

Supermarket Pricing Select Committee
ANSWERS TO QUESTIONS ON NOTICE
Woolworths Group
Submitted - 19 May 2024

Question 1:

What is the dollar value of Woolworths' sales that can be attributed to the CEO's severance package ('shopping trolley contribution')?

The CEO's exit arrangements are a matter for the Board and will be disclosed in the F24 Annual Report.

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Question 2:

How many of the 350 horticulture businesses Woolworths deals with are ‘aggregators’?

We source fresh produce from approximately 350 suppliers, with approximately 70% of our volume being sourced from businesses that both grow and aggregate supply from others.

Approximately 25% of volume comes from businesses that focus on growing their own produce at scale. The remaining volume is sourced from terminal market agents.

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Question 3:

Does Woolworths receive results of audits of aggregator's compliance with the Horticulture Code of Conduct? What does it do with this information if received?

We expect all our suppliers to conduct their operations within the bounds of what is legal and required under regulations.

The ACCC monitors the Horticultural Code and conducts compliance checks.

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Question 4:

What is the value and year on year increase of Woolworths' 'click and collect' and home delivery sales (ecommerce sales)? Please provide data for FY19 to present.

The below table sets out our reported eCommerce sales for the Australian Food business for FY19-F23. We have provided a breakdown of the reported pick-up ('click and collect') sales as a percentage for FY20-FY23, however this breakdown is not available for FY19.

Australian Food					
\$m	F23	F22	F21	F20	F19*
Reported eCom sales	\$5,079	\$4,937	\$3,523	\$2,017	\$1,410
* Normalised results and growth reflect adjustments in F19 to remove the impact of the 53rd week in F19					
Reported Pick up mix (% of online sales)	Q4	Q3	Q2	Q1	
F23	39.4%	38.6%	37.4%	36.3%	
F22	37.7%	38.1%	39.2%	38.5%	
F21	37.5%	35.7%	33.1%	32.1%	
F20	25.1%	32.0%	36.7%	35.3%	
F19	NA	NA	NA	NA	
Source: Woolworths Group Profit Announcements F19 - F23					

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Question 5:

How many sites (land parcels) does Woolworths own that are yet to be developed?

Our focus is on growth corridors and servicing the needs of communities in those areas.

We own 16 sites that are intended for future supermarket development in Queensland, some of which are under construction.

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Question 6:

What is the length of time between purchasing a ‘greenfield site’ and commencing development applications?

Developing new stores is a lengthy and complex process and the timeframes from purchasing a site to developing the store vary from site to site.

The challenges and uncertain timeframes in developing property, particularly throughout the planning stages, can result in holding property for long periods of time.

We note the Productivity Commission in 2021 found planning systems across Australia were challenging to navigate, impacting economic outcomes and productivity, and that there were delays in development assessment processes¹.

Specific steps involved in greenfield sites include:

- identifying catchments where population growth is expected or where Woolworths is not currently well represented;
- reviewing locations within those catchments for suitability, with reference to local planning policies;
- exploring steps required to buy the property, for example by either engaging with a landowner, or participating in an on-market sales process;
- purchasing multiple adjoining sites if required to create enough space for a supermarket, which can take a number of years;
- engaging with local communities and stakeholders to hear their feedback on our plans as we move through council and state planning processes;
- the development assessment process, which in our experience, can take on average five to seven years to complete, and sometimes longer;
- ensuring relevant population and infrastructure needs are met for the store to operate;
- commencing the construction process, which can take between 18 months to three years, depending on the scale and location of the site, including pre-construction phases of design and tendering for a builder.

Around one third of our stores and other facilities are developed by our Woolworths Property team, while the balance is delivered by external developers (and leased to Woolworths).

¹ ‘Plan to Identify Planning and Zoning Reforms’, Productivity Commission, 9 March 2021: <https://www.pc.gov.au/research/completed/planning-zoning-reforms>

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Question 7:

What are the fees associated with attaining the ‘Woolworths Quality Assurance Standard’ and other preferred supplier statuses?

The ‘Woolworths Quality Assurance Standard’ program no longer exists and has been superseded by the sector-wide certification scheme, the Harmonised Australian Retailer Produce Scheme (HARPS), which applies to produce suppliers. HARPS was introduced in 2012 to harmonise the food safety and compliance certification requirements for eight Australian fruit and vegetable retailers.

The reference to the ‘Woolworths Quality Assurance Standard’ on our website was outdated and has since been removed. We thank the Committee for drawing this to our attention.

Separately, the Woolworths Supplier Excellence Program applies to our own brand suppliers, excluding produce suppliers.

We do not charge a fee to attain these standards. We also allow multiple options for certification bodies that can conduct audits, to ensure suppliers can find a competitive audit rate.

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Question 8:

Can Woolworths provide the committee any research it possesses that informs promotional campaigns marketed toward young people (e.g. collectables or merchandise)?

When preparing marketing campaigns, including collectables campaigns, we comply with the AANA Children's Advertising Code and Australian Consumer Law to ensure that any marketing or promotional materials or communications that may be seen by children are appropriate.

We are committed to children's health and wellbeing and we invest in a number of programs and initiatives that support healthy eating, as well as broader education.

This includes;

- our Free Fruit for Kids program, where children can pick up a free piece of fruit in all of our stores;
- the removal of kids' confectionery from all checkouts in Australia and New Zealand;
- our Mini Woolies program, a program to support young people with disabilities by creating simulated supermarket experiences in schools and post-school providers;
- our partnerships with Netball Australia, Cricket Australia and Surfing Australia to support grassroots sports to encourage kids to live a healthier, active lifestyle;
- our Fresh Food Kids Discovery Tours program, where we provide free curriculum aligned digital activities for Early Learning Stage kids and Primary School kids from K-6 on how fruit and vegetables are grown, and in areas such as Science, Health, Geography, English and Maths.

In addition, we donate the equivalent of 7 million meals to Queenslanders through hunger relief programs, some of which go to school breakfast programs, along with a further \$300,000 direct donations from local stores is raised specifically for school breakfast programs across the State.

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Question 9:

Can Woolworths provide the committee comparative data for the cost of energy across its Queensland Stores compared with other states and territories?

As energy prices are highly dynamic and vary between States on the basis of generation source, demand/supply balance, the time of day energy is used, the structure and timing of contracts, it is not possible to provide accurate comparative data across the States where we operate. We note Queensland has significant price variations across the State due to its geography, population spread and number of different suppliers.

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Question 3:

What are Woolworths fresh produce specifications – dimensions, weight, appearance etc (bananas is an example category)?

Our produce specifications exist to ensure the fruit and vegetables going into our stores meet customer expectations for freshness and quality. Our fresh product specifications provide clear guidelines to suppliers in relation to our quality and safety requirements for:

- Grading
- Packaging
- Product Standards, Attributes and Benchmarks
- Physical Quantitative Standards
- Chemical Quantitative Standards.

These specifications address factors such as size, shape, physical attributes, pests, maximum residue limits (MRLs) and microbiological standards.

If meeting the specifications is challenging (e.g. weather impacting yield), we collaborate with individual suppliers to issue a variation as long as it doesn't compromise food safety. For instance, in the case of bananas, we have issued 38 separate variations (Australia-wide) since May 2023, demonstrating our commitment to working with suppliers to meet customer demand.

Recently, Queensland's banana crop was impacted by the weather as a result of cyclones, which affected the outer appearance of bananas. We worked with suppliers to make a variation and accepted supply of bananas, while also including in store messaging to customers indicating the fruit was still suitable for eating and explaining the circumstances.

We also have our Odd Bunch range that offers another opportunity for growers to sell their imperfect fruit and vegetables at least 20 per cent cheaper than our regular range to incentivise customers to look beyond the surface of their produce to help more of it go to good use.

We have no incentive to reject produce - it would likely leave us unable to meet our customer demand. Less than 2% of products are rejected annually.