WOOLWORTHS LIMITED

Risk Management Policy

1. Overriding principles of risk management

Shareholder value is driven by Woolworths Limited ("the Group") taking considered risks. A risk is a threat or opportunity that can occur having an impact on the Group's objectives. Managing risk is an integral part of doing business and the better risk is managed, the more likely it is the Group will achieve or exceed its objectives. Risk management is a process of continual improvement in identifying and managing risks. It is the responsibility of every employee of the Group to appropriately manage risk. The Group places strong emphasis on maintaining a risk-aware culture in decision-making and its operations.

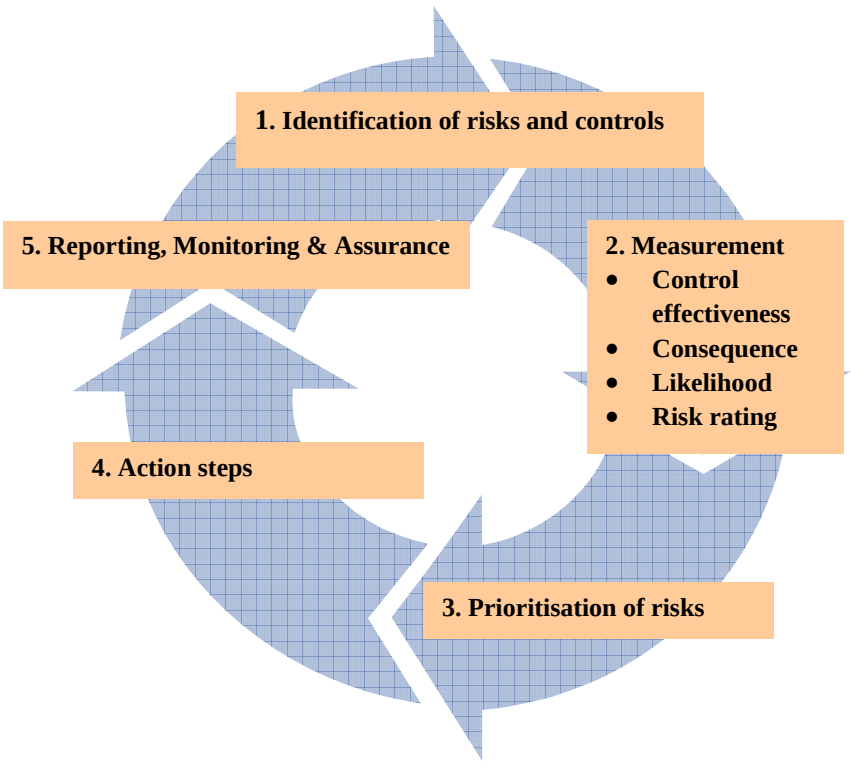
2. Risk management framework

- The Group's policy on, and approach to, risk management has regard to relevant regulations, standards and guidelines. These include the Committee of Sponsoring Organisations of the Treadway Commission paper on *Enterprise Risk Management – Integrated Framework* ("COSO"), the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations* (specifically Principle 7), and the Joint Australian/New Zealand Standard *Risk management* (AS/NZS 4360:2004) – replaced in November 2009 by AS/NZS ISO 31000:2009 *Risk management – Principles and guidelines*.

The risk management framework is applicable to all Woolworth's activities in all jurisdictions and countries in which Woolworths operates.

3. Overall approach to risk management

The Group's approach to risk management is summarised below:



i. Identification

The process used to identify key risks encompasses the following:

- Incorporating risk identification into the annual budgeting and five year strategic planning of the Group, and;
- Utilising a combined top down and bottom up approach seeking key risk identification from:
  - Business units
  - Board
  - Audit, Risk Management and Compliance, Corporate Governance and People Policy Committees ("Board Committees")
  - Executive Leadership Team (ELT)
  - Risk Steering Group and Safety and Health Executive Committee
  - Risk and Safety function
  - Compliance function
  - Independent audit including Business Review Team, external audit, risk engineers and other advisers.

ii. Measurement

A control is any measure taken by the business that reduces the likelihood of an incident occurring, or reduces the potential damage arising from that incident, or increases the speed with which an incident is detected and managed. For opportunity risks, these controls are the measures taken by management to realise the potential opportunity. Controls include measures to ensure adherence to management's directives, policies and procedures.

Management evaluates the controls in place to determine whether they are appropriate and effective, including cost-effective, for the risks identified. Having determined the effectiveness of the controls relating to a risk, the Group uses a risk matrix as a tool to measure (or rate) the residual risk based on consequence and likelihood. The matrix reflects the Board's approved risk tolerance levels.

iii. Prioritisation of risks

Based on those ratings, the material business risks are brought to the attention of the Executive Leadership Team, the Audit, Risk Management and Compliance Committee and other Board Committees where relevant. The material business risks then become the prime areas of focus for those groups in terms of determining whether the level of risk is acceptable, and if not, whether and how the risks should be treated going forward.

iv. Action steps

The business is expected to articulate what activities are being undertaken to reduce the level of the threat risk to an acceptable level, particularly in regard to material business risks, or to enhance the realisation of risks identified as opportunities.

v. Reporting, Monitoring and Assurance

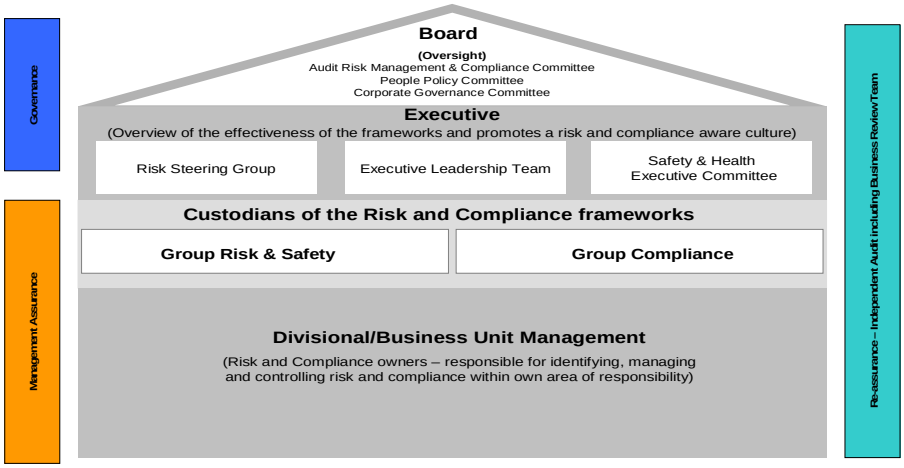
Reporting and monitoring occurs at various levels within the business. This is done based on the various roles and responsibilities articulated below. Monitoring of key risks occurs through the Executive Leadership Team. The Executive Leadership Team is also responsible for formally reviewing the material business risk profile on an annual basis, and for assessing the profile throughout the year in the event that a major event would impact upon the profile. Details of the material business risks are reported to the Audit, Risk Management and Compliance Committee on a regular basis.

Independent audits are conducted regularly on the effectiveness of internal control procedures and mechanisms in place to mitigate adverse risk and maximise opportunities across the Group. The Business Review Team ("internal audit") reports the outcomes of its reviews at each meeting of the Audit, Risk Management and Compliance Committee.

4. Roles and responsibilities

The Board oversees and reviews the effectiveness of risk management in the organisation and is assisted and advised in this role by Board Committees. Management is responsible to the Board for identifying, managing, reporting upon and implementing measures to address risk and compliance and fostering a risk-aware culture. Further, independent audit (both internal and external) and management provides regular assurance and other reports to the Board and its Committees.

The roles and responsibilities for risk management within the Group are summarised in the following diagram.



References and related documents

- COSO *Enterprise Risk Management – Integrated Framework*
- ASX Corporate Governance Council *Corporate Governance Principles and Recommendations*
- Joint Australian/New Zealand Standard *Risk management* (AS/NZS 4360:2004) – replaced in November 2009 by AS/NZS ISO 31000:2009 *Risk management – Principles and guidelines*.

Policy approval

Policy Owner and Contact	Anthony Wilson, General Manager Risk & Safety
ELT Owner	Tom Pockett, Finance Director

Record of issue

Issue no.	Issue Date	Nature of Amendment
2		
1	30 June 2008	First Release