Returning to relatively normal conditions, with cost-of-living pressures, and progress on sustainability.

Company/ASX Code	Woolworths Group Limited / WOW
AGM time and date	Thursday 26 October 2023
Location	10:00 am, The Fullerton Hotel, 1 Martin Place, Sydney, NSW
Registry	Link Market Services Limited
Type of meeting	Hybrid web.lumiagm.com/340181204.
Monitors	Julieanne Mills and Don Adams
Pre-AGM Meeting	Yes, with Chair Scott Perkins; Holly Kramer, Independent NED and Chair of the Sustainability committee, Maxine Brenner, Independent NED and Chair of People Performance Committee; Kate Eastoe, Company Secretary; Paul van Meurs, Head of Investor Relations

The people involved in the preparation of this voting intention have shareholdings in this company.

How we intend to vote

No.	Resolution description	
2a	To re-elect Mr Scott Perkins as a director	For
2b	To elect Ms Tracey Fellows as a director	For
2c	To elect Mr Warwick Bray as a director	For
3	To adopt the Remuneration Report for the financial year ended 25 June 2023.	For
4	Managing Director and Chief Executive Officer F24 Long Term Incentive Grant	For
5	Approve approach to termination benefits for three years	For
6	Approve Non-executive Directors' Equity Plans	For

Summary of Issues

The one black spot this year has been the two workplace deaths. We expect the board to respond with sufficient urgency and appropriately to the outcome of investigations.

Matters Considered

See ASA Voting guidelines and Investment Glossary for definitions.

Summary

(As at FYE)	**2023**	**2022**	**2021**	**2020**	**2019**
NPAT ($m)	1618	1547	1606	938	na
UPAT ($m)	1721	1514	1504	1249	1817
Share price ($)	39.73	35.60	38.13	37.28	33.23
Dividend (cents)	104	92	108	94	102
Simple TSR (%)	14.4	(4.2)	21.9	15.3	12.3
EPS (cents)	133	127	128	na	na
CEO total remuneration, actual ($m)	8.65	7.39	10.82	9.45	12.60

NOTE: The NPAT, UPAT, 2021 share price, and EPS have been adjusted from the originally reported values to eliminate the effect of the Endeavour spin-off. 2022 Total shareholder return (TSR) is calculated on a continuing basis, ignoring the substantial value to shareholders of the Endeavour spin-off.

Simple TSR is calculated by dividing (change in share price plus dividend paid during the year, excluding franking, by the share price at the start of the year.)

Woolworths (WOW) is a well governed company with a comprehensive Annual Report, Sustainability Report, Modern Slavery Report and Governance Report. A good range of skills and experience across its board, it is one of the few ASX listed companies with more female directors than men. It operates in a particularly competitive space with pressures from all areas. It has however managed to maintain a good balance, operating profitability, developing new avenues of expansion, while also making progress on their social and environmental impact.

The one black spot this year has been the deaths of a contract worker crushed by floor polishing equipment and a team member from the collapse of pallets associated with pallet stacker equipment. These are tragic, and frankly indicate poor processes and safety procedures. Investigations are ongoing, and pending the outcome, the short-term incentive (STI) group payout was cut from 89.8% to 79.8%. Further repercussions will be determined when the investigation is concluded. ASA questioned the validity and effectiveness of WOW safety metrics when this year's STI remuneration was recorded at "stretch" performance. The company believes the current metrics are encouraging better reporting and will improve the safety record in the future. We will wait for the outcome of investigations into those deaths and the board's response.

Discussions with the board centered around the complexity of the business, the competitiveness of the sector, progress around sustainability and the imperative to address this with a broader approach.

Underpayments were discussed and the complexity around interpretations of the labour laws, their numerous requirements, and the practical difficulties of implementation. Woolworths is conducting a thorough investigation that it feels will prepare it for the future, improving processes for the business, governance and regulatory requirements. The current underpayments were discovered through this process and self-reported.

Financial performance

As business returned to normal post COVID, inflationary pressures and cost of living pressures saw WOW pivot towards a focus on customer value. Group Sales of $64.3B increased 5.7% from F22. E-commerce sales were flat at 0.8%, but traffic growth increased 16%. B2B results continue to rise, up 17.4%, showing the benefits of the recent PFD purchase with 28% sales growth. My deal improved Big W results and Shopper Media contributed 29% growth to Cartology increasing digital media exposure.

Earnings before interest and tax (EBIT) was up 15.8% to $3.0bn, largely due to reduced COVID costs compared to F22. The EBIT/Sales ratio was 4.7% in F23, up from 4.4% in F22 and down from 5.0% in F21. Over the last six years the EBIT margin has been in the band between 4.4% and 5.0% which would seem to contradict accusations of price-gouging that are heard in the community.

NZ EBIT is down 22.9% impacted by weather, supply chain and inflationary costs in a competitive market and a 12% increase in store team wages. Wage increases in NZ will continue in F24.

Digital sales continue to grow with same day and on-demand seeing rapid growth, but in the long run the added costs may affect Woolworths' margin in this business.

WOW found an additional $85m of underpayments in F23, of which $61m was expensed as a significant item. These underpayments were different from those reported in prior years in that they applied to hourly paid workers, not management, and were discovered during investigations by the company into the payments system.

Governance and culture

The board has a good mix of tenure, and gender diversity. The range of skills on the board includes financial, strategy, digital, retail, with new directors adding skills in technology and digital transformation.

As Australia's largest employer and New Zealand's second largest employer, people are a primary focus of the business. WOW was Awarded Platinum status Australian Workplace Equality Index (diversity and inclusivity). They are also seen as a gender equality Workplace Gender Equality Agency employer of choice.

This is WOW's second "Innovate RAP" (Reconciliation Action Plan). It has seen a $10m contribution towards an indigenous college at UTS, a 4.47% spend at Supply Nation and they continue to aim for 3.2% indigenous employment (currently at 2.6%). The other significant action in the RAP is that WOW is supplying food, including fresh groceries and meat, to Community Enterprise Queensland (CEQ) for stores in remote communities in Far North Queensland and Torres Strait. They are also providing training and mentoring to these remote store teams. Prices in the stores while not comparable to city prices have been reduced.

Minimum share holdings are required by key management personnel (KMP). The CEO is required to have 200% of total fixed remuneration (TFR) and other KMP 100% of TFR within 5 years. The Chair is expected to have 200% of his base fee within 5 years and other directors 100% of their base fees within 3 years. All directors are complying with the exception of new directors who have time to acquire.

Key events

Woolworths reduced their shareholding in Endeavour group (EDV) with a sale of 5.5% stake ($630M) in Dec 2022. Holly Kramer has now left the EDV board and Colin Storrie leaves at the end of the year. The timing of this sale seems fortuitous, given the current stoush between Mr Mathieson and the EDV board. It will be interesting to see how WOW votes at the Endeavour AGM.

Woolworths sold their Summergate (China) and WOW International businesses at a loss to focus the business on Australia and NZ.

They purchased 80.2% of My Deal and 100% of Shopper Media in FY23.

The Petstock purchase is waiting on ACCC approval.

Over the last five years there has been significant investment in 6 distribution centers improving productivity and reducing costs. Two more are in development in New Zealand (NZ)and due for completion in 2024. NZ is beginning the rebrand from Countdown to Woolworths in F23.

Key board or senior management changes

Gordon Cairns and Siobhan McKenna retired in October 2022. Scott Perkins has replaced Gordon Cairns as chairman. He brings significant board experience and a fresh set of eyes. Warwick Bray and Tracey Fellows joined the board in March 2023. All three are up for election. See details below.

A new Chief Transformation Officer, Jane Danziger, was appointed in December 2022 she has a Boston Consulting and Harvard MBA background.

Sustainability/ESG

Consistent improvement in their Sustainability reporting and acknowledgement of the difficulties ahead. Certainly, there have been some hiccups along the way with the two deaths, Redcycle plastic recycling collapse, underpayments and the need for remediation of foreign workers, but generally, for such a large business, they have made good progress. A good discussion was had with Holly Kramer and the Chair around the increased importance and difficulties attached to electric vehicles, and food waste and how best to address these issues.

Food security is recognised as a material risk of climate change for WOW. WOW is working with suppliers to encourage sustainable practices, along with developing partnerships in innovation to help address a range of issues. They have made significant progress with their zero-food waste program with 80% saved from landfill by donating food to Foodbank and Oz Harvest, the Odd Bunch sales, and animal welfare.

A new transport decarbonisation plan was launched in F23 which includes a goal of 100% EV transport for home deliveries by 2030 and 60% EV delivery trucks by 2030.

Woolworths are increasing Taskforce for Climate-related Financial Disclosures (TCFD) reporting in preparation for the new International Sustainability Standards Board (ISSB) reporting in FY24. Resetting baselines and targets in line with science-based targets (SBTi). In F24 they are piloting a shadow carbon price across critical business areas.

Scope 3 emissions represent 94% of WOW emissions i.e., in supply chain, (24.2m tonnes CO2 versus 29.7m tonnes overall). WOW is working to reduce those emissions by 19% by 2030. This is still not enough to meet the Paris target of a maximum 1.5C global warming.

There is a target of 100% renewable electricity by 2025, with 100% renewable electricity in SA, and 50% for WA already achieved. There are 231 solar systems across the business producing 22.6% of total renewable energy, up 6% on FY22. The current use of renewables in F23 is 42%, so there is some way to go by 2025.

As we come closer to the end of the 2025 plan, launched in 2020, it will be interesting to see what plan they develop for the period beyond 2025.

Remuneration

After advice from PWC, three key management personnel (KMP) received increases of 2.3-2.5% of fixed remuneration (FR) from 1 September 2023. These were lower than the team increases. There was no change to the CEO's fixed remuneration.

The CEO received actual remuneration in F23 of $8.646m. Made up of FR = $2.6M, STI (F22) = $1.193M cash, STI (F21) deferred shares $1.838M, long-term incentive (LTI) for (F21-23) = $3.011M. It is significant remuneration and at the top percentile for a company of this size and scale. We expect the board to challenge the integrity of their judgement and consider the question of how much is too much?

The scorecard showed results above target for sales and EBIT, working capital days was below target due to intentional increases in inventory, the customer satisfaction score was below entry but still strong. The STI outcome was 89.8%, however the board used discretion to reduce it to 79.8% to take into account the deaths pending the outcome of the investigation. The LTI (F21-23) vested at 49.9% of maximum with absolute TSR at 32% and relative TSR below entry.

The main issue we have with the Remuneration Report is the three-year vesting period for LTI. ASA prefers it to be longer. We also prefer relative TSR vesting at 30% at the 50th percentile and 100% at the 85th percentile. While we appreciate the need to retain and motivate outstanding teams, the quantum needs to be reasonable and we will continue to monitor outcomes.

There are no changes to the remuneration framework in F24.

The board fee saw a fee increase of 3% from September which seems reasonable given there has been no increase since 2019. All directors except the two new ones meet the "skin in the game" shareholding targets. Tracey Fellows has 2,513 shares (roughly $100k) in the three months she has been on the Board.

Rationale for Voting Intentions

Item 2a: To re-elect Mr Scott Perkins as a director. (For)

Scott joined the board in September 2014. He became chair in October 2022. He is an experienced public company director and has extensive Australian and international experience as a leading corporate advisor on strategy, mergers and acquisitions and capital markets matters. More detail can be found in the notice of meeting (NOM) and annual report (AR) page 68.

According to the board he has provided thought leadership and fostered a supportive and constructively challenging relationship with Group management.

He is also Chair of Origin Energy and a director of Brambles. We consider this a full workload but appreciate that these other roles bring insights into the business. Origin is currently under a takeover offer.

Scott has a shareholding of 45,973, well beyond his requirement.

Item 2b: To elect Ms Tracey Fellows as a director. (For)

Appointed in March 2023.Her expertise is in global technology and digital media having been CEO of News Corp digital real estate REA, and Microsoft Australia. She has extensive experience in technology, strategy, transformation and digital and member platforms.

These skills are highly sought after and will be welcome. More details can be found in the Annual report on page 70

Tracey is currently a director of REA Group and Hemnet Group AB. She is a Member of the People, Sustainability and Nominations Committees

Tracey has 2,706 shares.

Item 2c: To elect Mr Warwick Bray as a director. (For)

Appointed in March 2023. Warwick brings extensive telecommunication, technology and media experience and finance and strategy expertise. He is a former CFO of Telstra. More details can be seen on page 70 of the Annual Report.

"The Board considers Mr Bray's extensive expertise, including finance, digital and customer platforms, information technology and product transformation, will enable him to make valuable contributions to the Board."

He is Chair of Audit and Risk and member of the Risk and Nominations committees.

He is currently a director of Spark NZ.

He does not have a shareholding as yet.

Item 3. To adopt the Remuneration Report for the financial year ended 25 June 2023. **(for)**

While we are concerned with the quantum of remuneration and the other issues described above, ASA will not vote against the Remuneration Report.

Item 4. **Managing Director and Chief Executive Officer F24 Long Term Incentive Grant (for)**

Shareholder approval is sought for the proposed F24 grant to Mr Banducci of 111,199 performance share rights. This is the maximum number of performance share rights that will be granted to Mr Banducci, and represents the LTI component of his F24 remuneration package. This approval provides the board with flexibility of issuing share rights if needed. The CEOs maximum is calculated as 170% of his FR of $2.6M at a grant price of $39.7484 based on the VWAP at the start of the performance period. The actual value of his LTI will depend on the amount vested and the share price at the time of vesting.

Item 5. Approve approach to termination benefits for three years (for)

Approval is sought to approve the boards approach to termination benefits and entitlements. The boards termination position is well described in the Notice of Meeting and gives sound reasons for allowing board discretion. This 3-year approval allows the board to use discretion over this period.

Resolution 6. Approve Non-executive Directors' Equity Plans (for)

This plan allows greater flexibility for Australian non-executive directors (NEDs) to acquire equity in Woolworths Group by buying shares instead of being paid directors' fees. There is also a tax deferral benefit The Group subsequently extended this to a US NED Plan in a manner that complies with both US and Australian rules for directors' fees tax deferral.

ASA supports this resolution as it provides an opportunity for minimum shareholding requirements to be bought outside the trading restrictions placed on directors.

Appendix 1
Remuneration framework detail

CEO rem. Framework for FY23	Target* $m	% of Total	Max. Opportunity $m	% of Total
Fixed Remuneration	2.600	33%	2.600	24%
STI - Cash	1.300	17%	1.950	18%
STI - Equity	1.300	17%	1.950	18%
LTI	2.600	33%	4.420	40%
Total	7.800	100%	10.920	100%

The amounts in the table above are the amounts that are envisaged in the design of the remuneration plan. *Target remuneration is sometimes called budgeted remuneration and is what the company expects to award the CEO in an ordinary year, with deferred amounts subject to hurdles in subsequent years before vesting.

REMUNERATION

Remuneration policy is well described in the FY23 Annual Report from pg 76.

For each KMP they show the value of their shareholding against the Minimum Shareholding Requirement (MSR). All KMP satisfy the MSR.

The total fixed remuneration (TFR) for Ms Bardwell, and Ms Davis saw further increase of 2.3% to $1.1M and 2.5% for Mr Harrison to $1.01M.

STI is awarded 50% in cash and 50% in equity deferred for two years. Award is based on 5 factors – Sales 20%, EBIT 20%, Working Capital Days 20%, Customer Satisfaction 20% and Safety 20% with a payment of 150% of TFR if all factors achieve the “stretch” level.

The new safety measure which places more emphasis on the severity of incidents, and more information for the board, we were told was working well. We have concerns.

LTI is based 40% on relative TSR, 40% on return on funds employed (ROFE) and 20% on a Reputation measure. This reputation measure is generated by RepTrak, a firm that measures companies ' reputations globally. This was introduced in F22 and will see its first outcome in F24.

Pay-out for LTI was based on the FY21-23 plan used Sale per Square Metre as the third factor. Relative TSR 36th percentile was below entry. Sales per Square Metre and ROFE were achieved above target. The pay-out in performance rights was 49.9% of the maximum.