
CHAIRMAN'S AND CEO'S MESSAGE

Welcome to Woolworths Limited's Corporate Responsibility Report 2008–09.

Over the last year we have witnessed the unprecedented effects of the global financial crisis. It has highlighted the importance of prudent financial management and stringent risk assessment to ensure we remain a financially viable business. In doing so, it has also given further resonance to our philosophy of 'Doing the right thing', ensuring that even in challenging times, we continue to positively contribute to the economy, communities in which we operate and the environment. But above all we remain steadfast to keeping our business transparent.

At a time when many organisations have been facing financial difficulty and shedding employees, Woolworths was able to continue to employ more Australians and grow its workforce by 4.5% to a total of 191,000 employees.

Young Australian jobseekers were particularly hard hit by the downturn in the economy. During this time we gave an additional 1,635 young people an opportunity to start a career in retailing. This brings the total traineeships and apprenticeships to 6,695, making our Supermarkets division one of the largest such groups in the country.

Our net profit after tax reached \$1,835.7 million, an increase of 12.8%. We continued investing in our premises and facilities to offer our customers a better shopping experience. Our sales revenue increased by 5.4% to just under \$50 billion.

Overall in 2009, our indirect contribution to Australian economic output was estimated to be more than \$92 billion. The flow-on effect generated an estimated 627,000 full-time equivalent jobs. Our construction expenditure created an estimated flow-on effect of more than \$171 million and 1,000 full-time equivalent jobs.

The numbers are impressive, but at their heart is the unrivalled Woolworths culture, which undoubtedly gives us our competitive edge. We have remained committed to building the capacity of our people, with over \$68 million spent this year on learning and development; the introduction of a diversity strategy and paid parental leave; as well as a range of wellbeing initiatives.



We are now entering the third year of our sustainability strategy which was launched in 2007 and runs through to 2015. We remain confident we will reach the seven-year targets we set ourselves.

Our aspiration for safety is reflected in “Destination Zero”: zero harm to our people, our property and our community. Since 2006, we have reduced our lost time injury frequency rate (LTIFR) by 50%. While we missed our targeted rate of 13 by 7% in 2009, we reduced the rate by 19% over last year. Our target for 2010 is to achieve an LTIFR of less than 10.

Importantly, our commitment to the wellbeing of our people extends to the local communities in which we operate. This year our community investment and funds helped raise a total of \$27.4 million – the largest ever community investment in dollar terms. We thank our customers and employees for their incredible fundraising efforts. Our work with our partners has ensured we can continue to help address social issues important to our communities. Our promotion of healthy eating to counter obesity, our support of grassroots sustainable farming and our ambition of zero food waste are just three examples of our work for the wellbeing of the wider community.

The impact of climate change on long-term sustainability and food supply security is the most crucial environmental challenge for our business. But this is bigger than Woolworths. It is a challenge for Australia as a whole and requires a collaborative approach and leadership from both business and government.

Our total carbon emissions was 4.05 million tonnes and, while this is less than last year’s total emissions, it has increased from our baseline. This year we continued to invest in low carbon technologies for our stores and logistics network, increasing our energy efficiency focus. Importantly, we have seen a drop in the rate of our carbon emissions growth despite an increase in our business growth. Once all current efficiency measures are in place, we also expect to see a reduction in our total carbon emissions.

Project CO₂ involved a trial of new energy efficient innovations in stores and initiatives, such as glass lids on island freezers and high efficiency fans in refrigeration cases, are being implemented in both new stores and existing store refits. We reduced water usage by 172 million litres through our Water Wise Project and five of our 14 Distribution Centres now harvest rainwater. The largest harvesting system at our Sydney regional Distribution Centre in Minchinbury captured 6.5 million litres of rainwater in just over seven months of operation.

Reducing waste not only minimises our impact on the environment – it makes good business sense. We are making good progress in reducing food waste and, overall, we recycle more material than is sent to landfill. However, there are always opportunities to divert more recyclable material from our rubbish bins. Plastics in the waste stream have decreased to 8% (including 3% non-recyclable plastics) from 10% in 2007.

We aim to provide our customers with quality products and value for money. In today’s global market, this means sourcing products from a variety of locations nationally and internationally. Ethical sourcing from developing countries requires us to be scrupulous in ensuring a good price does not come at the expense of human suffering. In December 2008 we launched our Ethical Sourcing Policy.

Our policy is based on globally recognised standards – the Ethical Trade Initiative (ETI) and International Labour Organization (ILO) conventions. Both standards, in turn, are based on the principles of the United Nations Universal Declaration of Human Rights.

Ethical sourcing is not only about human rights. Increasingly, too, our community expectations have changed with respect to standards of animal welfare. We have seen this reflected in our sales of free-range chicken meat and eggs, which have increased by 33.6% and 32% respectively over last year. As part of our commitment, we will discontinue selling caged eggs under our Select brand at the end of 2009.

The misuse of alcohol and diet-related chronic disease are among the growing social concerns. We take our role as a responsible retailer very seriously and a strict buying charter governs all aspects of our liquor operations to ensure products that target minors or encourage irresponsible drinking are not sold in our stores. To help consumers make more informed food choices, we have adapted our store format, improved the availability and affordability of fresh food, educated parents and children about the importance of balanced diets and signed up to the Australian Food and Grocery Council’s Daily Intake Guide (DIG).

While we are proud of what we achieved this year, we cannot be complacent. The challenges we face are numerous and complex and the key to meeting these in the future is to learn to ask the right questions – and to fully understand the answers.

Companies like Woolworths must achieve sustainable growth. It is our duty to learn as quickly as we can so we can practice sustainability while delivering to our customers the goods they want at prices that they are prepared to pay.

We are now entering the third year of our sustainability strategy which was launched in 2007 and runs through to 2015. We remain confident we will reach the seven-year targets we set ourselves.

As to the future, we believe actively engaging with the community, leading the way in responsible retailing, sourcing ethically and responsibly and keeping our business transparent are all critical ingredients in our long-term sustainable growth.

That means seeking every opportunity to have a dialogue with shareholders, customers, suppliers, government, employees and the community. It might be about who we buy our tomatoes from or how the burden of emission reductions is shared fairly across the community. It might be about new store developments or how to make a broader variety of fresh foods more widely available year round. Building a sustainable transparent business is not about owning up, it is about opening up. And it will be vital to our sustainable growth.

This year is Woolworths’ 85th birthday. All of us at Woolworths are proud of what has been achieved over the past 85 years. While this gives us an opportunity to celebrate our history, we look forward to contributing to a more sustainable future.

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