which the person becomes involved because of that capacity; and (c) legal costs incurred in good faith in obtaining legal advice on issues relevant to the performance of their functions and discharge of their duties.
- (ii) Each director has entered into a Deed of Indemnity, Access and Insurance which provides for indemnity against liability as a director, except to the extent of indemnity under an insurance policy or where prohibited by statute. The Deed also entitles the director to access company documents and records, subject to undertakings as to confidentiality, and to receive directors' and officers' insurance cover paid for by the Company (see (iii) below).
- (iii) During or since the end of the financial period, the Company has paid or agreed to pay a premium in respect of a contract of insurance insuring officers and any persons who are officers in the future and employees of the Company and its subsidiaries, against certain liabilities incurred in that capacity. Disclosure of the total amount of the premiums and the nature of the liabilities in respect of such insurance is prohibited by the contract of insurance.

REMUNERATION REPORT

The Remuneration Report, which forms part of this Directors' Report, is presented separately starting from page 33.

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration is included on page 54.

NON-AUDIT SERVICES

During the year, Deloitte Touche Tohmatsu, the Company's auditors, have performed certain other services in addition to their statutory duties. The Board is satisfied that the provision of those non-audit services during the year by the auditor is compatible with, and did not compromise, the auditor independence requirements of the *Corporations Act 2001* (Cth) or as set out in Code of Conduct APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional & Ethical Standards Board, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Company, acting as an advocate for the Company or jointly sharing risks or rewards.

Details of amounts paid or payable to the auditor for non-audit services provided during the year by the auditor are outlined in Note 36 to the financial statements.

ROUNDING OF AMOUNTS

The Company is of a kind referred to in Australian Securities and Investments Commission Class Order 98/100 dated 10 July 1998 pursuant to section 341(1) of the *Corporations Act 2001* (Cth) relating to the 'rounding off' of amounts in the Financial Report and Directors' Report. In accordance with that Class Order, amounts therein have been rounded off to the nearest tenth of a million dollars except where otherwise indicated.

This Report is made in accordance with a Resolution of the Directors of the Company on 9 September 2016.



Gordon Cairns
Chairman



Brad Banducci
Managing Director and Chief Executive Officer

Directors' Statutory Report

Remuneration Report

INTRODUCTION FROM THE CHAIR OF THE PEOPLE POLICY COMMITTEE

On behalf of the Board, I am pleased to present the Remuneration Report for the financial year ended 26 June 2016 (FY16). The Board is committed to ensuring that the structure and governance of remuneration at Woolworths is both fair and responsible and supports the achievement of business outcomes which deliver sustainable returns for our shareholders.

Soon after the appointment of Brad Banducci to the role of Managing Director and Chief Executive Officer (Group CEO), the Board approved a new and refocused business strategy and operational structure. In support of this transformational agenda, the People Policy Committee (PPC) has completed a comprehensive revision of the remuneration framework, incorporating best practices where appropriate. These changes reinforce the Company's strategic objectives by providing a clear link between business performance and reward outcomes for all relevant management, from our critically important store managers through to our newly formed senior executive team. We believe the new remuneration programs will reinforce a culture of accountability, which is vital to our long term success.

Since assuming the role of Chair of the PPC in March of this year, I have taken feedback on how we can improve this report to provide you with greater simplicity, clarity and transparency. This report includes the outcomes of the remuneration structures and policies that were put in place to drive FY16 business performance, and it reflects the fact that the Company results overall did not meet expectations. We have also focused extensively in this report on explaining the new remuneration principles and programs that will guide the business in FY17 and beyond.

The Board and the PPC trust you will find the information useful and informative.



Holly Kramer

Chair - People Policy Committee

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Directors' Statutory Report: Remuneration Report

The report has been prepared and audited against the disclosure requirements of the *Corporations Act 2001* (Cth).

MANAGEMENT DEFINITIONS

The Remuneration Report outlines Woolworths' remuneration framework and the outcomes for the year ended 26 June 2016 for the Key Management Personnel (KMP). For the purposes of this report, KMP have the authority and responsibility for planning, directing and controlling the activities of the significant businesses of Woolworths.

The following terms are used throughout the report to describe different groups of executives.

TERM	MEANING
Executive KMP	Detailed in Section 1(i), and have been determined as defined in AASB 124 <i>Related Party Disclosures</i>
Group Executive Committee (Group ExCo)	Generally comprises Executive KMP and non-KMP roles, and includes the Group CEO, Chief Financial Officer (CFO), heads of business from the Woolworths Food Group and Endeavour Drinks Group, and heads of functions (note the heads of the BIGW, Home Improvement and ALH businesses are not part of the Group ExCo)
Senior Executives	A group of approximately 100 senior leaders comprising Executive KMP, Group ExCo members, some of their direct reports, and in some cases the next level, whose roles make a considerable contribution to business outcomes

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Directors' Statutory Report: Remuneration Report

1 KEY QUESTIONS

TOPIC	APPROACH	FURTHER INFORMATION																		
Executive KMP																				
i. Who are the Executive KMP in FY16?	<p>Set out below is the list of Executive KMP of the Company whose remuneration details are outlined in this Remuneration Report:</p> <table border="1"> <thead> <tr> <th>NAME</th> <th>POSITION</th> <th>KMP DURATION</th> </tr> </thead> <tbody> <tr> <td>Brad Banducci</td> <td>Group CEO Managing Director (MD) Woolworths Food Group¹ (MD WFG)</td> <td>Full year</td> </tr> <tr> <td>Richard Dammyer</td> <td>Chief Legal Officer and Company Secretary (CLO & CoSec)</td> <td>Full year</td> </tr> <tr> <td>David Marr</td> <td>Chief Financial Officer (CFO)</td> <td>Full year</td> </tr> <tr> <td>Martin Smith</td> <td>MD Endeavour Drinks Group (MD EDG)</td> <td>Full year²</td> </tr> <tr> <td>Grant O'Brien</td> <td>Group CEO (former)</td> <td>Retired 26 Feb 16³</td> </tr> </tbody> </table> <p>1 Mr Banducci was appointed Group CEO on 26 February 2016. Mr Banducci currently also remains MD WFG, a position he held for the full duration of FY16</p> <p>2 Mr Smith became an Executive KMP during the year given the importance of this business and his appointment to the Group ExCo. Note Mr Smith's FY16 remuneration represents the full financial year</p> <p>3 Mr O'Brien retired from the role of Group CEO on 26 February 2016 and his employment ended on 1 August 2016. No termination or notice payments were made. Only contractual superannuation and accrued statutory annual and long service leave payments were paid</p>	NAME	POSITION	KMP DURATION	Brad Banducci	Group CEO Managing Director (MD) Woolworths Food Group ¹ (MD WFG)	Full year	Richard Dammyer	Chief Legal Officer and Company Secretary (CLO & CoSec)	Full year	David Marr	Chief Financial Officer (CFO)	Full year	Martin Smith	MD Endeavour Drinks Group (MD EDG)	Full year ²	Grant O'Brien	Group CEO (former)	Retired 26 Feb 16 ³	n/a
NAME	POSITION	KMP DURATION																		
Brad Banducci	Group CEO Managing Director (MD) Woolworths Food Group ¹ (MD WFG)	Full year																		
Richard Dammyer	Chief Legal Officer and Company Secretary (CLO & CoSec)	Full year																		
David Marr	Chief Financial Officer (CFO)	Full year																		
Martin Smith	MD Endeavour Drinks Group (MD EDG)	Full year ²																		
Grant O'Brien	Group CEO (former)	Retired 26 Feb 16 ³																		
Executive KMP remuneration in FY16																				
ii. What changes were made to Executive KMP total fixed remuneration?	<ul style="list-style-type: none"> Our total fixed remuneration is based on relativity to our comparator group, the ASX25. Three Executive KMP received increases to their total fixed remuneration to align with the market median Mr Banducci's total fixed remuneration increased as a result of his appointment to Group CEO (see (iii) below) 	Section 2.2 Page 39																		
iii. What are the details of the new Group CEO's appointment?	<ul style="list-style-type: none"> Mr Banducci's total fixed remuneration was set with reference to the market median of the ASX25, with the ability to earn total remuneration up to the 75th percentile if stretch short-term incentive (STI) and long-term incentive (LTI) hurdles are met Mr Banducci's remuneration is heavily weighted towards variable remuneration to recognise the significant transformation phase of the business. The table below sets out Mr Banducci's remuneration package <table border="1"> <thead> <tr> <th>TOTAL FIXED REMUNERATION (TFR)</th> <th>TARGET STI OPPORTUNITY</th> <th>MAXIMUM STI OPPORTUNITY</th> <th>MAXIMUM LTI AWARD VALUE (SUBJECT TO SHAREHOLDER APPROVAL)</th> </tr> </thead> <tbody> <tr> <td>\$2,500,000</td> <td>100% of TFR</td> <td>125% of TFR</td> <td>200% of TFR</td> </tr> </tbody> </table>	TOTAL FIXED REMUNERATION (TFR)	TARGET STI OPPORTUNITY	MAXIMUM STI OPPORTUNITY	MAXIMUM LTI AWARD VALUE (SUBJECT TO SHAREHOLDER APPROVAL)	\$2,500,000	100% of TFR	125% of TFR	200% of TFR	n/a										
TOTAL FIXED REMUNERATION (TFR)	TARGET STI OPPORTUNITY	MAXIMUM STI OPPORTUNITY	MAXIMUM LTI AWARD VALUE (SUBJECT TO SHAREHOLDER APPROVAL)																	
\$2,500,000	100% of TFR	125% of TFR	200% of TFR																	
iv. How was FY16 business performance reflected in the Executive KMP's pay?	<p>FY16 performance is reflected in the outcome of the variable components of our remuneration framework:</p> <ul style="list-style-type: none"> No FY16 STI payments or deferred STI grants were made to Executive KMP No FY12 LTI performance share rights vested as the performance hurdles were not met 	Section 2.2 Page 39																		

Directors' Statutory Report: Remuneration Report

1 KEY QUESTIONS (CONTINUED)

TOPIC	APPROACH	FURTHER INFORMATION
Remuneration strategy		
v. How does Woolworths determine the Senior Executive remuneration approach?	<ul style="list-style-type: none"> Woolworths has a set of Remuneration Principles (recently updated in line with the refocused business strategy), which are used to underpin all decisions regarding incentive plan design and remuneration outcomes 	Section 2.3 Page 41
vi. What changes were made to the Senior Executive remuneration framework to apply in FY17?	<ul style="list-style-type: none"> As Woolworths has embarked on a significant transformation journey, the Board has made comprehensive changes to Senior Executive remuneration going forward. The focus of the changes is to ensure the remuneration principles, programs, measures and delivery mechanisms are aligned to the transformation objectives and desired culture of accountability A detailed table explaining the changes for Executive KMP can be found in Section 2.3 of this Report: FY17 Woolworths remuneration framework changes 	Section 2.3 Page 41
vii. Are all Woolworths business units included in the new FY17 variable remuneration programs?	<ul style="list-style-type: none"> Following our recent Operating Model review, certain businesses have moved into a Portfolio structure with each business having its own Board and CEO. Therefore, ALH, BIGW, EziBuy and Home Improvement have established their own remuneration programs in support of their unique business objectives 	n/a

2 EXECUTIVE KMP REMUNERATION

2.1 WHAT WE PAID AND GRANTED CURRENT EXECUTIVE KMP IN FY16

FY16 remuneration framework

Our FY16 Executive KMP remuneration framework comprised:

- Total fixed remuneration:** Base salary, superannuation and car allowance. The desired positioning was the market median against ASX25 companies (and other relevant comparators as appropriate).
- Variable remuneration:**
 - STI:** The STI is based on 12-month Group-wide, business and individual performance objectives considered to be Woolworths key business drivers for FY16. Woolworths financial measures made up 80% of the scorecard (earnings before interest and tax (EBIT), return on funds employed (ROFE) and Sales) with the remaining 20% based on performance against non-financial customer objectives. The FY16 STI for Executive KMP is only payable if a Group EBIT gateway is achieved. For the Group CEO, 50% of the STI is deferred into share rights for two years (there is no STI deferral for other Executive KMP in FY16).
 - LTI:** Performance share rights which vest subject to the achievement of relative total shareholder return (TSR) and cumulative earnings per share (EPS) performance over a three-year performance period.

Further information relating to the FY16 remuneration framework is summarised in the table in Section 2.3 of this Report: FY17 Woolworths remuneration framework changes.

Directors' Statutory Report: Remuneration Report

2 EXECUTIVE KMP REMUNERATION (CONTINUED)

Paid and vested in FY16

The following table presents the remuneration paid and vested to current Executive KMP during FY16 (and FY15). The full statutory disclosure of this information is provided in Section 5, which differs from below as detailed in the associated footnotes.

In the tables below, a zero represents an actual zero outcome, and a dash represents an element that is not applicable.

PAID AND VESTED IN FY16 & FY15											
CURRENT EXECUTIVE KMP	YEAR	TOTAL FIXED REMUNERATION ¹	RELOCATION BENEFITS ²	CASH STI	DEFERRED STI SHARE RIGHTS VESTED ³	DEFERRED STI SHARE RIGHTS VESTED	LTI SHARE RIGHTS VESTED ⁴	LTI SHARE RIGHTS VESTED	OTHER SHARE RIGHTS VESTED	OTHER SHARE RIGHTS VESTED	TOTAL
		\$	\$	\$	NO.	\$	NO.	\$	NO.	\$	\$
Brad Banducci	FY16	1,741,336	-	0	4,418	91,576	-	-	16,912	350,552	2,183,464
	FY15	1,032,849	-	0	8,229	223,044	-	-	16,219	439,608	1,695,501
Richard Dammery	FY16	830,856	469,111	0	-	-	-	-	8,908	213,783	1,513,750
	FY15	616,463	42,725	0	-	-	-	-	-	-	659,188
David Marr	FY16	1,184,690	-	0	-	-	0	0	16,219	336,187	1,520,877
	FY15	1,040,753	-	0	6,391	173,225	-	-	10,000	306,058	1,520,036
Martin Smith	FY16	669,522	-	0	-	-	0	0	-	-	669,522

1 Includes base salary, car allowances paid and superannuation contributions made in the financial year and the deemed premium in respect of the Directors' and Officers' Indemnity insurance. Unlike the statutory disclosure in Section 5.1, no adjustment has been made for the movement in the Executive KMPs' annual leave liability balance during the financial year, or salary sacrifice superannuation cash contributions.

2 Non-recurring relocation costs including stamp duty and associated fringe benefits tax where applicable.

3 For FY16 this relates to the FY14 Deferred STI (DSTI) and for FY15 this relates to the FY13 DSTI.

4 For FY16 this relates to the FY12 LTI Plan and for FY15 this relates to the FY11 LTI Plan.

Granted in FY16

The presentation of the dollar value of share rights granted has changed from our FY15 Remuneration Report disclosures to reflect a change in the LTI allocation methodology (fair value to face value¹ as disclosed in our FY17 remuneration framework changes (see section 2.3 for further detail)). This change was made to improve transparency. There has been no change to the number of share rights granted in FY16 and FY15.

The table below presents the share rights granted (at maximum) during FY16 (and FY15), subject to performance/service conditions.

GRANTED IN FY16 & FY15						
CURRENT EXECUTIVE KMP	YEAR	LTI SHARE RIGHTS GRANTED	LTI SHARE RIGHTS GRANTED	OTHER SHARE RIGHTS GRANTED	OTHER SHARE RIGHTS GRANTED	MAXIMUM INITIAL GRANT VALUE
		NO.	\$	NO.	\$	\$
Brad Banducci	FY16	53,233	1,242,325	-	-	1,242,325
	FY15	12,143	416,092	33,131	1,122,664	1,538,756
Richard Dammery	FY16	28,114	656,110	3,908	109,369	765,479
	FY15	18,866	646,462	10,000	353,368	999,830
David Marr	FY16	41,713	973,477	33,131	902,035	1,875,512
	FY15	27,638	947,044	-	-	947,044
Martin Smith	FY16	10,979	256,222	-	-	256,222

1 Face value represents the volume weighted average price (VWAP) of Woolworths Limited shares traded in the five days up to and including the grant date multiplied by the number of share rights granted.

Directors' Statutory Report: Remuneration Report

2 EXECUTIVE KMP REMUNERATION (CONTINUED)

The following graphs have been provided to present the remuneration outcomes of the current Executive KMP in a format that demonstrates how Executive KMP remuneration outcomes are aligned to those of shareholders.

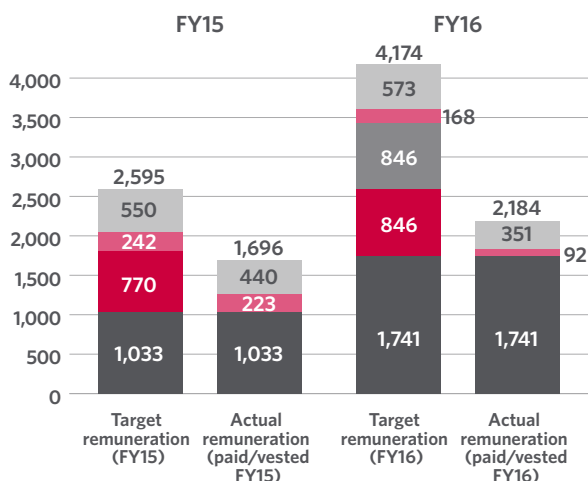
The graphs summarise the target versus actual remuneration earned during FY16 and includes:

- The value of total fixed remuneration received
- Cash and deferred STI received as a result of business and individual performance (versus the target STI value)
- Share rights that vested during the year at face value (versus the maximum initial grant face value) for each plan

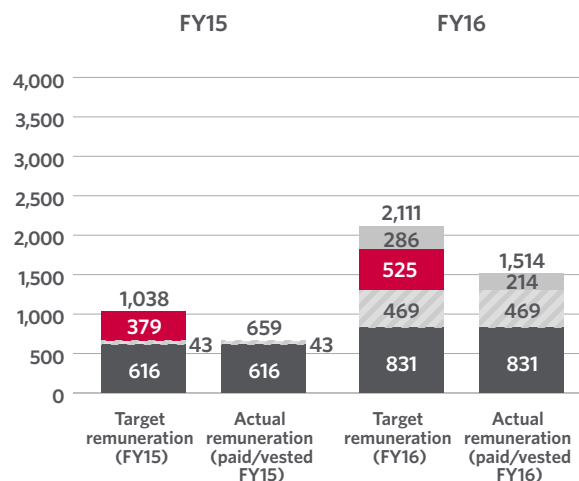
A comparison to FY15 target versus actual is also provided.

This information differs to the statutory remuneration disclosures presented in Section 5.1 (the main differences are outlined in footnotes ^{1,2,3,4} associated with the following graphs).

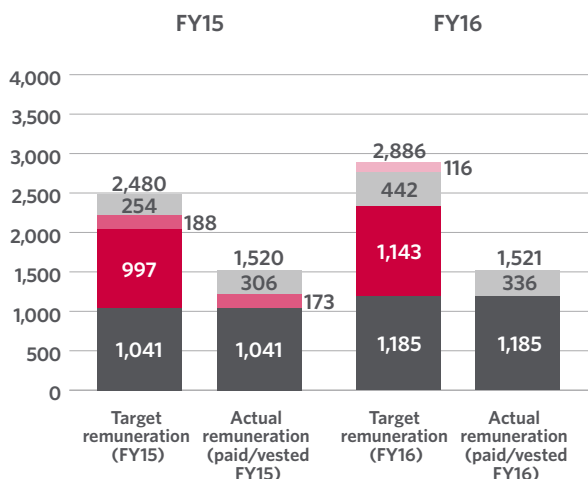
Brad Banducci, Group CEO (\$'000s)



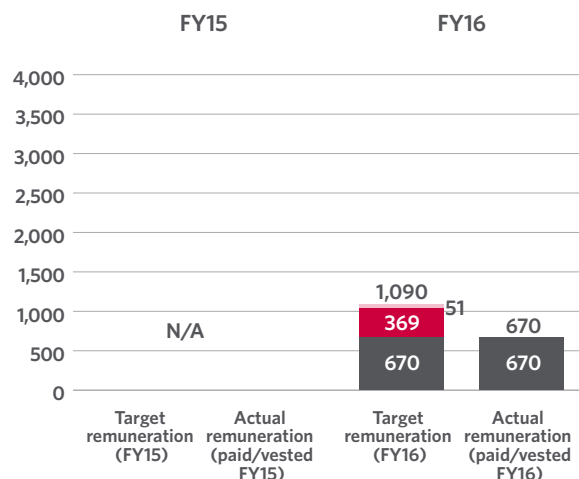
Richard Dammery, CLO & CoSec (\$'000s)



David Marr, CFO (\$'000s)



Martin Smith, MD EDG (\$'000s)



■ Total Fixed Remuneration ■ Relocation Benefits ■ STI Cash ■ STI Deferral ■ DSTI Share Rights ■ Retention Share Rights ■ LTI Share Rights

1 In relation to both FY15 and FY16 total fixed remuneration data, no adjustment has been made for the movement in the Executive KMP's annual leave liability balance for the relevant financial year, or salary sacrifice superannuation cash contributions.

2 All Share Rights granted and vested are valued using a face value methodology, whereas the statutory disclosures in Section 5 use a fair value methodology.

3 The 'FY16 Target remuneration' and 'FY16 Actual remuneration' amounts for Mr Banducci include his remuneration in relation to his role of MD Woolworths Food Group, and with effect from 26 February 2016, his current role of Group CEO. The 'FY15 Target remuneration' and 'FY15 Actual remuneration' amounts for Mr Banducci include his remuneration in relation to his former role of MD Woolworths Liquor Group, and with effect from 1 March 2015, his role of MD Woolworths Food Group.

4 Mr Smith was not an Executive KMP in the prior financial year and therefore FY15 comparison data has not been provided. The remuneration amount for Mr Smith has been included for the full financial year.

Directors' Statutory Report: Remuneration Report

2 EXECUTIVE KMP REMUNERATION (CONTINUED)

2.2 FY16 REMUNERATION COMMENTARY AND LINK TO PERFORMANCE

The table below provides further information to the remuneration paid, vested and granted in FY16 section.

COMPONENT	OUTCOME																																			
PAID AND VESTED	<p>FY16 total fixed remuneration</p> <ul style="list-style-type: none"> The following total fixed remuneration increases occurred during the year to bring Executive KMP in line with the market median for ASX25 comparator companies: <ul style="list-style-type: none"> Mr Marr's total fixed remuneration increased by 14.6% to \$1,209,500¹ Mr Dammery's total fixed remuneration increased by 14.8% to \$848,250¹ Mr Smith's total fixed remuneration increased by 9.5% to \$632,000¹ and subsequently by 17.4% to \$742,000² Mr Banducci's total fixed remuneration has not increased since his appointment to his current role 																																			
	<p>FY16 cash (and deferred) STI</p> <ul style="list-style-type: none"> The Woolworths Group EBIT gateway was not met and as a result the Board determined that no FY16 STI cash or deferred STI (where applicable) would be awarded to the Executive KMP Current Executive KMP had the following STI performance measure outcomes for FY16: <table border="1"> <thead> <tr> <th>EXECUTIVE KMP</th> <th>GROUP EBIT (GATEWAY)</th> <th>EBIT¹</th> <th>SALES¹</th> <th>ROFE¹</th> <th>CUSTOMER¹</th> <th>TOTAL STI ACHIEVED (ASA% OF STRETCH STI)</th> </tr> </thead> <tbody> <tr> <td>Brad Banducci</td> <td>■</td> <td>■</td> <td>■</td> <td>■</td> <td>■</td> <td>0%</td> </tr> <tr> <td>Richard Dammery</td> <td>■</td> <td>■</td> <td>■</td> <td>■</td> <td>■</td> <td>0%</td> </tr> <tr> <td>David Marr</td> <td>■</td> <td>■</td> <td>■</td> <td>■</td> <td>■</td> <td>0%</td> </tr> <tr> <td>Martin Smith</td> <td>■</td> <td>■</td> <td>■</td> <td>■</td> <td>■</td> <td>0%</td> </tr> </tbody> </table> <p>¹ For Mr Banducci, Mr Dammery and Mr Marr, all STI performance measures are determined on a Group-wide basis. For Mr Smith, STI performance measures (except for the Group gateway) are measured for Endeavour Drinks Group.</p> <p>Key: ■ Below Threshold Hurdle ■ Between Hurdle and Stretch ■ Above Stretch</p>	EXECUTIVE KMP	GROUP EBIT (GATEWAY)	EBIT ¹	SALES ¹	ROFE ¹	CUSTOMER ¹	TOTAL STI ACHIEVED (ASA% OF STRETCH STI)	Brad Banducci	■	■	■	■	■	0%	Richard Dammery	■	■	■	■	■	0%	David Marr	■	■	■	■	■	0%	Martin Smith	■	■	■	■	■	0%
	EXECUTIVE KMP	GROUP EBIT (GATEWAY)	EBIT ¹	SALES ¹	ROFE ¹	CUSTOMER ¹	TOTAL STI ACHIEVED (ASA% OF STRETCH STI)																													
	Brad Banducci	■	■	■	■	■	0%																													
	Richard Dammery	■	■	■	■	■	0%																													
	David Marr	■	■	■	■	■	0%																													
	Martin Smith	■	■	■	■	■	0%																													
	<p>FY12 LTI</p> <p>Granted 1 July 2011 and lapsed 1 July 2016:</p> <p>Vesting outcome</p> <ul style="list-style-type: none"> Both LTI performance hurdles were not met and therefore no performance share rights vested under the FY12 LTI Plan Relative TSR performance over the plan period (against a 51st percentile hurdle) was at the 27.5th percentile Cumulative EPS³ performance over the plan period (against an 8% hurdle) was negative 8.8% <table border="1"> <thead> <tr> <th>FINANCIAL YEAR</th> <th>FY12</th> <th>FY13</th> <th>FY14</th> <th>FY15</th> <th>FY16</th> </tr> </thead> <tbody> <tr> <td>Basic EPS - total Group¹ (cents per share)</td> <td>180.1</td> <td>190.4</td> <td>196.5</td> <td>195.2</td> <td>110.2</td> </tr> <tr> <td>Total dividend (cents per share)</td> <td>126.0</td> <td>133.0</td> <td>137.0</td> <td>139.0</td> <td>77.0</td> </tr> <tr> <td>Share price (closing) (\$)</td> <td>26.38</td> <td>32.81</td> <td>35.66</td> <td>27.39</td> <td>20.56</td> </tr> </tbody> </table> <p>¹ Before significant items.</p>	FINANCIAL YEAR	FY12	FY13	FY14	FY15	FY16	Basic EPS - total Group ¹ (cents per share)	180.1	190.4	196.5	195.2	110.2	Total dividend (cents per share)	126.0	133.0	137.0	139.0	77.0	Share price (closing) (\$)	26.38	32.81	35.66	27.39	20.56											
	FINANCIAL YEAR	FY12	FY13	FY14	FY15	FY16																														
	Basic EPS - total Group ¹ (cents per share)	180.1	190.4	196.5	195.2	110.2																														
Total dividend (cents per share)	126.0	133.0	137.0	139.0	77.0																															
Share price (closing) (\$)	26.38	32.81	35.66	27.39	20.56																															

1 Market alignment increase effective 1 September 2015 and total fixed remuneration value is presented above on an annualised basis.

2 Market alignment increase effective 1 February 2016 and total fixed remuneration value is presented above on an annualised basis.

3 Before significant items.

Directors' Statutory Report: Remuneration Report

2 EXECUTIVE KMP REMUNERATION (CONTINUED)

	COMPONENT	OUTCOME												
	Legacy share rights that vested during FY16 for Executive KMP													
PAID AND VESTED	Mr Banducci	<ul style="list-style-type: none"> Effective 1 July 2014, Mr Banducci was granted 16,912 share rights (at an initial fair value award value of \$31.81 per share right). These share rights were granted in order to create alignment with the overall Company performance and growth of the drinks business. The share rights were subject to continued employment and effective individual performance. These share rights vested on 1 July 2016 (at a value of \$20.73 per share right) Effective 1 July 2013, Mr Banducci was granted 5,700 share rights (at an initial fair value award value of \$33.84 per share right) in the FY14 DSTI plan. These share rights were granted as a transition arrangement, in moving from a five-year to a three-year LTI award (at the time of grant). The plan achieved 77.5% vesting based on the FY14 result of 6.1% net profit after tax (NPAT) growth¹ over the previous financial year. The resulting 4,418 share rights were deferred for two years and vested on 1 July 2016 (at a value of \$20.73 per share right) 												
	Mr Dammery	<ul style="list-style-type: none"> Effective 1 September 2014, Mr Dammery was granted 5,000 share rights (at an initial fair value award value of \$33.35 per share right). These share rights were granted as part of the offer of employment. The share rights were subject to continued employment and effective individual performance. The share rights vested on 1 September 2015 (at a value of \$26.56 per share right) Effective 1 July 2015, Mr Dammery was granted 3,908 share rights (at an initial fair value award value of \$26.72 per share right). These share rights were granted as part of a retention strategy for Mr Dammery during the early stages of the transformation in the business (at the time of grant). The share rights were subject to continued employment and effective individual performance. The share rights vested on 1 July 2016 (at a value of \$20.73 per share right) 												
	Mr Marr	<ul style="list-style-type: none"> Effective 1 July 2015, Mr Marr was granted 16,219 share rights (at an initial fair value award value of \$25.97 per share right). These share rights were granted as part of a retention strategy for Mr Marr during the early stages of the transformation in the business (at the time of grant). The share rights were subject to continued employment and effective individual performance. The share rights vested on 1 July 2016 (at a value of \$20.73 per share right) 												
	Mr Smith	<ul style="list-style-type: none"> N/A 												
GRANTED	FY16 LTI	<ul style="list-style-type: none"> Awards made under the FY16 LTI plan (effective 1 July 2015) will only be eligible to vest on 1 July 2018 if the performance hurdles for the performance period (FY16 to FY18) are met The LTI plan performance measures and vesting scale for the FY16 LTI grant are summarised in the table below. Woolworths chose these two measures at the start of FY16 because they balanced the need to achieve profitability in the business with creating shareholder value. As indicated in the FY15 Remuneration Report, the Board decided to increase the weighting of Relative TSR given the focus on driving shareholder returns, and in anticipation of a new strategy where the other key drivers were not yet determined at the date of awarding the FY16 LTI <table border="1"> <thead> <tr> <th>LTI PLAN MEASURE</th> <th>WEIGHTING</th> <th>HURDLE/RANGE</th> <th>VESTING</th> </tr> </thead> <tbody> <tr> <td>Relative TSR</td> <td>66.67%</td> <td>51st - 75th percentile</td> <td>16.67% - 66.67%</td> </tr> <tr> <td>Cumulative EPS</td> <td>33.33%</td> <td>np¹</td> <td>8.33% - 33.33%</td> </tr> </tbody> </table>	LTI PLAN MEASURE	WEIGHTING	HURDLE/RANGE	VESTING	Relative TSR	66.67%	51 st - 75 th percentile	16.67% - 66.67%	Cumulative EPS	33.33%	np ¹	8.33% - 33.33%
	LTI PLAN MEASURE	WEIGHTING	HURDLE/RANGE	VESTING										
Relative TSR	66.67%	51 st - 75 th percentile	16.67% - 66.67%											
Cumulative EPS	33.33%	np ¹	8.33% - 33.33%											
	<p>¹ Not published (np) as the Company no longer provides market guidance and the EPS targets are commercially sensitive. The FY16 LTI targets and performance will be published following the end of the performance period.</p>													

¹ Continuing operations before significant items on a normalised 52 week basis.

Directors' Statutory Report: Remuneration Report

2 EXECUTIVE KMP REMUNERATION (CONTINUED)

2.3 FY17 WOOLWORTHS REMUNERATION FRAMEWORK CHANGES

Background and objectives

The Board undertook a comprehensive review of the Company-wide remuneration framework and as a result approved changes to support alignment with the transformation business strategy. Additional objectives of this review were as follows:

- To reinforce a culture of accountability
- Ensure Executive KMP (and other Senior Executives) are appropriately motivated
- Incorporate best practices, where appropriate

The changes are set to be effective from the start of FY17 and are discussed in detail below.

Remuneration Principles

Critical to the development of the remuneration strategy was the establishment of our Remuneration Principles. The principles guided the development of the remuneration framework and will assist us in effective implementation and ensuring optimal outcomes.

The principles are as follows:

1. Align employee and shareholder interests
2. Reflect the desired Woolworths culture and values
3. Deliver competitive advantage in attracting, motivating and retaining talent
4. Support achievement of a diverse workforce
5. Be simple and easily understood, in order to drive optimal behaviours and deliver return on remuneration investment

Remuneration elements

Woolworths' FY17 remuneration strategy rewards the delivery of the transformation business strategy. The diagram below provides an overview of the different remuneration components within the framework.

Objective	Attract and retain the best talent	Reward current year performance	Reward long-term sustainable performance
Remuneration element	Total fixed remuneration	Performance related remuneration ("At risk")	
		STI	LTI
Definition	Total fixed remuneration is set in relation to the external market. It takes into account the size and complexity of the role, individual responsibilities, experience and skills	STI ensures appropriate differentiation of pay for performance. It is set each financial year on the basis of business, team and individual performance outcomes	LTI ensures Senior Executive alignment to long-term overall Company performance outcomes. It is consistent with strategic business drivers and long-term shareholder return
Delivery	Base salary, superannuation and car allowance	Annual cash payment	Portion deferred into share rights for two years ¹
			Performance rights (potential vesting after three years)

1 STI deferral applies to the Group ExCo only.

Directors' Statutory Report: Remuneration Report

2 EXECUTIVE KMP REMUNERATION (CONTINUED)

Key changes to each of the remuneration elements

The following table summarises the FY16 Executive KMP remuneration framework and key changes to apply in FY17.

COMPONENT	FY16	CHANGES EFFECTIVE 1 JULY 2017	RATIONALE FOR CHANGE																														
Remuneration positioning	<ul style="list-style-type: none"> ▪ Market position: Median for total fixed remuneration (TFR) and 75th percentile for total remuneration based on delivering outstanding performance ▪ Comparators: ASX25 plus additional reference as required to major national and international retailers 	<ul style="list-style-type: none"> ▪ No change 	<ul style="list-style-type: none"> ▪ Not applicable 																														
STI																																	
Opportunity	<table border="1"> <thead> <tr> <th rowspan="2">EXECUTIVE KMP</th> <th colspan="2">FY16</th> <th colspan="2">FY17</th> </tr> <tr> <th>TARGET</th> <th>MAXIMUM</th> <th>TARGET</th> <th>MAXIMUM</th> </tr> </thead> <tbody> <tr> <td>Brad Banducci</td> <td>100% of TFR</td> <td>125% of TFR</td> <td>No change</td> <td>No change</td> </tr> <tr> <td>Richard Dammary</td> <td>70% of base salary</td> <td>100% of base salary</td> <td>70% of TFR</td> <td>87.5% of TFR</td> </tr> <tr> <td>David Marr</td> <td>94.5% of TFR</td> <td>135% of TFR</td> <td>100% of TFR</td> <td>125% of TFR</td> </tr> <tr> <td>Martin Smith</td> <td>70% of base salary</td> <td>100% of base salary</td> <td>100% of TFR</td> <td>125% of TFR</td> </tr> </tbody> </table>		EXECUTIVE KMP	FY16		FY17		TARGET	MAXIMUM	TARGET	MAXIMUM	Brad Banducci	100% of TFR	125% of TFR	No change	No change	Richard Dammary	70% of base salary	100% of base salary	70% of TFR	87.5% of TFR	David Marr	94.5% of TFR	135% of TFR	100% of TFR	125% of TFR	Martin Smith	70% of base salary	100% of base salary	100% of TFR	125% of TFR	<ul style="list-style-type: none"> ▪ STI opportunity has been realigned in light of increased focus on LTI. Mr Smith's increase in target STI opportunity reflects his appointment to the Group ExCo 	
	EXECUTIVE KMP	FY16		FY17																													
		TARGET	MAXIMUM	TARGET	MAXIMUM																												
	Brad Banducci	100% of TFR	125% of TFR	No change	No change																												
	Richard Dammary	70% of base salary	100% of base salary	70% of TFR	87.5% of TFR																												
David Marr	94.5% of TFR	135% of TFR	100% of TFR	125% of TFR																													
Martin Smith	70% of base salary	100% of base salary	100% of TFR	125% of TFR																													
Performance measures	<ul style="list-style-type: none"> ▪ STI performance measures: <ul style="list-style-type: none"> - EBIT (30%) - ROFE¹ (30%) - Sales (20%) - Customer satisfaction (20%) ▪ Woolworths Group EBIT gateway 	<ul style="list-style-type: none"> ▪ STI performance measures: <ul style="list-style-type: none"> - EBIT (20%) - Working Capital (20%) - Sales (20%) - Customer satisfaction (20%) - Safety (20%) ▪ The Group EBIT gateway has been removed 	<ul style="list-style-type: none"> ▪ Working Capital has been added to align remuneration outcomes in the short term with successful execution of initiatives designed to improve cash generation. ROFE is now an LTI performance measure ▪ Safety is now included as an additional measure to enhance continued focus on improving safety throughout the Company ▪ The Woolworths Group EBIT gateway has been removed to strengthen the focus on each individual STI performance measure. Financial measures have an overall weighting of 60% 																														
	<ul style="list-style-type: none"> ▪ Group CEO: 50% deferral of STI into share rights for 2 years ▪ Other Executive KMP: No STI deferral 	<ul style="list-style-type: none"> ▪ Group CEO: No change ▪ Other Executive KMP: 25% deferral of STI into share rights for 2 years 	<ul style="list-style-type: none"> ▪ STI deferral has been introduced for all Executive KMP to align with current practice amongst ASX25 companies ▪ STI deferral also applies to all other Group ExCo members 																														
Mandatory deferral of STI	<ul style="list-style-type: none"> ▪ Group CEO: 50% deferral of STI into share rights for 2 years ▪ Other Executive KMP: No STI deferral 	<ul style="list-style-type: none"> ▪ Group CEO: No change ▪ Other Executive KMP: 25% deferral of STI into share rights for 2 years 	<ul style="list-style-type: none"> ▪ STI deferral has been introduced for all Executive KMP to align with current practice amongst ASX25 companies ▪ STI deferral also applies to all other Group ExCo members 																														

¹ ROFE is return on funds employed and is measured by dividing Woolworths EBIT by average funds employed.

Directors' Statutory Report: Remuneration Report

2 EXECUTIVE KMP REMUNERATION (CONTINUED)

COMPONENT	FY16	CHANGES EFFECTIVE 1 JULY 2017	RATIONALE FOR CHANGE										
LTI													
Plan	LTI Plan	Transformation LTI Plan											
Opportunity (grant value at maximum)	<ul style="list-style-type: none"> 65% to 135% of TFR awarded at fair value 	<ul style="list-style-type: none"> 200% of TFR for all Executive KMP to be awarded at face value <ul style="list-style-type: none"> For achieving transformation targets, half of the maximum award will vest Remaining half (or pro-rata portion thereof) is available only if transformation targets are exceeded 	<ul style="list-style-type: none"> The LTI opportunity has been increased to ensure a significant focus on achieving the transformation objectives, with a commensurate increase in performance targets We have also moved from a fair value to face value LTI allocation methodology 										
Term	<ul style="list-style-type: none"> Three year performance/ vesting period 	<ul style="list-style-type: none"> No change 	<ul style="list-style-type: none"> Not applicable 										
Award vehicle	<ul style="list-style-type: none"> Performance Share Rights 	<ul style="list-style-type: none"> No change 	<ul style="list-style-type: none"> Not applicable 										
Performance measures	<ul style="list-style-type: none"> Relative TSR (66.67%): The comparator group is the ASX100, excluding companies classified as financial services (including Real Estate Investment Trusts), resources or utilities. The vesting schedule for the relative TSR portion is as follows: <table border="1" style="margin-left: 20px;"> <thead> <tr> <th>WOOLWORTHS TSR RANKING IS:</th> <th>% OF PERFORMANCE SHARE RIGHTS IN RELATIVE TSR PORTION TO VEST</th> </tr> </thead> <tbody> <tr> <td>Below 51st percentile</td> <td>0%</td> </tr> <tr> <td>At the 51st percentile</td> <td>25%</td> </tr> <tr> <td>Between the 51st and 75th percentile</td> <td>Straight line vesting between 25% and 100%</td> </tr> <tr> <td>Equal to or greater than the 75th percentile</td> <td>100%</td> </tr> </tbody> </table>	WOOLWORTHS TSR RANKING IS:	% OF PERFORMANCE SHARE RIGHTS IN RELATIVE TSR PORTION TO VEST	Below 51st percentile	0%	At the 51st percentile	25%	Between the 51st and 75th percentile	Straight line vesting between 25% and 100%	Equal to or greater than the 75th percentile	100%	<ul style="list-style-type: none"> Relative TSR (33.33%): Relative TSR is measured by taking into account the change in Woolworths share price over the relevant performance period as well as dividends received (and assumed to be reinvested into Woolworths shares). The comparator group is the ASX30 excluding companies classified in the metals and mining industry. The performance targets are: <ul style="list-style-type: none"> Gateway: Share price equal to or greater than \$20.8482 (the 10 day VWAP up to and including the effective date of grant (1 July 2016)) Minimum: 50th percentile Target: 60th percentile Stretch: 90th percentile 	<ul style="list-style-type: none"> Relative TSR continues to be used to ensure Executive KMPs' interests are aligned with shareholder value creation, however; <ul style="list-style-type: none"> The comparator group has been narrowed to the ASX30 (excluding metals and mining companies) to create a more demanding group of comparators. Metals and mining companies have been excluded because they are the least comparable to Woolworths given the potential heavy influence of commodities price movements on their respective share prices A gateway has been introduced whereby no vesting will occur for the relative TSR portion if the share price decreases over the performance period (from the 10 day VWAP t 1 July 2016). This further aligns Executive KMP and shareholder interests To achieve maximum vesting under the relative TSR portion the stretch target has been increased to the 90th percentile to ensure it is sufficiently challenging
WOOLWORTHS TSR RANKING IS:	% OF PERFORMANCE SHARE RIGHTS IN RELATIVE TSR PORTION TO VEST												
Below 51st percentile	0%												
At the 51st percentile	25%												
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Equal to or greater than the 75th percentile	100%												

1
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Directors' Statutory Report: Remuneration Report

2 EXECUTIVE KMP REMUNERATION (CONTINUED)

COMPONENT	FY16	CHANGES EFFECTIVE 1 JULY 2017	RATIONALE FOR CHANGE																																							
Performance measures (continued)	<ul style="list-style-type: none"> • Cumulative EPS (33.33%): Measured as NPAT divided by the weighted average number of shares on issue. The vesting schedule for the EPS portion is as follows: <table border="1"> <thead> <tr> <th>WOOLWORTHS CUMULATIVE EPS PERFORMANCE IS:</th> <th>% OF PERFORMANCE SHARE RIGHTS IN EPS PORTION TO VEST</th> </tr> </thead> <tbody> <tr> <td>Below threshold performance target</td> <td>0%</td> </tr> <tr> <td>At threshold performance target</td> <td>25%</td> </tr> <tr> <td>Between threshold and stretch performance targets</td> <td>Straight line vesting between 25% and 100%</td> </tr> <tr> <td>Equal to or greater than stretch performance target</td> <td>100%</td> </tr> </tbody> </table> 	WOOLWORTHS CUMULATIVE EPS PERFORMANCE IS:	% OF PERFORMANCE SHARE RIGHTS IN EPS PORTION TO VEST	Below threshold performance target	0%	At threshold performance target	25%	Between threshold and stretch performance targets	Straight line vesting between 25% and 100%	Equal to or greater than stretch performance target	100%	<ul style="list-style-type: none"> • Sales per trading square metre (Food Group and Endeavour Drinks Group) (33.33%): Sales per trading square metre is measured by dividing annual reported turnover by the average market reported trading square metres • ROFE (33.33%): ROFE is measured by dividing Woolworths EBIT by average funds employed (lease adjusted) • The sales per trading square metre and ROFE targets are based on the Company's strategic plan and reflective of the Company's continued growth objectives and market conditions. LTI targets have been set after adjustment for the impact of significant items booked in FY16 • The vesting schedule for each performance measure is: <table border="1"> <thead> <tr> <th rowspan="2">FY17 LTI PERFORMANCE</th> <th colspan="4">% OF PERFORMANCE SHARE RIGHTS TO VEST¹</th> </tr> <tr> <th>SALES PER TRADING SQUARE METRE TSR %</th> <th>ROFE %</th> <th>ROFE %</th> <th>TOTAL %</th> </tr> </thead> <tbody> <tr> <td>Below minimum</td> <td>0</td> <td>0</td> <td>0</td> <td>0</td> </tr> <tr> <td>At minimum</td> <td>11.66</td> <td>11.66</td> <td>11.66</td> <td>35</td> </tr> <tr> <td>At target</td> <td>16.66</td> <td>16.66</td> <td>16.66</td> <td>50</td> </tr> <tr> <td>At or above the stretch</td> <td>33.33</td> <td>33.33</td> <td>33.33</td> <td>100</td> </tr> </tbody> </table> 	FY17 LTI PERFORMANCE	% OF PERFORMANCE SHARE RIGHTS TO VEST ¹				SALES PER TRADING SQUARE METRE TSR %	ROFE %	ROFE %	TOTAL %	Below minimum	0	0	0	0	At minimum	11.66	11.66	11.66	35	At target	16.66	16.66	16.66	50	At or above the stretch	33.33	33.33	33.33	100	<ul style="list-style-type: none"> • Two key drivers of successful transformation are the ability to drive sales on trading space and achieve a higher return on capital. Therefore 66.66% of the award is based on sales per trading square metre and ROFE <ul style="list-style-type: none"> - In setting the targets for sales per trading square metre and ROFE, the Board have referenced both the agreed transformation objectives and other successful retail business transformations to ensure that payout at maximum only occurs if very demanding stretch objectives are achieved • Target vesting (at 50% of maximum) has been aligned to the achievement of the three year transformation plan • The minimum to target performance range ensures that there is a lead in to recognise performance outcomes which are close to target, thus avoiding the risks associated with a performance "cliff"
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At or above the stretch	33.33	33.33	33.33	100																																						
Disclosure of performance targets	<ul style="list-style-type: none"> • From FY16 onwards, Woolworths does not disclose the performance targets for non-market LTI measures at the time of grant as they are commercially sensitive • The LTI targets and performance will be published following the end of the performance period 	<ul style="list-style-type: none"> • No change 	<ul style="list-style-type: none"> • Not applicable 																																							
Allocation method	<ul style="list-style-type: none"> • Fair value 	<ul style="list-style-type: none"> • Face value 	<ul style="list-style-type: none"> • Transformation LTI awards will be allocated to participants using a face value approach as this is considered a more transparent method compared to allocation based on fair value 																																							

1 Straight-line vesting between each performance level. Each performance measure operates independently and will be tested separately.

Directors' Statutory Report: Remuneration Report

2 EXECUTIVE KMP REMUNERATION (CONTINUED)

COMPONENT	FY16	CHANGES EFFECTIVE 1 JULY 2017	RATIONALE FOR CHANGE								
Change of control	<ul style="list-style-type: none"> The Board has discretion to determine whether some or all of the unvested performance share rights held by Executive KMP (and/or any other LTI Plan participant) will vest, remain 'on foot' (i.e. remain subject to the original performance/vesting period and performance conditions) or lapse, having regard to all relevant circumstances 	<ul style="list-style-type: none"> No change 	<ul style="list-style-type: none"> Not applicable 								
Remuneration mix											
Remuneration mix (% of total remuneration)	FY16					FY17					<ul style="list-style-type: none"> Remuneration has been re-balanced towards variable remuneration for FY17 in order to ensure a significant focus on achieving the transformation objectives (Note that Mr Banducci's remuneration mix has not changed as it is already appropriately weighted towards variable remuneration)
	EXECUTIVE KMP	TFR %	TARGET CASH %	TARGET DEFERRAL %	LTI AT MAXIMUM %	TOTAL VARIABLE REMUNERATION %	TFR %	TARGET CASH %	TARGET DEFERRAL %	TRANSFORMATION LTI AT MAXIMUM %	
Brad Banducci	25	12.5	12.5	50	75	25	12.5	12.5	50	75	
Richard Dammary	40	25	0	35	60	27	14	5	54	73	
David Marr	35	33	0	32	65	25	19	6	50	75	
Martin Smith	50	30	0	20	50	25	19	6	50	75	
Other											
Hedging policy	<ul style="list-style-type: none"> Individuals cannot hedge equity instruments that are unvested or subject to restrictions 	<ul style="list-style-type: none"> No change 	<ul style="list-style-type: none"> Not applicable 								
Clawback	<ul style="list-style-type: none"> The Board may determine that any unvested performance share rights will lapse or be forfeited in certain circumstances such as in the case of fraud, wilful misconduct and dishonesty 	<ul style="list-style-type: none"> No change 	<ul style="list-style-type: none"> Not applicable 								
Minimum shareholding requirement	<ul style="list-style-type: none"> Group CEO: Equal to 100% base salary over a three-year period Other Group ExCo members: Equal to 50% base salary over a five-year period (effective from their appointment or the introduction of the policy, whichever is the later) 	<ul style="list-style-type: none"> No change 	<ul style="list-style-type: none"> Not applicable 								
Dividends	<ul style="list-style-type: none"> No dividends paid on unvested share rights (as a fair value allocation approach already takes into account foregone dividends in initial allocation) 	<ul style="list-style-type: none"> Shares equivalent to the value of dividends foregone during the period between grant and vesting are provided at the time of vesting. No dividend equivalents are provided on awards (or portion thereof) which do not vest 	<ul style="list-style-type: none"> Reflects change in allocation methodology from fair value to face value 								

Directors' Statutory Report: Remuneration Report

2 EXECUTIVE KMP REMUNERATION (CONTINUED)

2.4 TERMS OF EXECUTIVE KMP SERVICE AGREEMENTS

All Executive KMP of the Company are employed on service agreements that detail the components of remuneration paid, but do not prescribe how remuneration levels are to be modified from year to year. The agreements do not provide for a fixed term, although the service agreements may be terminated on specified notice.

The following is a summary of the termination provisions of new and revised service agreements for Executive KMP:

TERMINATION BY COMPANY	TERMINATION BY EXECUTIVE KMP
<p>If termination is without cause, a minimum twelve months' notice is to be provided to the Group CEO, and a minimum six months' notice is to be provided to other Executive KMP. Where the notice period is worked:</p> <ul style="list-style-type: none"> • Normal remuneration is paid; and • STI and LTI continue to accrue in accordance with relevant plan rules to the end of the notice period. <p>Where the notice period is paid in lieu (subject to termination cap provisions):</p> <ul style="list-style-type: none"> • Total fixed remuneration and a reasonable estimate of STI entitlement is paid and employment ceases upon making the payment; and • LTI will continue to accrue or be forfeited in accordance with the plan rules. Board discretion within the plan rules may allow unvested LTI to continue to accrue for 'good leavers'. <p>If termination is for serious cause:</p> <ul style="list-style-type: none"> • Only accrued leave and unpaid salary for days worked is paid; and • STI and LTI are forfeited in accordance with the relevant plan rules. 	<p>The Group CEO is to provide a minimum of twelve months' written notice to the Company, and other Executive KMP are to provide a minimum of six months' written notice. Where the notice period is worked:</p> <ul style="list-style-type: none"> • Normal remuneration is paid; and • STI and LTI continue to accrue in accordance with relevant plan rules to the end of the notice period. <p>Where the notice period is paid in lieu (subject to termination cap provisions):</p> <ul style="list-style-type: none"> • Total fixed remuneration and a reasonable estimate of STI entitlement is paid and employment ceases upon making the payment; and • LTI will continue to accrue or be forfeited in accordance with the plan rules.

In addition, and upon further payment (where required), the Company may invoke a restraint period of up to 12 months following separation, preventing the Executive KMP from engaging in any business activity with competitors.

3 NON-EXECUTIVE DIRECTORS' ARRANGEMENTS

3.1 NON-EXECUTIVE DIRECTORS' REMUNERATION POLICY AND STRUCTURE

Non-executive Director fees are paid from an aggregate annual fee pool of \$4,000,000, as approved by shareholders at the AGM on 18 November 2010. Total Board and Committee fees paid during FY16 were \$2,366,331 (see Section 5.1), which is within the current aggregate annual fee pool. There has been no increase in Non-executive Directors' base fees since September 2013.

The Chair of the Board receives a multiple of approximately three times the Non-executive Director fee amount.

Non-executive Directors do not receive variable pay and no Directors' fees are paid to Executive Directors. Following is a summary of Board and Committee fees for FY16:

WOOLWORTHS LIMITED BOARD AND COMMITTEE FEES (\$)	FY16	
	CHAIR	MEMBER
Woolworths Limited Board	703,371	234,460
Audit, Risk Management and Compliance Committee (ARMCC)	54,524	27,264
People Policy Committee (PPC)	54,524	27,264
Sustainability Committee (SC) ¹	36,349	18,176
Nomination Committee	None paid	None paid

¹ The Sustainability Committee fees are set at two thirds of the ARMCC and PPC fees.

Directors' Statutory Report: Remuneration Report

3 NON-EXECUTIVE DIRECTORS' ARRANGEMENTS (CONTINUED)

3.2 NON-EXECUTIVE DIRECTORS' MINIMUM SHAREHOLDING REQUIREMENT

Non-executive Directors are required to hold a minimum number of shares with a value equal to or greater than one year's base fees. The shares may be held personally or through a personal superannuation fund, and the minimum shareholding is subject to the following requirements:

- Non-executive Directors must hold shares with a minimum value of 25% of their base fees upon joining the Board; and
- Additional shares are to be acquired on or before the expiry of each anniversary in the three years from the date of appointment, with shares to the value of a minimum of 25% of the Non-executive Director's annual base fees to be acquired each year until the threshold is achieved.

Details of the current shareholdings for Non-executive Directors as at 26 June 2016 are provided in Section 5.3. As of the financial year end, all Non-executive Directors hold the required minimum number of shares.

3.3 APPOINTMENT LETTER, DEED OF ACCESS, INSURANCE AND INDEMNITY

The Company and each of the Non-executive Directors have entered into an Appointment Letter together with a Deed of Access, Insurance and Indemnity. The Appointment Letter covers the key aspects of the duties, role and responsibilities of Non-executive Directors.

Non-executive Directors are not appointed for a specific term and their appointment may be terminated by notice from the Director or otherwise pursuant to Sections 203B or 203D of the *Corporations Act 2001* (Cth).

The Board has established a policy that in general the maximum term of service for a Non-executive Director will be the period ending immediately after the ninth Annual General Meeting (AGM) following their first election by shareholders. It is the Board's expectation that the Chair will serve in their capacity for up to a period of five years.

4 GOVERNANCE

4.1 ROLE OF THE PEOPLE POLICY COMMITTEE (PPC)

The PPC, which operates under its own Charter and reports to the Board, is chaired by Ms Holly Kramer. The Charter, which the Board reviews annually for appropriateness, was confirmed in August 2016 and is available on the Company's website address: www.woolworthslimited.com.au

4.2 USE OF REMUNERATION ADVISORS

Where appropriate, the Board and the PPC consult external remuneration advisors. When such external advisors are selected, the Board considers potential conflicts of interest. Advisors' terms of engagement regulate their access to, and (where required) set out their independence from, members of Woolworths management.

The requirement for external advisors' services is assessed annually in the context of matters the PPC needs to address. External advisors' advice and recommendations are used as a guide, but do not serve as a substitute for Directors' thorough consideration of the relevant matters.

The Board and PPC engaged remuneration advisors during the year, and received remuneration and market practice advice and information in relation to STIs, LTIs, remuneration of Executive KMP, and remuneration of Non-executive Directors.

No remuneration recommendations, as defined by the *Corporations Act 2001* (Cth), were made by remuneration advisors.

4.3 SECURITIES TRADING POLICY

The Securities Trading Policy was reviewed last year and the revised version was released to the ASX in August 2015.

Under the policy, Senior Executives may not enter into any derivative (including hedging) transaction that will protect the value of either unvested securities or vested securities that are subject to a disposal restriction, issued as part of the LTI plan. Compliance with the policy is a condition of participation in the LTI plan.

Directors' Statutory Report: Remuneration Report

5 KMP STATUTORY DISCLOSURES

5.1 KMP REMUNERATION TABLE

Set out in the following table is the remuneration for the KMP of Woolworths Limited and its subsidiaries during the financial periods ended 26 June 2016 and 28 June 2015.

KMP	TENURE AS KMP (FROM-TO)	FINANCIAL YEAR	SHORT-TERM BENEFITS			SUB TOTAL \$
			SALARY AND FEES \$	CASH INCENTIVE \$	NON-MONETARY AND OTHER BENEFITS ¹ \$	
Non-executive Directors (NED)						
G M Cairns - NED & Board Chair ⁴	01/09/15	FY16	586,143	-	856	586,999
J R Broadbent - NED	28/01/11	FY16	267,783	-	856	268,639
		FY15	261,724	-	837	262,561
H S Kramer - NED & PPC Chair ⁴	08/02/16	FY16	116,815	-	856	117,671
S L McKenna - NED ⁴	08/02/16	FY16	110,758	-	856	111,614
S R Perkins - NED & SC Chair ⁵	01/09/14	FY16	302,163	-	856	303,019
		FY15	238,399	-	837	239,236
K A Tesija ^{4,6} - NED	09/05/16	FY16	37,654	-	856	38,510
M J Ullmer - NED & ARMCC Chair	30/01/12	FY16	306,452	-	856	307,308
		FY15	293,854	-	837	294,691
Executive Director/KMP						
B L Banducci - Group CEO & MD Woolworths Food Group ⁷	01/05/12	FY16	1,731,191	-	856	1,732,047
		FY15	942,416	-	837	943,253
Executive KMP						
R J E Dammery - CLO & CoSec	01/09/14	FY16	818,874	-	469,967	1,288,841
		FY15	599,521	-	43,562	643,083
D P Marr - CFO	26/11/13	FY16	1,169,161	-	856	1,170,017
		FY15	994,519	-	837	995,356
M R Smith - MD Endeavour Drinks Group ⁸	29/06/15	FY16	654,415	-	856	655,271
Former NEDs and Executive KMP						
R G Waters - NED & Board Chair ⁴	28/01/11-01/09/15	FY16	117,229	-	856	118,085
		FY15	703,371	-	837	704,208
C Cross - NED & PPC Chair ^{4,9}	30/01/12-23/11/15	FY16	125,596	-	856	126,452
		FY15	304,760	-	837	305,597
C J Hrdlicka - NED ⁴	10/08/10-08/02/16	FY16	158,712	-	856	159,568
		FY15	261,724	-	837	262,561
I J Macfarlane - NED ⁴	30/01/07-31/03/15	FY15	196,293	-	837	197,130
A D D Mackay - NED & SC Chair ^{4,9}	30/01/12-23/10/15	FY16	97,448	-	856	98,304
		FY15	282,370	-	837	283,207
G O'Brien - Group CEO ¹⁰	04/04/11-26/02/16	FY16	1,652,054	-	856	1,652,910
		FY15	2,159,656	-	837	2,160,493
G M Jegen - MD Australian Supermarkets & Petrol ^{4,11}	10/10/11-12/04/15	FY15	843,650	-	837	844,487
Total		FY16	8,252,448	-	482,807	8,735,255
		FY15	8,082,257	-	53,606	8,135,863

* Percentage not disclosed as the total performance-related remuneration expense was negative for the relevant period.

Notes to the above table

- 1 Non-monetary and other benefits include non-recurring relocation benefits and associated fringe benefits tax where applicable and the deemed premium in respect of the Directors' and Officers' Indemnity insurance.
- 2 The fair value of share rights with the relative TSR performance measure is calculated at the date of grant using the Monte Carlo simulation model, taking into account, amongst other things, the impact of the TSR condition and that right holders are not entitled to dividends during the vesting period. The fair value of share rights with the measures of EPS (before significant items) and NPAT growth over the previous financial year (before significant items), and retention rights is calculated using the Black-Scholes option pricing model, taking into account that right holders are not entitled to dividends during the vesting period. The value disclosed is the portion of the fair value of the share rights recognised as an expense in each reporting period.
- 3 Where applicable, share rights are credited back to profit or loss due to a failure to satisfy the relevant vesting conditions.
- 4 Amounts represent the payments relating to the period during which the individuals were in their position, unless otherwise stated.
- 5 Included in the table above, Mr Perkins was a Director of Hydrox Holdings Pty Ltd for the period until 3 February 2016 and received additional fees of \$16,114.

Directors' Statutory Report: Remuneration Report

POST EMPLOYMENT BENEFITS	OTHER LONG-TERM BENEFITS	SHARE-BASED PAYMENTS ^{2,3}	TOTAL	% OF POTENTIAL CASH INCENTIVE PAID	% RELATED TO PERFORMANCE
SUPERANNUATION AND OTHER	LONG SERVICE LEAVE	VALUE OF EQUITY			
\$	\$	\$	\$		
19,308	-	-	606,307	-	-
19,308	-	-	287,947	-	-
18,783	-	-	281,344	-	-
8,629	-	-	126,300	-	-
8,485	-	-	120,099	-	-
19,308	-	-	322,327	-	-
15,653	-	-	254,889	-	-
2,739	-	-	41,249	-	-
19,308	-	-	326,616	-	-
18,783	-	-	313,474	-	-
114,623	179,458	322,277	2,348,405	-	14%
91,365	78,606	1,064,745	2,177,969	-	49%
35,000	13,913	220,172	1,557,926	-	14%
30,146	8,875	337,831	1,019,935	-	33%
30,000	26,306	438,882	1,665,205	-	26%
30,000	19,150	484,963	1,529,469	-	32%
35,000	51,743	(3,538)	738,476	-	*
4,827	-	-	122,912	-	-
18,783	-	-	722,991	-	-
9,204	-	-	135,656	-	-
18,783	-	-	324,380	-	-
12,300	-	-	171,868	-	-
18,783	-	-	281,344	-	-
14,088	-	-	211,218	-	-
6,746	-	-	105,050	-	-
18,783	-	-	301,990	-	-
446,000	-	-	2,098,910	-	-
435,000	74,672	(1,258,687)	1,411,478	-	*
23,409	(45,847)	(270,066)	551,983	-	*
790,785	271,420	977,793	10,775,253	-	-
752,359	135,456	358,786	9,382,464	-	-

6 Ms Tesija received an Overseas Directors' allowance of \$10,000 during the financial year included in the table above.

7 Mr Banducci was an Executive KMP for the full financial year, initially in relation to his Executive KMP role of Managing Director Woolworths Food Group, and subsequently with effect from 26 February 2016, his current Executive KMP role of Managing Director and Chief Executive Officer and Managing Director Woolworths Food Group.

8 Mr Smith commenced being an Executive KMP during the financial year however his remuneration package has been disclosed for the entire financial year.

9 Ms Cross and Mr Mackay received an annual Overseas Directors' allowance of \$10,906 on a pro-rated basis during the financial year.

10 Mr O'Brien retired from the role of Managing Director and Chief Executive Officer effective from 26 February 2016 and his employment ended 1 August 2016. He has taken his accrued annual leave and long service leave entitlements to the end of his employment, effective 1 August 2016. The amount received through utilising his accrued annual leave and long service leave entitlements was \$444,758 as at the end of the 2016 financial year and has not been disclosed as the above statutory table represents the profit and loss expense for the period.

11 Mr Jegen resigned effective 12 April 2015 and forfeited all outstanding unvested share rights, with the exception of the FY13 Deferred STI which were retained upon resignation on a prorated basis, as permitted under the LTI plan rules.

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5 KMP STATUTORY DISCLOSURES (CONTINUED)

5.2 CONDITIONAL ENTITLEMENTS TO, AND SHARE HOLDINGS, OF EXECUTIVE KMP

The table below summarises the movements during the year in holdings of share right interests in the Company for current Executive KMP. A share right entitles the holder to one ordinary fully paid Woolworths Limited share.

		BALANCE AT	SHARE RIGHTS GRANTED		SHARE RIGHTS		SHARE RIGHTS	BALANCE AT
		28 JUNE 2015 ¹	AS REMUNERATION ²		MATURED ³		LAPSED DUE TO	
		NO.	NO.	\$	NO.	\$	NON-VESTING ⁴	26 JUNE 2016 ¹
							NO.	NO.
B L Banducci	FY16	93,895	53,233	686,351	(24,448)	658,661	-	122,680
	FY15	51,763	45,274	1,343,638	(1,860)	68,016	(1,282)	93,895
R J E Dammery	FY16	28,866	32,022	466,905	(5,000)	132,778	-	55,888
	FY15	-	28,866	735,308	-	-	-	28,866
D P Marr	FY16	101,567	74,844	1,369,650	(6,391)	170,126	-	170,020
	FY15	85,990	27,638	594,493	(12,061)	381,424	-	101,567
M R Smith	FY16	20,862	10,979	141,556	(3,100)	82,521	-	28,741
Total	FY16	245,190	171,078	2,664,462	(38,939)	1,044,086	-	377,329
	FY15	137,753	101,778	2,673,439	(13,921)	449,440	(1,282)	224,328

There were no share rights forfeited during the year.

Notes to the above table

- 1 The number of share rights as at 26 June 2016 and 28 June 2015 is equivalent to the share rights holding at that date.
- 2 Share rights granted as remuneration is the total fair value of share rights granted during the year determined by an independent actuary. This will be recognised in employee benefits expense over the vesting period of the grant, in accordance with Australian Accounting Standards.
- 3 The value of share rights matured during the year is calculated based on the VWAP of Woolworths Limited shares traded in the five days prior to and including the date of maturity. All share rights that could have vested during the financial year, vested at 100%.
- 4 The number of share rights which lapsed as a result of failure to meet performance hurdles relates to the Deferred STI for FY14 in the case of Mr Banducci.

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5 KMP STATUTORY DISCLOSURES (CONTINUED)**5.3 KMP SHARE MOVEMENTS**

The table below summarises the movements during the year of interests in shares of Woolworths Limited held by current KMP.

	SHAREHOLDING AT 28 JUNE 2015 NO.	SHARES ISSUED UNDER DRP ¹ NO.	SHARES RECEIVED ON EXERCISE OF SHARE RIGHTS NO.	SHARES PURCHASED NO.	SHAREHOLDING AT 26 JUNE 2016 NO.
Non-executive Directors					
G M Cairns	-	-	-	8,700	8,700
J R Broadbent	65,138	-	-	-	65,138
H S Kramer	-	-	-	3,249	3,249
S L McKenna ²	3,850	-	-	900	4,750
S R Perkins	7,000	-	-	-	7,000
K A Tesija	-	-	-	2,660	2,660
M J Ullmer	20,000	-	-	-	20,000
Executive Director/KMP					
B L Banducci	7,860	-	24,448	-	32,308
Executive KMP					
R J E Dammery	1,380	314	5,000	-	6,694
D P Marr	12,337	925	6,391	34	19,687
M R Smith	26,514	-	3,100	-	29,614

Notes to the above table

- 1 Comprises new shares acquired as a result of participation in the Dividend Reinvestment Plan on the same basis as transactions by other shareholders.
- 2 Ms McKenna held shares prior to her appointment effective 8 February 2016.

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5 KMP STATUTORY DISCLOSURES (CONTINUED)

5.4 SHARE RIGHTS OUTSTANDING FOR EXECUTIVE KMP AT 26 JUNE 2016

The table below sets out the grants and outstanding number of share rights for current Executive KMP of Woolworths Limited. No amounts were paid or payable by the recipient on receipt of the share rights and there are no outstanding vested share rights as at 26 June 2016.

EXECUTIVE KMP	GRANT DATE ¹	EFFECTIVE DATE	NO. OF RIGHTS AT 26 JUNE 2016 ²	EXPIRY DATE	EXERCISE PRICE
Executive Director/KMP					
B L Banducci	07/12/12	01/07/12	11,588	31/12/17	Nil
	13/12/13	01/07/13	24,386	31/12/18	Nil
	29/04/14	01/07/13	4,418 ⁷	31/12/16	Nil
	17/10/14	01/07/14	12,143	31/12/19	Nil
	15/10/14	01/07/14	16,912	01/07/16	Nil
	20/11/15	01/07/15	53,233	31/12/20	Nil
			122,680		
Executive KMP					
R J E Dammery	17/10/14	01/07/14	18,866	31/12/19	Nil
	16/09/14	01/09/14	5,000	01/09/16	Nil
	17/07/15	01/07/15	3,908	01/07/16	Nil
	20/11/15	01/07/15	28,114	31/12/20	Nil
			55,888		
D P Marr	12/12/11	01/07/11	4,550	31/12/16	Nil
	07/12/12	01/07/12	9,000	31/12/17	Nil
	13/12/13	01/07/13	18,024	31/12/18	Nil
	29/04/14	01/07/13	35,964 ⁷	31/12/18	Nil
	17/10/14	01/07/14	27,638	31/12/19	Nil
	14/07/15	01/07/15	16,219	01/07/16	Nil
	14/07/15	01/07/15	16,912	01/07/17	Nil
	20/11/15	01/07/15	41,713	31/12/20	Nil
			170,020		
M R Smith	12/12/11	01/07/11	2,000	31/12/16	Nil
	07/12/12	01/07/12	5,119	31/12/17	Nil
	29/04/14	01/07/13	6,989 ⁷	31/12/18	Nil
	17/10/14	01/07/14	3,654	31/12/19	Nil
	20/11/15	01/07/15	10,979	31/12/20	Nil
			28,741		

The minimum value yet to vest is the minimum value of share rights that may vest if the performance criteria are not met. It is assessed as nil for each share rights grant and has not been specifically detailed in the table above on the basis that no share rights will vest if the performance criteria are not satisfied.

Notes to the above table

- Grant date represents the offer acceptance date.
- Comprises the number of share rights that are yet to vest as at 26 June 2016.
- Represents the first day the share rights can be exercised unless otherwise stated.
- The maximum value of award to vest represents the total maximum value of employee benefits expense, as based on the fair value at grant date that would be recorded if all share rights which remain outstanding at 26 June 2016 satisfied all relevant vesting conditions.
- The fair value of share rights with the relative TSR performance measure is calculated at the date of grant using the Monte Carlo simulation model, taking into account, amongst other things, the impact of the TSR condition and that right holders are not entitled to dividends during the vesting period. The fair value of share rights with the measures of EPS (before significant items) and NPAT growth over the previous financial year (before significant items), and retention rights is calculated using the Black-Scholes option pricing model, taking into account that right holders are not entitled to dividends during the vesting period.
- Exercising of share rights will occur the day after the full year results are announced to the market. This may occur before 31 August in each respective year if the performance hurdles are met as outlined in Section 2.
- This represents a subsequent grant of Deferred STI and LTIP and was made under the same terms and conditions of the main grant during the same year. This was done to align actual remuneration mix with targeted remuneration mix.

Directors' Statutory Report: Remuneration Report

EXERCISE DATE ³	MAXIMUM VALUE OF AWARD TO VEST (\$) ⁴	FAIR VALUE PER PERFORMANCE RIGHT ⁵			
		EPS	TSR	NPAT	RETENTION
31/08/17 ⁶	212,292	\$22.60	\$14.04	-	-
31/08/18 ⁶	475,771	\$25.56	\$13.46	-	-
31/08/16 ⁶	149,505	-	-	\$33.84	-
31/08/17 ⁶	261,196	\$29.78	\$13.24	-	-
01/07/16	537,971	-	-	-	\$31.81
31/08/18 ⁶	686,351	\$19.66	\$9.51	-	-
	2,323,086				
31/08/17 ⁶	405,808	\$29.78	\$13.24	-	-
01/09/16	158,050	-	-	-	\$31.61
01/07/16	104,422	-	-	-	\$26.72
31/08/18 ⁶	362,483	\$19.66	\$9.51	-	-
	1,030,763				
31/08/16 ⁶	73,665	\$20.05	\$12.33	-	-
31/08/17 ⁶	164,880	\$22.60	\$14.04	-	-
31/08/18 ⁶	351,648	\$25.56	\$13.46	-	-
31/08/18 ⁶	889,570	\$30.39	\$19.08	-	-
31/08/17 ⁶	594,493	\$29.78	\$13.24	-	-
01/07/16	421,207	-	-	-	\$25.97
01/07/17	410,623	-	-	-	\$24.28
31/08/18 ⁶	537,820	\$19.66	\$9.51	-	-
	3,443,906				
31/08/16 ⁶	32,380	\$20.05	\$12.33	-	-
31/08/17 ⁶	93,780	\$22.60	\$14.04	-	-
31/08/18 ⁶	172,873	\$30.39	\$19.08	-	-
31/08/17 ⁶	78,598	\$29.78	\$13.24	-	-
31/08/18 ⁶	141,556	\$19.66	\$9.51	-	-
	519,187				

Following is a summary of the LTI plan performance hurdles for all outstanding grants:

GRANT YEAR ¹	VESTING PERIOD (YEARS) ¹	SHARE RIGHTS	EPS		RELATIVE TSR	
			WEIGHTING	HURDLE/RANGE	WEIGHTING	HURDLE/RANGE
FY13 – FY14	5	100%	50%	6% – 8%	50%	51 st – 75 th percentile ³
FY15	3	100%	50%	6% – 8%	50%	51 st – 75 th percentile ⁴
FY16	3	100%	33.33%	np ²	66.67%	51 st – 75 th percentile ⁴

Notes to the above table

- 1 Measured from the effective grant date of 1 July.
- 2 Not published (np) as the Company no longer provides market guidance and the EPS targets are commercially sensitive. The FY16 LTI targets and performance will be published following the end of the performance period.
- 3 For FY13 and FY14 grants, the relative TSR comparator group is ASX100 companies, excluding companies classified as financial services and resources.
- 4 For FY15 and FY16 grants, the relative TSR comparator group is ASX100 companies, excluding companies classified as financial services (including Real Estate Investment Trusts), resources and utilities.

Auditor's Independence Declaration

Deloitte.

The Board of Directors
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9 September 2016

Dear Board Members

Woolworths Limited

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the Directors of Woolworths Limited.

As lead audit partner for the audit of the financial statements of Woolworths Limited for the financial year ended 26 June 2016, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely



DELOITTE TOUCHE TOHMATSU



G Coultas
Partner
Chartered Accountants