

WOOLWORTHS GOOD BUSINESS JOURNEY



THIS PAPER IS MADE WITH 90% **SUGAR CANE WASTE** SOURCED FROM PREVIOUSLY **DISADVANTAGED LOCAL SUPPLIERS**, AND 10% WOOD FIBRE FROM **SUSTAINABLE FORESTS**. IT SUPPORTS OUR GOOD BUSINESS JOURNEY GOALS OF **PROTECTING THE ENVIRONMENT** AND **EMPOWERING OUR PEOPLE**.

THE GOOD BUSINESS JOURNEY

OUR PLAN TO MAKE A DIFFERENCE IN OUR COMMUNITIES, OUR COUNTRY AND OUR WORLD

“SUSTAINABLE GROWTH CAN ONLY BE **ACHIEVED THROUGH PAYING GREATER ATTENTION TO THE WORLD** AROUND US. THE LINKS BETWEEN **ECONOMIC GROWTH, TRANSFORMATION, POVERTY ALLEVIATION, THE ENVIRONMENT AND CLIMATE CHANGE** CAN EITHER FORM A VICIOUS OR A VIRTUOUS CIRCLE. WOOLWORTHS ‘**GOOD BUSINESS JOURNEY**’ MARKS A STEP CHANGE IN THE WAY WE OPERATE, ENSURING THAT WE **DRIVE THAT VIRTUOUS CIRCLE** THAT WILL BENEFIT ALL OF OUR STAKEHOLDERS.”

Simon Susman, CEO, Woolworths.



These days, the word ‘sustainability’ is part of our everyday speech. We talk about sustainable fibres, sustainable ecosystems, sustainable businesses. But just a few years ago, the idea of a big business announcing its commitment to sustainability was nothing short of revolutionary. Yet that’s exactly what happened in April 2007, when CEO, Simon Susman, announced that Woolworths had embarked on a journey towards sustainability. We call it our Good business journey.

In brief, our Good business journey is our comprehensive plan to make a difference in four key areas: transformation, social development, the environment and climate change; all challenges facing not only South Africa, but also the world at large.

Why a journey? Because real change is not achieved overnight – it happens one step at a time.

And while transformation, social development and the environment have been deep at the heart of our business from the very beginning back in 1931, it was the realisation that to achieve real change we would have to fundamentally alter our approach to business that led to the start of a journey that we believe will not only take us forward into the future, but help shape a better future for our children and our children’s children.

It is not a journey we have undertaken alone. We have invited and encouraged

our suppliers, business partners, NGOs and our customers to join us, and are heartened by the willingness and enthusiasm so many of them have shown. The best journeys are those where the experience is shared.

Initially we set goals for ourselves which we believed we could achieve within five years. As we suspected, some are proving easier than others. And like so many journeys, we’ve found ourselves taking unexpected side trips and occasional detours. We’ve learned from all of them, and are pleased with the progress we’ve made to date towards the goals we set for 2012.

We are proud of some of our achievements and the milestones we’ve reached: our Farming for the Future initiative, our reduction in energy usage, our involvement in driving South Africa’s first commercial organic cotton crop, our continuing commitment to making food security a reality for all South Africans, our growing number of enterprise development projects, our commitment to water neutrality, our pioneering work in CO₂ refrigeration, and the expansion of some of our educational initiatives, to name but a few. In these pages, we take a closer look at some of them.

The year 2012, of course, is not our final destination; it is merely a marker along the way. The journey will continue for many years to come. We invite you to come along with us and play your own role in ensuring a brighter future – not only for South Africa, but for all the world.



For more information on Woolworths Good business journey programme please see www.woolworthsholdings.co.za

RECYCLING PROGRAMME

REDUCING OUR COUNTRY'S 'WASTE' LINE



South Africa produces about 40 million tons of waste every year. More than a third of it – 15 million tons – is domestic waste. Of this 95% – enough to cover about 16 rugby fields in piles of waste one metre high – ends up in the country's 1 200 or so landfill sites. Talk about a load of garbage.

The fact is, quite a lot of what we throw away – paper, cardboard, plastic, cans and glass – can be recycled, and Woolworths is committed to using recycled materials where we can and recycling our own waste, as well as providing facilities to help our customers recycle theirs.

We've set some pretty tough goals for ourselves for 2012 in order to help, including reducing clothing packaging by more than a third and food packaging by 20%. We're also using recycled and recyclable materials in packaging where possible, and are proud to say that the packaging of almost a quarter of the product lines in our foodmarket currently contain recycled materials, and over 80% of our food lines have recycling symbols on the packaging to help customers identify what they can recycle.

There are probably more recycled materials in our stores than you might realise. Our plastic hangers, for instance, contain up to 50% recycled materials, and are themselves refurbished and reused over and over again. Hangers that can no longer be repaired or refurbished are broken down and the metal and plastic sent for recycling into other products. None of it ends up in landfill. Over 30% of our in-store signage is made from recycled materials, and our entire fleet of trolleys and baskets contains recycled materials. In our new stores, we're even using shelving made from 90% recycled paper and 10% bagasse from sugar cane.

We're also making good progress towards our target of zero waste to landfill from our distribution operations. We've practically eliminated cardboard waste in food operations by using reusable, recyclable plastic trays to transport products to our foodmarkets. Even our head office is making a contribution to reducing waste by using recycling bins instead of wastepaper baskets.

Plastic bags remain one of the biggest challenges to the environment, and we're committed to reducing plastic bag usage by customers by offering a wide range of reusable shopping bags. We've sold nearly a million of them in the last year.

We're also committed to introducing a nationwide programme to encourage customers to recycle. In October 2009, together with Engen and Nampak, we began trialling recycling facilities at some Engen service stations in the Cape Town area. Over 110 tons of recyclable materials were collected from the eight pilot sites in the first nine months. We're now planning on installing recycling facilities at an additional 50 Engen stations around the country and have begun trialling recycling units at some of our own food stand-alone stores.



EDUCATION

MAKING A DIFFERENCE TO SOUTH AFRICA'S CHILDREN



It may be something of a cliché to say that our children are our future, but with nearly a third of South Africa's population under the age of 15, ensuring that they have the opportunity to develop their potential is undoubtedly one of the major challenges confronting our country today. Through our corporate social investment programme we are working together with our partners, our customers, schools and educators to improve the lives of thousands of South Africa's children daily.

Hungry for knowledge or just hungry? Sadly, too many of South Africa's children go to school hungry or go to bed hungry far too often, and food security remains one of the most important issues to be addressed in our country today.

Through EduPlant, the flagship initiative of the Woolworths Trust, we're helping disadvantaged schools and communities gain the skills they need to grow their own healthy, nutritious food in harmony with nature. Now in its 16th year, this outreach programme, founded and co-ordinated by Food and Trees for Africa, helps them create sustainable, food-rich gardens by teaching them how to apply the simple techniques of permaculture, including recycling, water harvesting and energy-saving, to grow vegetables, fruit, herbs and medicinal plants.

In March and April every year, more than 70 EduPlant workshops are held throughout South Africa to provide knowledge and resources to educator volunteers so that they can help their schools create green, food-rich school environments that are conducive to learning. During the year,

permaculture experts travel around the country, visiting schools to see how their gardens are doing, offering advice and delivering resources.

The year culminates in an annual EduPlant competition that all participating schools are encouraged to enter. Cash prizes and gardening resources are awarded to the winning schools to help them maintain and grow their permaculture gardens, assist their communities and build their futures.

Giving on behalf of our customers. For most South African schools, a lack of resources and a shortage of funds are everyday realities. The MySchool fundraising programme was established to help overcome these challenges, enhance teaching, facilitate learning, and enrich the school experience.

The original idea behind MySchool is quite simple: parents, friends and relatives sign up as supporters. It costs them nothing. Then, when they shop at MySchool partner retailers, the retailer contributes a percentage of the value of their purchase to their specific school. Today, more than 10 000 schools – many of them in poor areas – are benefiting from the programme, and Woolworths, which encourages all cardholders to become supporters, is the primary contributor, donating over R1.5 million every month on behalf of our customers.

In fact, MySchool has become so successful that the programme has been extended to include MyVillage, which supports charities, and MyPlanet, which helps fund animal welfare and environmental organisations. It's all about giving back.

SURPLUS FOOD AND CLOTHING BANK

HELPING OUR LOCAL COMMUNITIES



Something interesting happens at every Woolies store every night around closing time. Staff in the Foodmarket go through all the products on all the shelves, fridges and freezers and take off everything that's reached its sell-by date. Everything. Even though it's still perfectly fine.

Later, some of it will be offered to staff at a discount. Most of it will be donated to local shelters and charities to help feed needy children and families.

It's been happening every night for decades. In fact, every year Woolworths gives away millions of rands worth of perfectly good surplus food that's reached its

'sell by' date but not its 'use by' or 'best before' date.

But it's not just food that goes to worthy causes. Much of our surplus clothing, too, goes to charity. During our 2010 financial year, some R283 million worth of goods was donated to needy charities – that's cost to company, by the way, not the retail price of the items.

In 2010, some R5 million of our surplus clothing went to one particular enterprise that's found an innovative way to use it to make a real difference in the lives of impoverished women. The Clothing Bank not only gives some of the clothing we donate to non-profit organisations, welfare institutions and government

services to distribute to the needy – it's also using it to empower unemployed single mothers so they can build better lives for themselves and their children.

Established in Cape Town in 2009 by two accomplished businesswomen, Tracey Gilmore and Tracey Chambers, The Clothing Bank has created a seamless supply chain between South Africa's retail clothing industry and disadvantaged communities. Excess production is normal in a retail clothing industry; in South Africa the value of the annual clothing excess is estimated to be between R200 million and R900 million. Thanks to the innovative thinking of these two social entrepreneurs, these excesses are being put to good use – not only through clothing donations,

but as part of a training and enterprise development programme for local women.

The women – all previously unemployed South African single mothers – purchase clothes at a fraction of their value and sell them in their communities. They also work at The Clothing Bank, gaining valuable skills and work experience. At the end of the 12-month programme, they're equipped with the knowledge and skills to either start their own small businesses or look for work in the formal sector.

We're pleased to know that some of our surplus clothing is not only helping relieve immediate needs, but also helping to break the cycle of poverty.

ENTERPRISE DEVELOPMENT

GROWING A COMMUNITY'S FUTURE



If you asked them where rooibos tea comes from, it's a safe bet that nine out of 10 South Africans would tell you it comes from the Cederberg. And until recently, they would have been absolutely correct. But thanks to some out-of-the-box thinking by a South African entrepreneur, generous funding from the UK based Shell Foundation, and the support of Woolworths, that's now changed.

It all started back in 2001, when a serious drought affected rooibos production in the Cederberg, and Dawie de Villiers, managing director of Cape Natural Tea Products, went in search of an alternative source. He believed he found what he was looking for near Elim, in the Strandveld area of the Overberg region near Cape Agulhas.

Encouraged by an initial, small-scale trial, extensive research was undertaken into the viability of growing rooibos commercially in the area while preserving its wealth of indigenous flora. A study showed that, in fact, rooibos production would have less impact relative to other farming activities, and also suggested ways in which rooibos farming could restore biodiversity in areas already impacted by alien vegetation.

Once De Villiers had proof that his plan could work, he began engaging with the local Elim farmers. Lionel October, a 31-year-old, third generation farmer, was one of the first to join him, and together they formed the Strandveld Tea Farmers Association. Today, it has 10 members, all previously disadvantaged, small-scale farmers.

They started small, planting only 10 hectares in 2006, expanding to 20 the following year, then doubling that again the year after. In just four years their hard work – with assistance in terms of investment and technical expertise – has paid off, as the project produces export-quality rooibos while creating job opportunities and generating revenue for the people of Elim, who until recently relied on subsistence farming and the thatching trade to earn an uncertain income.

It's also benefiting the environment, as the farmers remove dense alien bush when planting rooibos. It turns out that rooibos inhibits re-growth of the aliens, but not the indigenous fynbos. In order to protect the fynbos, planting, weeding and harvesting of the rooibos crop is done by hand.

Woolworths is proud to be packaging and selling Strandveld rooibos tea in our stores. It's just one of the numerous enterprise development projects we're involved with. We're passionate about socio-economic transformation in South Africa and about supporting small, local community-based enterprises like the Strandveld Tea Farmers Association, Ubuntu Linen at The Craggs near Plettenberg Bay, Mokodeni Pottery in Limpopo, and Isikhwama, near Cape Town, which produces many of our reusable shopping bags. It's all about helping previously disadvantaged communities build economically sustainable futures for themselves.



ENERGY EFFICIENCY DRIVE

PUTTING OUR ENERGY TO GOOD USE

It's 10:43 pm and most of the lights in Woolworths stores around the country have been switched off. Many of them automatically. It's just one of the ways Woolworths is working to cut electricity consumption and shrink our carbon footprint.

Climate change is one of the major challenges facing the world today. At Woolworths, we believe that all of us have a responsibility to do what we can – which is why we've made addressing climate change one of the four main pillars of our Good business journey, and that's why we've made a commitment to reduce our relative electricity use and carbon footprint by 30% by 2012.

We're pleased to say that, having reduced our relative electricity usage by 18% to date, we're definitely making progress towards that goal, and are proud to have been recognised for our efforts in addressing climate change by having been named the winner in the retail category of the inaugural Climate Change Leadership Awards.

Our commitment to reducing our energy consumption and our carbon footprint has also led us to implement new systems and to discover some exciting new technologies.

For instance, we're now able to remotely monitor the electricity use in all our

stores, depots and offices to ensure that lighting and air conditioning are managed in the most energy-efficient way. We've changed to energy efficient light fixtures in all our stores and installed automated lighting systems in some 140 stores so that lights switch off automatically after hours.

We're also trialling two new developments in refrigeration technology. The first of these uses a natural gas – CO₂ – in place of synthetic gas for store refrigeration. Not only does CO₂ (the same gas used to make carbonated beverages) have virtually no impact on the ozone layer and a greatly reduced impact on global warming, it also uses less energy. The

second trial involves using liquid nitrogen in our refrigerated trucks to maintain our cold chain during transport. It's not only more environmentally friendly, but also quieter, which is a good thing when we're delivering to stores before dawn.

Along with our own energy reduction activities, we're also engaging with suppliers, staff and customers to help raise awareness of the risks of climate change and the need to use energy responsibly. Our energy-saving mascot, Sparky, who made his first appearance in 2010, will be popping into stores around the country to spread the word.



WATER NEUTRALITY

GETTING THE DROP ON WATER SAVINGS



South Africa is blessed with bountiful natural resources, but unfortunately, water isn't one of them. Ours is a semi-arid country with very limited fresh water resources. And not only are those resources already under stress, but the quality of our water is also increasingly being threatened by both industrial development and agriculture. In fact, if we continue to use our water resources as we have in the past, within just a few years there's a very real possibility that we'll turn the tap and nothing will happen.

While you might think that industry or our growing population use the most water, it turns out that agriculture is the single largest consumer of fresh water in South Africa. As a major supplier of fresh produce and other agricultural products,

Woolworths is actively working to conserve this precious natural resource.

One of the ways we're doing this is through our Farming for the Future initiative. All the farmers who grow produce for us (with the exception of our organically certified producers, who already comply with even stricter regulations) have begun implementing these new methods of farming, which include irrigating only if and when crops need additional water rather than irrigating as a matter of course. We're pleased to see that initial results show significant water savings. In addition, as chemical interventions such as fertilisers, pesticides and herbicides are only applied when required, there's less chemical run-off entering the fresh water system.

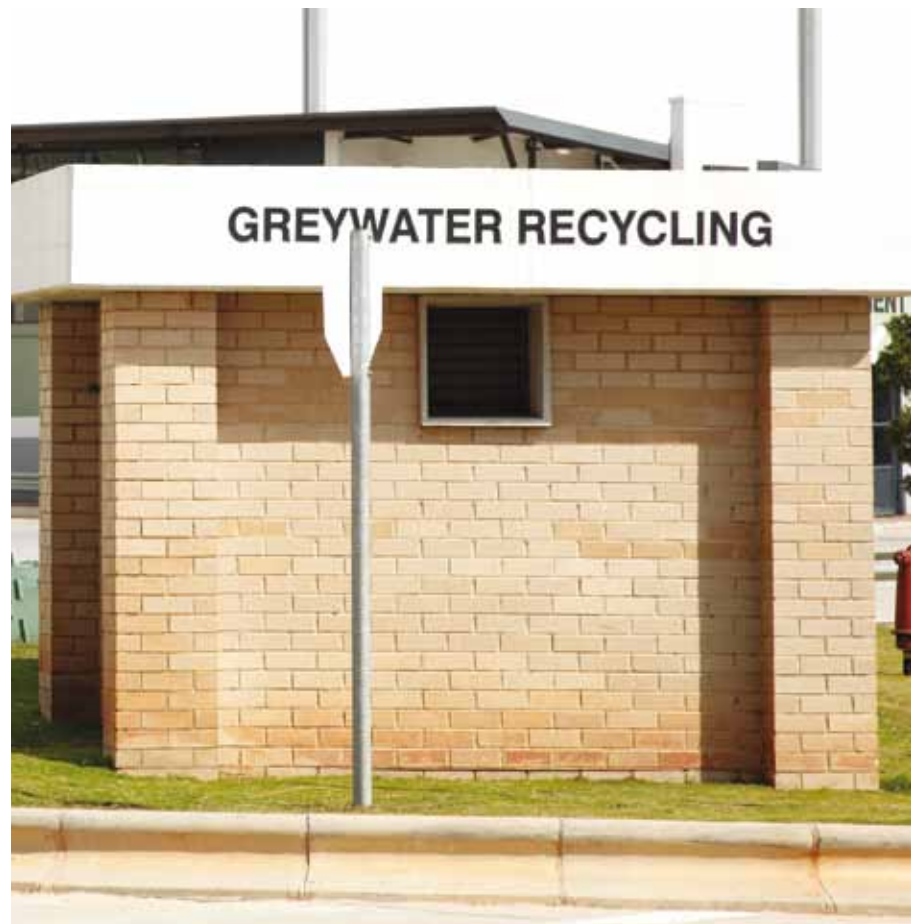
We're also working with various national and international organisations on a number of different water issues and are committed to helping our suppliers, our staff and our customers understand the very real need to conserve water and use it wisely. Our stores and offices are also doing their part: head office water consumption has dropped by 24% since 2008 and our stores are showing a 27% decrease in relative water usage against our 2008 benchmark.

Woolworths is the only retailer that's part of the Worldwide Fund for Nature (WWF) Water Neutral Scheme. Being water neutral means balancing our own water usage through projects that increase supplies of clean, fresh water into the environment. We're doing so by helping to remove water-hungry invasive alien vegetation

in the Tankwa-Karoo National Park. Invasive alien plants use over 7% of South Africa's already scarce water resources.

In addition to reducing the impact of invasive alien plants on our water supplies, the Water Neutral Scheme also improves the productive potential of land and restores biodiversity, while also creating employment and fostering economic empowerment in rural communities.

We're also trialling some promising water-saving ideas in some of our new stores, including planting water-sparing indigenous shrubs and ground covers, and even harvesting and storing rain water. We'd like to think we're making a difference so future generations will still be able to enjoy sparkling clean, fresh water.





FARMING FOR THE FUTURE

GROWING FOOD WISELY TODAY SO THERE WILL BE SUFFICIENT FOOD IN THE FUTURE

As any farmer will tell you, it takes good soil to produce good food. The problem with current conventional farming methods is that they extract minerals and nutrients from the soil so that, over time, more and more fertilisers are needed, and even with additional expensive inputs, the volume of crops decrease; in other words, it takes more to produce less.

The challenge: Find a way to turn the situation around and do the opposite – produce more using less, while preserving quality and without adding to the cost.

It took time and research, but we are proud to say that, together with our farmers, we are pioneering a new method of farming that is allowing us to grow food sustainably and in harmony with nature so that South Africa's farms will be able to grow enough food for future generations.

We call it Farming for the Future.

In a nutshell, Farming for the Future is a holistic approach that manages the entire farming process systematically, and interventions – such as irrigation or the application of fertiliser – are based on actual measurement, not on 'gut feel' or past experience.

As you might have guessed, it all starts with building and maintaining the soil.

Healthy soil is better able to retain water, so it needs less irrigation and water use is reduced. It also needs fewer chemical interventions, which means farmers only use synthetic fertilisers or herbicides when needed. Farmers also use integrated pest management principles in order to reduce reliance on chemical pesticides and herbicides and encourage biodiversity. Fewer chemicals mean less chemical run-off, which, along with less soil erosion and loss of top soil, helps maintain water quality.

Using fewer chemicals and pesticides also contributes to maintaining and encouraging biodiversity, both in and above the soil. This is particularly important in South Africa, which is the third most biodiverse country on the planet. Farming for the Future encourages biodiversity not only because a healthy field is a complex ecosystem, but also because, since soil is not depleted, there is less need to continually clear new land for farming.

We're very pleased to say that it's working. Some of our farmers have been using these methods for more than five years, and have seen the benefits. Others are busy implementing them. By 2012, all our locally grown produce – other than organically certified (which we continue to support) – will be grown using these methods.

Like us, our farmers realise that Farming for the Future is better for the soil, better for our precious water sources, better for South Africa's unique wildlife. And, above all, for the future.

