

24 November 2011

The Manager Companies
Australian Securities Exchange Limited
Company Announcements Office
Level 4 20 Bridge Street
SYDNEY NSW 2000

Dear Sir/Madam

RE: Woolworths Limited –Shareholder Questions

Attached is a copy of the Questions received from shareholders prior to the 2011 Woolworths Limited Annual General Meeting being held today.

**For and on behalf of
WOOLWORTHS LIMITED**



PETER J HORTON
Group General Counsel and Company Secretary

Shareholder Questions Received Prior to the 2011 AGM

Executive Remuneration

This year we received a larger than average number of questions pertaining to executive remuneration. The majority of these were very general in nature.

Given the heightened public awareness I do want to put Woolworths' remuneration policies into context for you.

Woolworths' remuneration, both fixed and variable is set by the People Policy Committee and is intended to strike an appropriate balance between rewarding people, retaining people and reflecting their experience.

Aside from very occasional exceptions, retail is not a sector known for its high salaries. It is a 24/7 business where people, regardless of their rank in the organisation, are extremely performance driven and work exceptionally hard.

Even amongst other retailers Woolworths' KMP total disclosed remuneration level as a percentage of sales is the lowest - just 0.04% of sales and 0.58% of EBIT.

CEO remuneration is set by the board and is consistently lower than that of other ASX top 20 companies. The remuneration package of Grant O'Brien will this year be substantially less than Michael Luscombe's last year. His total remuneration has been set at 70% of Mr. Luscombe's remuneration and includes a 30% reduction in short term incentive opportunity.

In addition, when compared to last financial year, the remuneration for key management personnel (KMP) has declined by 17% reflecting the challenging hurdles that we have put in place.

The design of variable pay programs at Woolworths ensures that executives can only maximise any rewards when they have delivered results that add shareholder value. This has been a consistent feature of Woolworths' past success and the application of appropriate remuneration and rewards will be a cornerstone of our future success.

At Woolworths we have had, and continue to set challenging targets for both short and long term incentives. Our short term incentive plans have been successful in driving results. Sales, profit, earning per share and dividends continue to increase year on year whilst our short term incentives have been reducing. This reflects the rigorous targets we set for our people to deliver results. We set a high bar. In addition for the current year we have introduced an EBIT gateway to act as a qualifier before anything is payable. Between FY09 and FY11 STIP payments as a percentage of EBIT have declined from 6.1% to 4.6% despite Woolworths increasing profit every year.

Up to 50% of senior executive pay is performance based and the short term incentive plan uses a range of financial and non-financial measures. This ensures the company does not pay large bonuses simply for delivering a strong sales performance at the expense of cost management.

The commercial reality is that we face a challenging operating environment and need to have all executives focussed on maximising value for the next few years. We have therefore retained and extended our long term incentive program to a 5 year program with demanding hurdles.

To ensure engagement and retention of our key executives we have introduced LTIP 3 which focuses on the medium term delivery of value for shareholders and also provides a strong retention mechanism for our key people.

The chart now displayed clearly shows the degree to which short term incentives have diverged from our EBIT and sales performance.

Sourcing Australian Products

The question about Woolworths' policies towards Australian sourced products was a very popular theme last year and was raised again this year.

We do appreciate the fact that there is a proportion of customers who do seek out Australian made products and for our private label products, we do positively discriminate in favour of Australian suppliers. Many of our private label products are Australian made and 97% of our fresh food is grown, farmed or manufactured within Australia. In fact Woolworths would probably be the single largest customer of Australian made food and we certainly intend to maintain that.

Where we do have to source product overseas it is usually because we simply cannot find a local supplier to tender for the contract. Sometimes there is a very significant cost difference that would make our product uncompetitive. These are all issues that we need to balance.

Gaming

Once again, we received shareholder comments about the operation of gaming machines in hotels owned by ALH, although I should note, far fewer than we have in previous years. There is available in the foyer an information flyer detailing ALH's commitment to responsible gaming practices. I would encourage you to read this and see the extent to which the company is pursuing a leadership position in the industry.

Poker machines are a legitimate and widely enjoyed form of adult social entertainment, especially in the hotels and clubs business. Many people play these machines in a responsible fashion, and in a totally recreational environment.

Woolworths Limited's interest in the hotel sector began in 2000 and originated from the different State and Territory liquor licensing laws which preclude us from opening retail liquor stores in Queensland without a hotel licence.

As a source of business diversification, hotels offered our shareholders a new revenue stream and further extended our capacity to cater to Australian customers who, for the most part, enjoy visiting hotels as a social activity. The acquisition of the ALH group in 2004 was a key component of this strategy and further built on our investment.

ALH now operates 294 hotels, of which 249 have gaming facilities. To put our operation in some context, ALH accounts for approximately 4% of Australia's pub or club based gaming venues and approximately 6% of Australia's electronic gaming machines.

Many shareholders also appreciate the fact that as a large company, Woolworths brings a great deal of integrity and operational responsibility to gaming, which of course, is already a highly regulated activity. Over and above the various regulations, ALH has a Hotel and Gaming charter, several staff and customer facing awareness programs, and has been active in Government committees examining effective pre-commitment options.

ALH is supportive of poker machine reform initiatives that are well-researched, evidence based and provide genuine solutions to assist problem gamblers. Mandatory pre-commitment, however is likely to impact recreational players, by erecting barriers to participation, while at the same time there is no evidence that it will be effective in actually reducing the incidence of problem gambling. Good policy needs to be informed and supported by robust, scientifically-based evidence.

ALH instead supports voluntary pre-commitment - a system that helps players stick to their limit by nominating spending or time limits on gaming machines. We already undertake several problem gambling initiatives ourselves and are committed to providing responsible gambling in our venues. ALH is currently trialling voluntary card based pre-commitment at their Oxford 152 Hotel in Queensland.

Since Woolworths acquired ALH in 2004, our shareholder base has increased by 40%. Whilst we acknowledge and accept that some people have a personal objection to gaming machines, we maintain our position as that of a responsible operator of a legitimate business and the majority of our shareholders agree with that approach.

Self Serve Checkouts

A number of shareholders also commented on the prevalence of self-service checkouts in our stores. Whilst I do understand that new technology can be challenging, the introduction of self-service checkouts is vastly improving our ability to manage queuing and reduce the time it takes for customers to proceed through the registers.

The majority of customers actually love using them because they feel they have more control over their shopping experience. In some of our stores, they account for up to 70% of the transactions with customers opting to use them over traditional checkouts. They enable us to manage our rostering more effectively and redirect labour hours back onto the shop floor. Contrary to popular myth, they are not a means of cutting staff.