

REMUNERATION REPORT

1 Introduction

At Woolworths, all of our employees play an important role in delivering the Company's financial performance and our remuneration policies have been developed to provide market competitive remuneration in order to sustain Woolworths' competitive advantage and protect the interests of shareholders.

Woolworths recognises that remuneration is an important factor in attracting, motivating and retaining talented employees, in conjunction with other elements of our approach to people management. The Woolworths Academy provides training and development for employees to learn and develop the skills they need to succeed in their current roles and the development opportunities to enable them to reach their full potential. Effective succession planning includes promotion and appointment of employees to new challenges within the business.

Woolworths has an achievement and performance-oriented culture which our remuneration policies drive and support. In recognising the importance of our people to our success, over 40,000 Woolworths' employees hold shares in the Company through participation in various equity based schemes, sharing in the Company's success and aligning their experience with that of other shareholders.

2 Remuneration Policy

Remuneration policy is aligned with both our financial and strategic business objectives and recognises that people are a major contributor to sustained improvements in performance.

Woolworths' remuneration policy for all executives ensures:

- Remuneration is market competitive and designed to attract, motivate and retain key executives;
- Demanding performance measures are applied to both short and long-term "at risk" remuneration;
- Short term performance is linked to both financial and non-financial performance measures; and
- Long term performance is measured through the creation of value for shareholders.

Company protection and employment stability is provided through pre-established employment agreements limiting the amount of termination payments and providing for restrictive covenants on any future employment by competitors.

2.1 Role of the People Policy Committee

The Committee works closely with management to review processes and programmes to ensure the Remuneration Policy is implemented. The Committee also obtains independent external advice on key remuneration issues, as required. The Committee acts on behalf of the Board and shareholders to ensure that in relation to its human resources, the Company:

- Establishes and implements a human resources strategy to ensure that appropriately talented and trained people are available to achieve the Business Strategy;
- Undertakes the appropriate performance management, succession planning and development activities and programmes;
- Provides effective remuneration policies having regard to the creation of value for shareholders and the external remuneration market;
- Provides a safe working environment for all employees;
- Complies with all legal and regulatory requirements and principles of good governance; and
- Reports to shareholders in line with required standards.

Membership of the Committee consists of three independent non-executive Directors. During the financial year, members were Roderick Deane (Chair), James Strong and Alison Watkins. The members' attendance at meetings of the People Policy Committee is set out on page 29.

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3 Executive Remuneration including Executive Directors

3.1 Overview

Woolworths' current remuneration structure is comprised of two components:

- Fixed remuneration which is base salary, superannuation contributions and, where appropriate, the use of a fully maintained motor vehicle; and
- The variable or "at risk" component which is performance based and comprised of a cash based Short Term Incentive Plan (STIP) and a Long Term Incentive Plan (LTIP).

The total remuneration package of all executives is designed to ensure an appropriate mix of fixed remuneration with short and long term incentive opportunities. The relative weighting of fixed and variable components, for target performance, varies with role level and complexity. Generally, the proportion of remuneration "at risk" increases with organisation responsibility and accountability level. Woolworths requires a significant proportion of senior executives' total potential reward to be at risk to reward performance in both the short and long-term. To ensure alignment between Company performance and individual performance, Woolworths aims to position all senior executives' remuneration at:

- The median of the relevant market for fixed remuneration; and
- The third quartile of the relevant market for total remuneration for outstanding performance.

Woolworths targets the mix of fixed and variable remuneration as follows:

	Percentage of total target remuneration		
	Fixed remuneration %	Target short-term incentive (STIP) %	Target long-term incentive (LTIP) %
Direct reports to CEO	40	30	30
Other senior executives	60	20	20

Specific arrangements exist for the CEO which are described in Section 3.5 Executive Service Agreements. These specific arrangements may vary from the general principles outlined in the following sections.

3.1.1 Fixed Remuneration

The amount of base salary is determined by reference to independent research considering the scope and nature of the role and appropriate market rates as well as the executive's individual performance and experience. Base salaries are aligned to the median of the relevant market. Whilst Woolworths conducts annual remuneration reviews, there are no guaranteed remuneration increases contained in Executive Service Agreements. Any increases are determined by individual performance, economic indicators and market data.

3.1.2 Variable "At Risk" Remuneration

Remuneration that is variable and dependent upon performance is delivered through the STIP and the LTIP.

3.1.2.1 Short Term Incentive Plan (STIP)

The STIP has been structured to ensure that payments are closely aligned to business performance and are designed to:

- Deliver Company performance improvements over the prior year;
- Provide rewards subject to the achievement of rigorous performance targets; and
- Align individual objectives to Company and business-specific objectives.

The STIP provides an annual cash incentive that is based on a maximum percentage of the executive's base salary.

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The STIP for the CEO and Finance Director is calculated up to a maximum percentage of fixed remuneration.

STIP is payable upon the achievement of Woolworths' financial Key Result Areas (KRAs), as well as a component for non-financial or individual performance. Generally the components are weighted 70% to financial KRAs and 30% to non-financial or individual performance.

The financial KRAs may be measures such as Sales, Earnings Before Interest and Tax (EBIT), Return on Funds Employed (ROFE) and Cost of Doing Business (CODB). Non-financial measures may include objectives such as reducing staff turnover rates and performance in areas such as safety, shrinkage and food safety compliance ratings. All targets are set at the beginning of the financial year for each business within the Woolworths Group and are designed to deliver improvements on the prior year's results.

There are three levels of targeted performance for each measure:

- Threshold, which is the minimum improvement to last year's results required to qualify for any incentive payment;
- Target, where established performance targets have been achieved; and
- Stretch, where performance targets have been exceeded.

The targets and weightings for each measure are adjusted at the beginning of the financial year to reflect the specific financial objectives of each business within the Woolworths Group for that financial year. This results in each executive having a STIP that is directly linked to their individual annual business objectives.

The People Policy Committee reviews annually the ongoing appropriateness of the STIP including performance measures, weighting of performance measures, performance hurdles, and assessment of performance and reward outcomes.

3.1.2.2 Long Term Incentive Plan (LTIP)

The other variable remuneration component is the Long Term Incentive Plan which is designed to:

- Attract, retain and motivate all executives;
- Align executive rewards to shareholder value creation; and
- Provide rewards that are linked to the Company's strategic, financial and human resources objectives.

Long term incentives have been in place since 1993 and have been provided through various executive option plans. From 1999 through to 2004 long term incentives were provided through the Executive Option Plan (EOP). At the 2004 Annual General Meeting shareholders approved the introduction of the Woolworths Long Term Incentive Plan (LTIP). Both the EOP and the LTIP are described below.

Since 2002 long term incentive awards have been linked to executives entering into Service Agreements that offer the Company protection and provide clarity for executives. In 2003 all Supermarket and BIG W store managers and buyers as well as distribution centre managers became eligible to receive long term incentive awards.

In the event of cessation of employment, both the EOP and the LTIP Rules provide the Board with discretion as to the treatment of unvested long term incentive awards.

Executive Option Plan

The Executive Option Plan (EOP) was approved by shareholders in November 1999 and was last offered with an effective grant date of 1 July 2004. As at 29 June 2008, there were 11,866,100 options issued under this Plan.

Awards have been made under the EOP in five tranches with each tranche subject to performance hurdles established by the People Policy Committee and approved by the Board. Hurdles relate to cumulative EPS growth and to relative TSR.

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The Executive Option Plan has the following features:

- The exercise price is set at the weighted average market price of a Woolworths Limited ordinary share on the five trading days prior to the date approved by the Board as the effective date of options for the purpose of determining the exercise period and performance hurdles;
- An exercise period that commences after five years, subject to performance hurdles being met and with a maximum exercise period of five and a half years (10 years for options issued prior to 2002);
- Upon exercise, each option entitles the option holder to one ordinary fully paid Woolworths Limited share;
- Vesting is subject to two performance hurdles based on cumulative EPS growth and relative TSR measured over the performance period;
- The performance measures, EPS growth and relative TSR, each represent 50% of the options granted;
- EPS, is the non-dilutive EPS which is measured as the net profit of the consolidated entity after outside equity interests divided by the weighted average number of shares on issue (including ordinary shares and dividend reinvestment allotments, but excluding shares held by Woolworths custodian) over the performance period;
- The EPS component vests in four tranches, dependent on attaining average annual growth of either 10% or 11% as follows:

Tranche	Percentage of Options in total grant that may be exercised	Performance hurdle to be achieved for vesting	Exercise period
Tranche 1	12.5%	4 year 10% EPS	Between 5 - 5.5 years from the effective date
Tranche 2	12.5%	4 year 11% EPS	Between 5 - 5.5 years from the effective date
Tranche 3	12.5%	5 year 10% EPS	Between 5 - 5.5 years from the effective date
Tranche 4	12.5%	5 year 11% EPS	Between 5 - 5.5 years from the effective date

- The fifth tranche (50% of options) is linked to relative TSR and measures the growth in the Company's share price plus dividends notionally reinvested in the Company's shares comparative to a peer group, measured over five years from the grant date but averaged for three months to eliminate volatility. This reflects the increase in value delivered to shareholders over the performance period;
- TSR performance is measured against comparator companies comprised of the S&P/ASX 100, excluding companies in the ASX classified as financials and resources and any companies in the comparator group that have merged, had a share reconstruction, been delisted or subject to takeover or takeover offer as at the measurement date;
- TSR performance measurement for the purpose of calculating the number of options to vest is audited by an independent third party; and
- The percentage of the total number of options granted that vest is dependent on Woolworths ranking relative to the performance of the above comparator companies. The following table sets out the TSR vesting schedule:

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Woolworths TSR equals or exceeds the following percentile of the comparator companies	Percentage of options in total grant that vest and may be exercised
60th percentile	12.5%
65th percentile	25.0%
70th percentile	37.5%
75th percentile	50.0%

Woolworths Long Term Incentive Plan

At the 2004 Annual General Meeting, shareholders approved the introduction of a new long term incentive, the Woolworths Long Term Incentive Plan. The Plan has four Sub-Plans, which are described below, that together can provide Options, Performance Rights, Performance Shares or Cash Awards.

This Plan allows the Board flexibility to determine which of the Sub-Plan's awards will be granted to deliver the overall LTIP objectives. Like the previous Executive Option Plan, stringent performance measures are set annually and relate to EPS and TSR hurdles.

Up until the 2008 financial year Options under the Options Sub-Plan have been used to satisfy LTIP grants. For the 2008 financial year, the Board determined that there would be two offers under the LTIP; one made under the Option Sub-Plan with performance hurdles the same as those described for the Executive Option Plan and a separate offer under the Performance Rights Sub-Plan.

The offer of Performance Rights was made to 182 executives, with a service condition as the only performance hurdle. The purpose of this offer was to mitigate retention risks amongst senior executives who have either no options or relatively small options grants scheduled to vest over the next two years.

1 Option Sub-Plan

The Option Sub-Plan delivers a right to the holder of an option to acquire a share at a future date, subject to performance hurdles being met and the payment of an exercise price. As at 29 June 2008, there were 22,371,600 options issued under this plan.

2 Performance Rights Sub-Plan

The Performance Rights Sub-Plan delivers a contractual right to a future grant of a Company share to the right holder at a future date, subject to the performance hurdles being met. Each Performance Right has the following features:

- It can be exercised for no monetary payment; and
- Upon exercise, each Performance Right entitles the right holder to the issue of one ordinary fully paid Woolworths Limited share.

As at 29 June 2008, there were 1,565,000 performance rights issued under this plan.

3 Performance Share Sub-Plan

The Performance Share Sub-Plan provides for a contractual right to an immediate grant of Company shares to participants, entitlement to which is subject to performance hurdles being achieved. Each Performance Share has the following features:

- It can be exercised for no monetary payment; and
- Participants receive dividends or other distributions and entitlements as an ordinary Company shareholder.

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4 Cash Award Sub-Plan

The Cash Award Sub-Plan provides for participants to receive cash based long-term incentives subject to specified performance hurdles being met.

Woolworths Long Term Incentive Plan Renewal

The Woolworths Long Term Incentive Plan was approved by shareholders at the 2004 Annual General Meeting. Shareholder approval of the plan was also obtained under an exception to Australian Securities Exchange (ASX) Listing Rule 7.1 which restricts (in certain circumstances) the issue of new securities in any one year to 15% of issued shares without shareholder approval. The applicable exception is contained in ASX Listing Rule 7.2, exception 9. The effect of shareholder approval under that exception is that any issues of securities under the Plan are treated as having been made with the approval of shareholders for the purpose of Listing Rule 7.1.

Approval under the exception lasts for three years. Accordingly, Woolworths sought and obtained approval at the 2007 Annual General Meeting to refresh that approval for a further three years.

Performance hurdles

The Board is mindful of the need for Woolworths to stay competitive and retain high calibre employees in the retail sector and has determined (in accordance with the Plan rules and as approved at the 2007 AGM) to amend the performance hurdles for grants to be made under the Plan beginning with the 2009 financial year (referred to below as “the 2008 grant” or “the grant”).

The 2008 grant will be made using a combination of the option sub-plan and the performance rights sub-plan with vesting subject to the achievement of EPS growth and relative TSR performance hurdles, each representing 50% of the grant, as described below.

EPS performance hurdle

EPS is the non-dilutive EPS, which is measured as the net profit of the consolidated entity after minority interests divided by the weighted average number of shares on issue (including ordinary shares and dividend reinvestment allotments, but excluding shares held by Woolworths' custodian) over the performance period.

For the 2008 grant, the EPS component partially vests upon Woolworths attaining an average annual growth rate of equal to or greater than 10%. An EPS growth rate of equal to 10% over the performance period will result in 12.5% of the grant vesting, while an EPS growth rate of equal to or greater than 15% over the performance period will result in 50% of the grant vesting.

TSR performance hurdle

The TSR performance hurdle for the 2008 grant requires a minimum TSR at the 51st percentile measured against comparator companies comprised of the S&P/ASX 100 index, excluding any non-comparable companies (such as financial services and resources sector companies, Trusts and any companies in the comparator group that are under takeover or takeover speculation, have merged, had a share reconstruction or been de-listed as at the measurement date). Achieving maximum TSR vesting requires TSR at the 75th percentile.

Vesting, exercise period and expiry period

The 2008 performance hurdles are subject to the vesting scale measured over a four year period from the date of grant but will be subject to early testing on the third anniversary of the date of grant and vesting may occur subject to the performance hurdles outlined above being met.

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If the minimum vesting hurdles are met on the third anniversary of the date of grant for the EPS performance hurdle, then those options and performance rights meeting the vesting hurdle shall vest and any options and performance rights not meeting the vesting hurdle shall be forfeited. If the minimum performance hurdles are met on the third anniversary of the date of the grant for the TSR performance hurdle then those options and performance rights meeting the performance hurdle shall vest and any options and performance rights not meeting the performance hurdle shall be forfeited. If the minimum performance hurdles are not met on the third anniversary for the EPS performance hurdle, those options and performance rights shall remain unvested. If the minimum performance hurdles are not met on the third anniversary for the TSR performance hurdle, those options and performance rights shall remain unvested.

If the minimum performance hurdles are not met and the options and performance rights remain unvested, the 2008 performance hurdles will be tested on the fourth anniversary of the date of the grant and vesting may occur on this date subject to the performance hurdles outlined above being met. Any option and performance rights that do not vest on the fourth anniversary of the grant will be forfeited.

Options and performance rights granted during financial year 2008 which have vested but remain unexercised expire after the earlier of 5.5 years from the date of grant, or up to 12 months after termination of employment.

Whilst the Board has retained the discretion to review the performance hurdles applicable to a grant of options, it is intended that the performance hurdles for grants in 2009 and 2010 will also be TSR and EPS based. These performance hurdles, together with the relevant exercise periods and expiry dates, will be disclosed each year in the Annual Report.

Hedging Policy

The Woolworths hedging policy was introduced in July 2008. As part of the introduction of the policy all members of the Senior Management Group have signed a declaration that they have not entered into any arrangements that would contravene the policy.

Under the hedging policy executives may not enter into any hedging transaction that will protect the value of unvested securities issued as part of the Woolworths Long Term Incentive Plan.

Compliance with the hedging policy has been introduced as a condition of participation in the Long Term Incentive Plan with effect from 2008. To enter into any such arrangement would breach the conditions of the grant and would result in forfeiture of the relevant securities.

Executive compliance with this policy will be monitored through an annual declaration by executives stating that they have not entered into any hedging transaction in relation to their unvested Woolworths securities.

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Directors and Executives

The following is a list of the Non-Executive directors and key management personnel of Woolworths Limited and their positions during the year:

	Position title
Executive Directors	
Michael Gerard Luscombe	Chief Executive Officer and Managing Director
Thomas (Tom) William Pockett	Finance Director
Chairman	
James Alexander Strong	Chairman of the Board, member of the Audit, Risk Management and Compliance Committee, member of the People Policy Committee and member of the Corporate Governance Committee
Non-Executive Directors	
John Frederick Astbury	Non-Executive Director, member of the Audit, Risk Management and Compliance Committee and it's Chairman until 28 November 2007 and member of the Corporate Governance Committee
Adrienne Elizabeth Clarke	Retired 30 September 2007
Roderick Sheldon Deane	Non-Executive Director, Chairman of the People Policy Committee and member of the Corporate Governance Committee
Diane Jennifer Grady	Non-Executive Director, member of the Audit, Risk Management and Compliance Committee and member of the Corporate Governance Committee
Leon Michael L'Huillier	Non-Executive Director; member of the Audit, Risk Management and Compliance Committee, Chairman of the Superannuation Working Group and the Woolworths Group Superannuation Plan's Policy Committee and member of the Corporate Governance Committee. Director of ALH Group Pty Ltd and Chairman of its Audit Committee
Ian John Macfarlane	Non-Executive Director, member of the Audit, Risk Management and Compliance Committee and member of the Corporate Governance Committee
Alison Mary Watkins	Non-Executive Director, Chairman of the Audit, Risk Management and Compliance Committee since 29 November 2007, member of the People Policy Committee and member of the Corporate
Executives	
Naum Onikul	Director of Food, Liquor and Petrol
Peter Smith	Managing Director of Progressive Enterprises
Julie Coates ⁽¹⁾	Chief Logistics Officer
Greg Foran	General Manager BIG W
Richard Umbers	General Manager - Customer Engagement

(1) Julie Coates is acting General Manager BIG W whilst Greg Foran is on an overseas executive development program.

All key management personnel were employed by Woolworths Limited during the year. Non-Executive directors do not consider themselves part of management.

Mr Bradley commenced sabbatical leave from 31 July 2007 and resigned from Woolworths on 30 January 2008. Mr Nahmani commenced an extended leave of absence from 24 September 2007.

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3.2 Conditional entitlement to and share holdings

The table below summarises the movements during the year in holdings of option and performance rights interests for the key management personnel in the Company for the period. An option or performance right entitles the holder to one ordinary fully paid Woolworths Ltd share. There is no amount unpaid on options exercised.

	Options Holding at 24 Jun 07	Granted as Remuneration (1)	Options Exercised (2)		Options Lapsed (3)		Options & Performance Rights Holding at 29 Jun 08(4)	Options Vested at 29 June 2008				
	No.	No.	\$	No.	\$	No.	\$	No.	Total	Exercisable	Unexercisable	Vested during the year
M Luscombe	990,000	500,000	4,402,500	(152,000)	(2,573,360)	(8,000)	(135,440)	1,330,000	25,000	-	25,000	137,000
T Pockett	830,000	250,000	2,226,250	(190,000)	(3,140,700)	(10,000)	(165,300)	880,000	37,500	-	37,500	177,500
N Onikul	310,000	70,000	623,350	-	-	-	-	380,000	15,000	-	15,000	15,000
P Smith	275,000	50,000	445,250	-	-	-	-	325,000	25,000	-	25,000	25,000
J Coates	385,000	70,000	932,650	(104,500)	(1,949,448)	(5,500)	(112,475)	345,000	25,000	-	25,000	102,000
G Foran	295,000	70,000	932,650	-	-	-	-	365,000	25,000	-	25,000	25,000
R Umbers	45,000	110,000	1,877,450	-	-	-	-	155,000	-	-	-	-
Total	3,130,000	1,120,000	11,440,100	(446,500)	(7,663,508)	(23,500)	(413,215)	3,780,000	152,500	-	152,500	481,500

- (1) Options and performance rights granted as remuneration is the total fair value of options and performance rights granted during the year determined by an independent actuary. This will be amortised over the vesting period.
- (2) The value of options exercised during the year is calculated as the market value of shares on the Australian Securities Exchange as at close of trading on the date the options were exercised after deducting the price paid to exercise the options. No other options were exercised by key management personnel.
- (3) The value of options lapsed during the year is calculated as the market value of shares on the Australian Securities Exchange as at close of trading on the lapse date after deducting the exercise price.
- (4) The number of ordinary shares under option/performance rights as at 29 June 2008 is equivalent to the option/performance rights holding at that date.

	Options Holding at 26 June 2006	Options granted as remuneration (1)	Options exercised		Options Lapsed	Options Holding at 24 June 2007 (2)	Options Vested at 24 June 2007					
	No.	No.	\$	No.	\$	No.	\$	No.	No.	No.	No.	
M Luscombe	490,000	500,000	1,726,250	-	-	-	-	990,000	40,000	-	40,000	40,000
T Pockett	580,000	250,000	898,750	-	-	-	-	830,000	50,000	-	50,000	50,000
S Bradley	490,000	70,000	335,650	-	-	-	-	560,000	40,000	-	40,000	40,000
N Onikul	240,000	70,000	335,650	-	-	-	-	310,000	-	-	-	-
A Nahmani	80,300	45,000	215,775	-	-	-	-	125,300	8,000	-	8,000	8,000
P Smith	267,500	45,000	215,775	(37,500)	(352,875)	-	-	275,000	-	-	-	-
J Coates	340,000	45,000	215,775	-	-	-	-	385,000	27,500	-	27,500	27,500
Total	2,487,800	1,025,000	3,943,625	(37,500)	(352,875)	-	-	3,475,300	165,500	-	165,500	165,500

(1) Options granted as remuneration is the total fair value of options granted during the year determined by an independent actuary. This will be amortised over the vesting period.

(2) The number of ordinary shares under option as at 24 June 2007 is equivalent to the option holding at that date.

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3.2 Conditional entitlement to and share holdings continued

The table below summarises the movements during the year in holdings of shares in Woolworths Limited held by the Non-Executive directors and key management personnel.

	Shareholding at 24 June 2007	Shares issued under DRP ⁽¹⁾	Shares received on exercise of options	Shares issued under NEDSP ⁽²⁾	Shares purchased or (sold) ⁽³⁾	Shareholding at 29 June 2008
J Strong	70,479	-	-	-	-	70,479
M Luscombe	408,290	-	152,000	-	(227,000)	333,290
J F Astbury	12,071	121	-	103	-	12,295
R Deane	40,000	-	-	-	-	40,000
D Grady	35,360	554	-	-	-	35,914
L L'Huillier	60,000	-	-	-	-	60,000
I Macfarlane	2,000	-	-	-	1,000	3,000
A Watkins	5,065	214	-	-	5,000	10,279
T Pockett	-	-	190,000	-	(136,000)	54,000
N Onikul	201,360	554	-	-	(43,145)	158,769
P Smith	819	22	-	-	-	841
J Coates	-	-	104,500	-	(92,250)	12,250
G Foran	-	-	-	-	-	-
R Umbers	-	-	-	-	-	-

(1) Comprises new shares issued as a result of participation in the Dividend Reinvestment Plan on the same basis as transactions by other shareholders and on-market transactions.

(2) Comprises shares issued under the Non-Executive Directors' Share Plan (NEDSP).

(3) Figures in brackets indicate that these shares have been sold or otherwise disposed of.

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3.2 Conditional entitlement to and share holdings continued

The table below sets out the grants of options and outstanding options for the key management personnel in Woolworths Limited for the period 25 June 2007 to 29 June 2008. No amounts were paid or payable by the recipient on receipt of the option.

	Grant Date	No. of options and performance rights at 29 June 2008 ⁽¹⁾	Expiry Date	Exercise Price per option/ performance right	Exercise Date ⁽²⁾	Maximum value of award to vest \$ ⁽³⁾	Fair value per option/ performance right ⁽⁴⁾
M Luscombe	1/07/2003	100,000	31/12/2008	\$12.60	1/07/2008	115,500	\$1.16
	1/07/2004	150,000	31/12/2009	\$11.54	1/07/2009	581,250	\$3.88
	1/07/2005	80,000	31/12/2010	\$16.46	1/07/2010	177,200	\$2.22
	1/07/2006	500,000	31/12/2011	\$19.47	1/07/2011	1,726,250	\$3.45
	1/07/2007	500,000	31/12/2012	\$25.91	1/07/2012	4,402,500	\$8.81
		1,330,000				7,002,700	
T Pockett	1/07/2003	150,000	31/12/2008	\$12.60	1/07/2008	173,250	\$1.16
	1/07/2004	150,000	31/12/2009	\$11.54	1/07/2009	581,250	\$3.88
	1/07/2005	80,000	31/12/2010	\$16.46	1/07/2010	177,200	\$2.22
	1/07/2006	250,000	31/12/2011	\$19.47	1/07/2011	898,750	\$3.60
	1/07/2007	250,000	31/12/2012	\$25.91	1/07/2012	2,226,250	\$8.91
		880,000				4,056,700	
N Onikul	1/07/2003	60,000	31/12/2008	\$12.60	1/07/2008	69,300	\$1.16
	1/07/2004	100,000	31/12/2009	\$11.54	1/07/2009	387,500	\$3.88
	1/07/2005	80,000	31/12/2010	\$16.46	1/07/2010	177,200	\$2.22
	1/07/2006	70,000	31/12/2011	\$19.47	1/07/2011	335,650	\$4.80
	1/07/2007	70,000	31/12/2012	\$25.91	1/07/2012	623,350	\$8.91
		380,000				1,593,000	
P Smith	1/07/2003	100,000	31/12/2008	\$12.60	1/07/2008	115,500	\$1.16
	1/07/2004	80,000	31/12/2009	\$11.54	1/07/2009	310,000	\$3.88
	1/07/2005	50,000	31/12/2010	\$16.46	1/07/2010	110,750	\$2.22
	1/07/2006	45,000	31/12/2011	\$19.47	1/07/2011	215,775	\$4.80
	1/07/2007	50,000	31/12/2012	\$25.91	1/07/2012	445,250	\$8.91
		325,000				1,197,275	
J Coates	1/07/2003	100,000	31/12/2008	\$12.60	1/07/2008	115,500	\$1.16
	1/07/2004	80,000	31/12/2009	\$11.54	1/07/2009	310,000	\$3.88
	1/07/2005	50,000	31/12/2010	\$16.46	1/07/2010	110,750	\$2.22
	1/07/2006	45,000	31/12/2011	\$19.47	1/07/2011	215,775	\$4.80
	1/07/2007	50,000	31/12/2012	\$25.91	1/07/2012	445,250	\$8.91
	25/07/2007	20,000	1/07/2009	\$0.00	1/07/2009	487,400	\$24.37
		345,000				1,684,675	
G Foran	1/07/2003	100,000	31/12/2008	\$12.60	1/07/2008	115,500	\$1.16
	1/07/2004	100,000	31/12/2009	\$11.54	1/07/2009	387,500	\$3.88
	1/07/2005	50,000	31/12/2010	\$16.46	1/07/2010	110,750	\$2.22
	1/07/2006	45,000	31/12/2011	\$19.47	1/07/2011	215,775	\$4.80
	1/07/2007	50,000	31/12/2012	\$25.91	1/07/2012	445,250	\$8.91
	25/07/2007	20,000	1/07/2009	\$0.00	1/07/2009	487,400	\$24.37
		365,000				1,762,175	
R Umbers	1/07/2006	45,000	31/12/2011	\$19.47	1/07/2011	215,775	\$4.80
	1/07/2007	50,000	31/12/2012	\$25.91	1/07/2012	445,250	\$8.91
	25/07/2007	30,000	1/07/2009	\$0.00	1/07/2009	731,100	\$24.37
	25/07/2007	30,000	1/07/2010	\$0.00	1/07/2010	701,100	\$23.37
		155,000				2,093,225	

The minimum value yet to vest is the minimum value of options that may vest if the performance criteria are not met. It is assessed as nil for each option grant and has not been specifically detailed in the table above on the basis that no options will vest if the performance criteria are not satisfied.

75% of the 1/07/2003 options grant was yet to vest at 29 June 2008.

⁽¹⁾ The number of options at 29 June 2008 comprises both options that have vested and have not been exercised and options yet to vest.

⁽²⁾ Options not exercised within six months of exercise date lapse.

⁽³⁾ The maximum value of awards to vest represents the value of employee benefit expense that will be recorded in future reporting periods in respect of options currently on issue.

⁽⁴⁾ The fair value per option/performance right was determined by an independent actuary using the Monte Carlo Simulation Binomial method.

REMUNERATION REPORT continued

Offer Date	Expiry Date	Exercise Price	No. of Options ⁽¹⁾ 24 June 2007	Options ⁽¹⁾ granted during year	Options ⁽¹⁾ exercised during year	Options ⁽¹⁾ lapsed during year	No. of Options ⁽¹⁾ 29 June 2008	No. of options ⁽¹⁾ exercisable 29 June 2008
01/07/1999	01/07/2009	5.11	222,500	-	(17,500)	-	205,000	205,000
01/07/2000	01/07/2010	6.17	45,000	-	(25,000)	-	20,000	20,000
01/07/2001	01/07/2011	10.89	1,161,000	-	(910,000)	-	251,000	251,000
01/07/2002	31/12/2007	12.94	4,340,000	-	(4,084,740)	(255,260)	-	-
01/07/2003	31/12/2008	12.60	5,557,100	-	(19,250)	(329,000)	5,208,850	-
01/07/2004	31/12/2009	11.54	6,708,250	-	-	(527,000)	6,181,250	-
01/07/2005	31/12/2010	16.46	6,348,100	-	-	(498,400)	5,849,700	-
01/07/2006	31/12/2011	19.47	8,184,200	-	-	(565,800)	7,618,400	-
01/07/2007	31/12/2012	25.91	-	9,049,400	-	(145,900)	8,903,500	-
25/07/2007	01/07/2009	-	-	1,550,000	-	(25,000)	1,525,000	-
25/07/2007	01/07/2010	-	-	40,000	-	-	40,000	-
			32,566,150	10,639,400	(5,056,490)	(2,346,360)	35,802,700	476,000

⁽¹⁾ Options refers to both options and performance rights.

3.3 Relationship of variable remuneration to Woolworths' financial performance

Woolworths' executive remuneration is directly related to the performance of the following results through linking of short and long term incentive targets to these measures.

The effectiveness of the STIP in driving year on year growth and business improvements is highlighted in the following table. Each of these elements is currently linked to Woolworths STIP.

In monetary terms, since 2004:

Five Year Performance Table					
	2004 ⁽¹⁾	2005	2006	2007	2008
Sales (\$m)	27,934	31,352	37,734	42,477	47,035
EBIT (\$m)	1,065	1,302	1,722	2,111	2,529
ROFE (%)	49.3	42.6	28.6 ⁽²⁾	27.1	31.4
CODB (%)	21.10	20.73	20.47	20.35	19.92

⁽¹⁾ AGAAP. All following years are AIFRS

⁽²⁾ Impacted by increase in Funds Employed following the acquisition of ALH.

- Sales have increased by more than 60% since 2004;
- EBIT has increased by more than 100%;
- ROFE declined in FY05 and FY06 due to the acquisitions of ALH, FAL, Taverner and BMG. 2005 and 2006 had partial earnings from the respective acquisitions that occurred at various times over that two year period; and
- CODB has decreased by 118 bps.

Whilst EBIT has doubled over the period, STIP paid to executives has remained at less than 10% of EBIT over the same period.

REMUNERATION REPORT continued

A comparison of the improved financial performance and benefits for shareholder wealth derived from Woolworths' long term incentive arrangements and the number of options granted to all executives are shown in the following table:

<i>Year ended June</i>	<i>2004</i>	<i>2005</i>	<i>2006</i>	<i>2007</i>	<i>2008</i>
EPS (cents per share)	67.40	79.19	90.89	108.8	134.9
Total dividends (cents per share)	45.0	51.0	59.0	74.0	92.0
Market capitalisation (\$ millions)	11,875	17,493	22,822	33,322	30,453
No. of options granted to executives (million)	7.5	7.8	6.9	8.3	9.0
Options/Performance Rights Valuation FY08					
Fair value per option (\$)	1.16	3.88	2.22	4.68	8.90
No. of executives granted options	1,277	1,354	1,464	1,730	1,961
No. of performance rights granted to executives (million)	-	-	-	-	1.6
Fair value per performance right (\$)	-	-	-	-	24.34
No. of executives granted performance rights	-	-	-	-	182
Share price (closing)	11.62	16.48	19.36	27.60	24.64

REMUNERATION REPORT continued

3.4 Remuneration Tables

Set out in the following table is the remuneration for the Non-Executive directors and key management personnel of Woolworths Limited during the financial year ended 29 June 2008

2008	Short-term employee benefits				Post-employment benefits	Other long term benefits	Share based payments ⁽⁴⁾	Total	Options & Rights as a % of Total Remuneration	Retirement allowance		
	Salary and fees	Short-term cash bonus	Non-monetary benefits ⁽¹⁾	Superannuation						Long service leave	Opening Balance	Indexation required
	\$	\$	\$	\$	\$	\$	\$	\$	%	\$	\$	\$
Non-Executive Directors												
J Asbury*	221,708	-	1,370	13,129	-	-	-	236,207	-	-	-	-
R Deane	230,008	-	1,370	13,129	-	-	-	244,507	-	34,699	-	470,227
D Grady	212,333	-	1,370	13,129	-	-	-	226,832	-	-	-	-
A Clarke ⁽²⁾	49,000	-	342	3,282	-	-	-	52,624	-	-	-	-
L L'Huilier ⁽³⁾	340,250	-	1,370	13,129	-	-	-	354,749	-	-	-	-
J Strong	569,500	-	1,370	13,129	-	-	-	583,999	-	-	-	-
A Watkins	236,708	-	1,370	13,129	-	-	-	251,207	-	-	-	-
I Macfarlane	212,333	-	1,370	13,129	-	-	-	226,832	-	-	-	-
Executive Directors												
M Luscombe	1,843,541	2,652,650	30,978	363,015	159,253	1,847,846	6,897,283	11,736,560	26.8%	-	-	-
T Pockett	961,956	1,315,028	20,194	137,717	23,684	854,846	3,313,425	5,443,040	25.8%	-	-	-
Executives												
N Onikul	906,020	816,524	29,054	132,283	33,825	202,796	2,120,502	3,205,424	9.6%	-	-	-
P Smith	579,595	393,116	96,951	93,000	20,718	152,841	1,336,221	2,398,441	11.4%	-	-	-
J Coates	633,706	414,392	24,143	50,000	12,974	468,428	1,603,643	2,709,888	29.2%	-	-	-
R Umbers	675,062	491,568	32,169	50,000	13,114	582,381	1,844,294	3,363,855	31.6%	-	-	-
G Foran	718,668	508,130	25,369	97,718	16,704	390,016	1,756,605	3,012,828	22.2%	-	-	-
Total	8,390,388	6,591,408	266,790	1,018,918	280,272	4,499,154	21,048,930	435,528		34,699		470,227

* These fees include fees sacrificed for the purchase of shares in the Company under the Non-Executive Directors' Share Plan.

(1) Non-monetary benefits include the cost to the Company of motor vehicles, fringe benefits tax and other items where applicable, in addition to the deemed premium in respect of the Directors' and Officers' Indemnity insurance.

(2) Professor Clarke retired as Non-Executive director on 30 September 2007.

(3) Included in the table above, Mr. L'Huilier receives an additional fee of \$80,000 per annum as a Non-Executive Director and \$25,000 per annum as Chairman of the Audit Committee of ALH Group Pty Limited.

(4) These numbers represent the current year apportionment of the fair value of unvested options and performance rights, on a pro-rata basis over the total vesting period.

REMUNERATION REPORT continued

Set out in the following table is the remuneration for the Non-Executive directors and key management personnel of Woolworths Limited during the financial year ended 24 June 2007

2007	Short-term employee benefits			Post-employment benefits			Other long-term benefits		Share-based payments	Retirement Allowance					
	Salary and fees	Short-term cash bonus	Non-monetary benefits ⁽¹⁾	Superannuation	Retirement Allowance ⁽⁶⁾	Long service leave	Long-term incentive plan ⁽²⁾	Options ⁽⁴⁾		Total	Options as a % of Total Remuneration	Opening Balance	Accrued FY07	Balance available for rollover	Rolled over to Defined Benefit Fund (Gross) ⁽⁵⁾
	\$	\$	\$	\$	\$	\$	\$	\$	\$	%	\$	\$	\$	\$	\$
Non-Executive Directors															
J Strong*	469,250	-	1,486	12,686	10,096	-	-	-	-	-	493,518	10,096	1,055,096	(1,055,096)	-
J Astbury*	206,000	-	1,486	12,686	-	-	-	-	-	-	220,172	-	-	-	-
A Clarke*	171,000	-	1,486	12,529	-	-	-	-	-	-	185,015	-	600,000	(600,000)	-
R Deane	193,499	-	1,486	12,604	29,278	-	-	-	-	-	236,867	29,278	406,250	435,528	435,528
D Grady	183,708	-	1,486	12,529	5,555	-	-	-	-	-	203,278	5,555	655,555	(655,555)	-
L L'Huilier ⁽³⁾	291,835	-	1,486	12,686	8,732	-	-	-	-	-	314,739	8,732	861,250	(869,982)	-
I Macfarlane	75,567	-	1,486	5,384	-	-	-	-	-	-	82,437	-	-	-	-
A Watkins	72,384	-	1,486	5,384	-	-	-	-	-	-	79,254	-	-	-	-
Executive Directors															
M Luscombe	1,580,727	1,595,146	30,748	219,578	-	269,887	-	-	691,725	15.8%	4,387,811	-	-	-	-
T Pockett	837,449	754,352	16,167	123,348	-	18,694	-	-	437,246	20.0%	2,187,256	-	-	-	-
R Corbett	611,774	-	16,368	-	-	41,370	3,000,000	-	-	-	3,669,512	-	-	-	-
Executives															
S Bradley	782,056	696,863	29,568	116,522	-	23,249	-	-	294,973	15.2%	1,943,231	-	-	-	-
N Onikul	893,370	745,288	23,470	124,290	-	69,272	-	-	207,746	10.1%	2,063,436	-	-	-	-
A Nahmani	334,565	184,838	22,110	57,538	-	25,996	-	-	80,825	11.5%	705,872	-	-	-	-
P Smith	494,347	323,642	39,544	110,156	-	41,933	-	-	161,091	13.8%	1,170,713	-	-	-	-
J Coates	471,906	362,850	20,657	74,815	-	14,725	-	-	185,786	16.4%	1,130,739	-	-	-	-
Total	7,669,437	4,662,979	210,520	912,735	53,661	505,126	3,000,000	2,059,392	19,073,851		3,562,500	53,661	3,616,161	(3,180,633)	435,528

REMUNERATION REPORT continued

3.4 Remuneration Tables continued

* These fees include fees sacrificed for the purchase of shares in the Company under the Non-Executive Directors' Share Plan.

- (1) Non-monetary benefits include the cost to the Company of motor vehicles, fringe benefits tax and other items where applicable, in addition to the deemed premium in respect of the Directors' and Officers' Indemnity insurance.
- (2) The Long Term Incentive Plan referred to in the table is only applicable to Mr. Corbett.
- (3) Mr. L'Huilier receives an additional fee of \$75,000 per annum as a non-executive Director and \$22,500 per annum as Chairman of the Audit Committee of ALH Group Limited.
- (4) These numbers represent the current year apportionment of the fair value of unvested options, on a pro-rata basis over the total vesting period.
- (5) Directors' Retirement Deeds, which were approved by shareholders in November 1998 entitled each non-executive Director (appointed prior to January 2004) to receive an allowance on retirement as a Director ("Allowance") after a minimum period of service. The Board determined that it should implement changes to non-executive Director remuneration consistent with developing market practice and guidelines by discontinuing the on-going accrual of benefits under the existing retirement benefits arrangements on 1 August 2006. The benefits accrued to that date (less 15% tax) were rolled into a defined benefit superannuation fund until retirement occurs. With the cessation of the retirement benefits, all non-executive Directors shall receive the same base fees as set out in section 4.1.
- (6) Refer to section 4.3 for further information regarding Directors Allowance.

REMUNERATION REPORT continued

3.5 Executive Service Agreements

3.5.1 Chief Executive Officer

The CEO's service agreement has effect from 1 October 2006. The service agreement provides for 12 months notice of termination on the part of the company and 6 months notice on the part of Mr. Luscombe. In addition the Company may invoke a restraint period of up to 12 months following separation, preventing Mr. Luscombe from engaging in any business activity with major competitors of Woolworths.

Mr. Luscombe will not be entitled to any termination payment other than:

- Fixed Remuneration for the duration of the notice period (or payment in lieu of working out the notice period)
- pro rated Short Term Incentive Plan payment
- any accrued statutory entitlements.

Short Term Incentive Plan

The Short Term Incentive Plan (STIP) provides for a maximum annual payment of 130% of Fixed Remuneration. The actual payment will be calculated with regard to achievement of key performance indicators agreed annually with the Board. The performance indicators are based on a combination of detailed measurements of corporate and financial performance and the implementation of strategic operational objectives.

Long Term Incentive Plan

The CEO is a participant in the Woolworths LTIP. At the 2006 Annual General Meeting shareholder approval was given for up to a maximum of 1,500,000 options to be granted to the CEO comprising annual grants in 2006, 2007 and 2008.

- For the 2006 and 2007 grants, the performance hurdles that apply under the Woolworths LTIP described in section 3.1.2.2 will apply to options allocated to the CEO, however 50% of the allocation will vest and become exercisable three years from the effective date subject to meeting the performance hurdles. The remaining 50% of the allocation will vest and become exercisable after five years in accordance with the conditions described in section 3.1.2.2.
- For the 2008 grant, the performance hurdles that apply under the Woolworths LTIP described in section 3.1.2.2 apply to the allocation made to the CEO.

3.5.3 All Other Executives

Since 2002, LTIP participation has been offered subject to executives entering into Service Agreements with the Company. The Service Agreements include the components of remuneration paid to executives (as detailed in section 3.2) but do not prescribe how remuneration levels are to be modified from year to year. They do not provide for a fixed term although these Service Agreements can be terminated on specified notice. For all of the executives, the Company is required to give a minimum of two months' notice however, the Company retains the right to terminate any Service Agreement immediately in a number of circumstances including fraud, dishonesty, breach of duty or improper conduct.

All of the executives are required to provide the Company with a minimum of four weeks notice of termination. In addition, for all executives, the Company may elect to invoke a restraint period not exceeding 12 months.

All executives are entitled to receive their statutory leave entitlements and superannuation benefits upon termination. In relation to incentive plans on termination, where an executive has resigned, STIP is paid only if the executive is employed on the last day of the financial year. In relation to LTIP, the treatment of vested and unvested options, in all instances of separation, remains subject to the discretion of the Board in accordance with the Plan rules.

REMUNERATION REPORT continued

4. NON-EXECUTIVE DIRECTORS' REMUNERATION

4.1 Non-executive Directors' remuneration policy and structure

Non-executive Directors' fees are determined by the Board within the aggregate amount approved by shareholders. The current maximum aggregate amount which may be paid in Directors' fees, as approved at the Annual General Meeting on 16 November 2007 is \$3,000,000 per annum. No Directors' fees are paid to Executive Directors.

During the financial year ended 29 June 2008, the amount of Directors' base fees paid to each non-executive Director was increased to \$190,000 per annum. The Chairman receives a multiple of three times this amount.

In addition to the above base fees, the non-executive Directors, other than the Chairman, received a fee for service on a Board Committee (except the Corporate Governance Committee). The fee for serving as a member of a Board Committee was \$22,500 for the Audit, Risk Management and Compliance Committee and \$15,000 for the People Policy Committee. A Board Committee Chairman received \$45,000 for chairing the Audit, Risk Management and Compliance Committee, \$30,000 for the People Policy Committee and \$25,000 for the Woolworths Group Superannuation Scheme.

Fees for Directors who were also Directors of the controlled entity ALH Group Pty Ltd ("ALH") were \$80,000 and for Chairing of the ALH Audit Committee \$25,000.

An overseas Directors' Allowance of \$10,210 was also provided to any non-executive Directors' residing outside Australia, representing the additional time and cost involved in attending to Board and Board Committee responsibilities.

The structure and level of non-executive Directors' fees was based on independent research and advice from external remuneration advisers. The advice takes into consideration the fees paid to non-executive Directors of Australian listed corporations, the size and complexity of the Company's operations and the responsibilities and workload requirements of Directors. Directors (with the exception of the Chairman) receive a base fee for being a Director of the Board, and additional fees for either chairing or being a member of a Board Committee or serving on the Boards of controlled entities. No element of the remuneration of any non-executive Director is dependent on the satisfaction of a performance condition.

4.2 Non-executive Director Share Plan

The Non-executive Director Share Plan ('NEDSP') was established following approval by shareholders at the Company's Annual General Meeting on 26 November 1999. The NEDSP allows non-executive Directors to forego some of their future pre-tax Directors' fees to acquire shares in the Company at prevailing market prices on the Australian Securities Exchange. The rules of the NEDSP are virtually identical to the Woolworths Executive Management Share Plan as described in Note 23. During the 53 week period ended 29 June 2008, 103 shares (2007: 3,451) were purchased under the NEDSP.

4.3 Non-executive Directors' retirement benefits cease

Directors' Retirement Deeds, which were approved by shareholders in November 1998 entitled each non-executive Director (appointed prior to January 2004) to receive an allowance on retirement as a Director ("Allowance") after a minimum period of service. The Board determined that it should implement changes to non-executive Director remuneration consistent with developing market practice and guidelines by discontinuing the on-going accrual of benefits under the existing retirement benefits arrangements on 1 August 2006. The benefits accrued to that date are indexed by reference to the bank bill rate or have been rolled into a defined benefit superannuation fund until retirement occurs. With the cessation of the retirement benefits, all non-executive Directors (other than the Chairman) receive the same base fees.

REMUNERATION REPORT continued

4.4 Remuneration tables for non-executive Directors

For the financial year ended 29 June 2008 details of the remuneration of the non-executive Directors are set out at section 3.4 of this report.

4.5 Shareholdings of non-executive Directors

For the financial year ended 29 June 2008 details of shareholdings by non-executive directors is set out at section 3.2 of this report.

4.6 Appointment Letters, Deeds of Access, Insurance and Indemnity, Disclosure Deeds

The Company and each of the non-executive Directors have entered into an Appointment Letter together with a Deed of Access, Insurance and Indemnity and a Disclosure Deed (as required under the ASX Listing Rules). The Appointment Letter covers the key aspects of the duties, role and responsibilities of non-executive Directors.

Non-executive Directors are not appointed for a specific term and their appointment may be terminated by notice from the Director or otherwise pursuant to sections 203B or 203D of the Corporations Act, 2001.