14 September 2018

The Manager
Market Announcements Office
Australian Securities Exchange

Dear Manager,

2018 SHAREHOLDER REVIEW

Attached is the Wesfarmers Limited 2018 Shareholder Review.

A copy of the review will be sent by mid-October 2018 to those shareholders who have elected to receive a copy. The review is also available on the company's website www.wesfarmers.com.au

Yours faithfully,

LJ KENYON
COMPANY SECRETARY

WESFARMERS SHAREHOLDER REVIEW 2018

Wesfarmers

About Wesfarmers

From its origins in 1914 as a Western Australian farmers' cooperative, Wesfarmers has grown into one of Australia's largest listed companies. With headquarters in Perth, its diverse business operations cover: supermarkets, liquor, hotels and convenience stores; home improvement; department stores; office supplies; and an Industrials division with businesses in chemicals, energy and fertilisers, industrial and safety products and coal. Wesfarmers is Australia's largest private sector employer with approximately 217,000 employees (including more than 5,200 Indigenous team members) and is owned by approximately 495,000 shareholders.

About this review

This annual review is a summary of Wesfarmers and its subsidiary companies' operations, activities and financial performance and position as at 30 June 2018. In this review references to 'Wesfarmers', 'the company', 'the Group', 'we', 'us' and 'our' refer to Wesfarmers Limited (ABN 28 008 984 049), unless otherwise stated.

References in this review to a 'year' are to the financial year ended 30 June 2018 unless otherwise stated. All dollar figures are expressed in Australian dollars (AUD) unless otherwise stated.

All references to 'Indigenous' people are intended to include Aboriginal and/or Torres Strait Islander people.

Wesfarmers is committed to reducing the environmental footprint associated with the production of this annual review and printed copies are only posted to shareholders who have elected to receive a printed copy. This review is printed on environmentally responsible paper manufactured under ISO 14001 environmental standards.

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2018 YEAR IN REVIEW

DIVIDENDS PER SHARE

$2.23

GOVERNMENT TAXES AND ROYALTIES

$2.1B

PAYMENTS TO SUPPLIERS

$47.2B

LARGEST PRIVATE SECTOR EMPLOYER

217K

TEAM MEMBERS

SALARIES AND WAGES

$9.3B

COMMUNITY CONTRIBUTIONS

$148M

DEMERGER OF COLES PROPOSED

DIVESTED CURRAGH COAL MINE AND HOMEBASE

ROB SCOTT BECAME WESFARMERS' EIGHTH MANAGING DIRECTOR

Bunnings
Continued growth in earnings and sales delivered through strong execution of customer-focused strategy

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Increased earnings from continuing operations

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THE PRIMARY OBJECTIVE OF WESFARMERS IS TO PROVIDE A SATISFACTORY RETURN TO SHAREHOLDERS

We believe it is only possible to achieve this over the long term by:

- anticipating the needs of our customers and delivering competitive goods and services
- looking after our team members and providing a safe, fulfilling work environment
- engaging fairly with our suppliers, and sourcing ethically and sustainably
- supporting the communities in which we operate
- taking care of the environment
- acting with integrity and honesty in all of our dealings

GROUP STRUCTURE

Wesfarmers

RETAIL

BUNNINGS
- Bunnings

COLES
- Coles*
- Coles Online
- Coles Express
- Vintage Cellars
- First Choice Liquor
- Liquorland
- Spirit Hotels
- Coles Financial Services

DEPARTMENT STORES
- Kmart
  - Kmart Tyre and Auto Service*
- Target

OFFICEWORKS
- Officeworks

INDUSTRIALS
- Chemicals, Energy and Fertilisers
  - CSBP
  - Australian Vinyls
  - Australian Gold Reagents (75%)
  - Queensland Nitrates (50%)
  - EVOL LNG
  - Kleenheat
  - Quadrant Energy* (13.2%)
- Industrial & Safety
  - Blackwoods
  - Workwear Group
  - Coregas
  - Greencap
  - NZ Safety Blackwoods
- Resources
  - Curragh*
  - Bengalla* (40%)

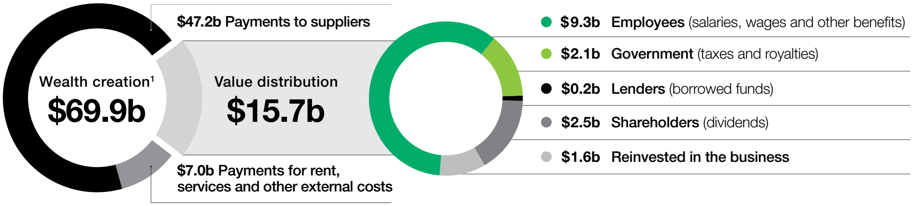
OTHER BUSINESSES
- BWP Trust (24.8%)
- Gresham Partners (50%)
- Wespine Industries (50%)

CORPORATE

* In March 2018, Wesfarmers announced its intention to demerge Coles and the completion of the sale of the Curragh coal mine. In August 2018, Wesfarmers announced that it had entered into agreements to sell Kmart Tyre and Auto Service, its 40 per cent interest in Bengalla, and its indirect interest in Quadrant Energy.

PERFORMANCE OVERVIEW

CREATING WEALTH AND ADDING VALUE



1 Includes discontinued operations.

Group performance

Key financial data		2018	2017
Results from continuing operations[1]			
Revenue	$m	**66,883**	64,913
Earnings before interest, tax, depreciation and amortisation	$m	**5,259**	5,352
Earnings before interest, tax, depreciation and amortisation (excluding significant items)[2]	$m	**5,565**	5,352
Earnings before interest and tax	$m	**4,061**	4,177
Earnings before interest and tax (excluding significant items)[2]	$m	**4,367**	4,177
Net profit after tax	$m	**2,604**	2,760
Net profit after tax (excluding significant items)[2]	$m	**2,904**	2,760
Basic earnings per share	cents	**230.2**	244.7
Basic earnings per share (excluding significant items)[2]	cents	**256.8**	244.7
Results including discontinued operations[1]			
Earnings before interest and tax	$m	**2,796**	4,402
Earnings before interest and tax (excluding significant items)[3]	$m	**4,288**	4,402
Net profit after tax	$m	**1,197**	2,873
Net profit after tax (excluding significant items)[3]	$m	**2,772**	2,873
Basic earnings per share	cents	**105.8**	254.7
Basic earnings per share (excluding significant items)[3]	cents	**245.1**	254.7
Return on average shareholders' equity (R12) (excluding significant items)[3]	%	**11.7**	12.4
Cash flow and dividends (including discontinued operations)[1]			
Operating cash flows	$m	**4,080**	4,226
Net capital expenditure on property, plant and equipment and intangibles	$m	**1,209**	1,028
Free cash flows	$m	**3,422**	4,173
Equity dividends paid	$m	**2,528**	1,998
Operating cash flow per share	cents	**360.1**	374.1
Free cash flow per share	cents	**302.0**	369.5
Dividends per share (declared)	cents	**223.0**	223.0
Balance sheet and gearing			
Total assets	$m	**36,933**	40,115
Net financial debt	$m	**3,580**	4,321
Shareholders' equity	$m	**22,754**	23,941
Fixed charges cover (R12) (excluding significant items)[3]	times	**3.0**	3.1
Interest cover (R12) (cash basis) (excluding significant items)[3]	times	**30.4**	25.0

1 Discontinued operations relate to the Curragh coal mine and Bunnings United Kingdom and Ireland (BUKI) which were disposed of during the year. 2017 balances have been restated where necessary to reflect these discontinued businesses.
2 Significant items for continuing operations relate to Target's non-cash impairment of $306 million pre-tax ($300 million post-tax).
3 2018 excludes the following significant items pre-tax (post-tax) amounts: $931 million ($1,023 million) of impairments, write-offs and store closure provisions in BUKI; a $375 million ($375 million) loss on disposal of BUKI; $306 million ($300 million) of non-cash impairments in Target and a $120 million ($123 million) gain on disposal of Curragh.

The 2018 financial year was one of significant change for Wesfarmers, with decisive actions taken to reposition the Group's portfolio to deliver sustainable growth in earnings and improved shareholder returns.

Divisional performance

Bunnings		**2018**	2017
Revenue	$m	**12,544**	11,514
Earnings before interest and tax	$m	**1,504**	1,334
Segment assets	$m	**5,025**	4,846
Segment liabilities	$m	**1,875**	1,785
Capital employed (R12)	$m	**3,045**	3,192
Return on capital employed (R12)	%	**49.4**	41.8
Capital expenditure	$m	**497**	367

Coles		**2018**	2017
Revenue	$m	**39,388**	39,217
Earnings before interest and tax	$m	**1,500**	1,609
Segment assets	$m	**21,180**	21,140
Segment liabilities	$m	**4,561**	4,245
Capital employed (R12)	$m	**16,386**	16,586
Return on capital employed (R12)	%	**9.2**	9.7
Capital expenditure	$m	**762**	811

Department Stores		**2018**[1]	2017
Revenue	$m	**8,837**	8,528
Earnings before interest and tax	$m	**660**	543
Segment assets	$m	**3,617**	3,928
Segment liabilities	$m	**1,482**	1,423
Capital employed (R12)	$m	**2,013**	2,253
Return on capital employed (R12)	%	**32.8**	24.1
Capital expenditure	$m	**293**	222

Officeworks		**2018**	2017
Revenue	$m	**2,142**	1,964
Earnings before interest and tax	$m	**156**	144
Segment assets	$m	**1,452**	1,401
Segment liabilities	$m	**532**	488
Capital employed (R12)	$m	**939**	980
Return on capital employed (R12)	%	**16.6**	14.7
Capital expenditure	$m	**45**	36

Industrials (including Curragh mine)		**2018**	2017
Revenue	$m	**5,269**	5,161
Earnings before interest and tax	$m	**867**	915
Segment assets	$m	**3,500**	4,229
Segment liabilities	$m	**758**	1,125
Capital employed (R12)	$m	**3,295**	3,393
Return on capital employed (R12)	%	**26.3**	27.0
Capital expenditure	$m	**167**	169

1 The 2018 earnings before interest and tax for Department Stores excludes Target's pre-tax non-cash impairment of $306 million.

CHAIRMAN'S MESSAGE

MICHAEL CHANEY AO
CHAIRMAN

The 2018 financial year was one of significant change for Wesfarmers, when we took some difficult, but important decisions to restructure the Group's portfolio of businesses in the interest of long term shareholder returns.

On a statutory basis, net profit after tax fell 58.3 per cent to $1.2 billion as a result of impairment charges and closure costs for the Bunnings United Kingdom and Ireland (BUKI) business and a further impairment of the Target business, partially offset by a profit on sale of the Curragh coal business.

Excluding significant items and discontinued operations, net profit from continuing operations rose 5.2 per cent to $2.9 billion, a pleasing result which reflected a strong performance in the Group's businesses, particularly in Bunnings Australia and New Zealand, and Department Stores.

The directors declared a fully-franked final dividend of $1.20 per share, bringing the full-year dividend to $2.23 per share, the same as in 2017.

The succession from Richard Goyder to Rob Scott as Group Managing Director in November 2017 was one of a number of changes in senior management during a year which also saw Anthony Gianotti appointed as Group Chief Financial Officer and new leaders appointed in the Industrials division and in Business Development. Wesfarmers has also announced a number of further senior leadership changes that will occur in the first half of the 2019 financial year. The Board is confident that the new team assembled by Rob is well equipped to continue the company's record of success. Our great thanks go to the retiring executives for their dedication and outstanding efforts on behalf of Wesfarmers.

These management changes have paralleled a restructuring of the conglomerate's portfolio of businesses. The BUKI operations and Curragh coal mine were sold and the proposed demerger of Coles was announced during the 2018 year. Further, the sale of Kmart Tyre and Auto Service, our 40 per cent interest in the Bengalla coal mine, and our indirect interest in Quadrant Energy were announced in the months following the close of the year. The Coles demerger is scheduled to be completed in November 2018, subject to shareholder and other approvals.

These disposals reflect the determination of the Board and management to prioritise the achievement of Wesfarmers' stated objective 'to provide a satisfactory return to shareholders'. They will result in a reduction in the size of the company but leave it with a group of strong businesses each with good growth potential and, importantly, a very strong balance sheet.

That financial strength does not mean that we feel any urgency to make new acquisitions. Apart from the fact that there are many opportunities for growth in our existing businesses, new investments will only occur if we assess them to have the potential to deliver superior returns to our shareholders over the long term. The Group Managing Director has reiterated this point on many occasions since his appointment.

External events, including the Royal Commission into financial services, gave rise during the past year to extensive commentary about corporate reputation and the role of company boards and management. These have ranged from the suggestion that company directors should be more involved in the details of management; to the contention, on the other hand, that boards are overwhelmed with information; that the establishment of board committees has blurred the lines between governing and management; or that the focus of corporate objectives on financial outcomes is incompatible with good corporate citizenship. Your company's directors have firm views on these issues.

The role of directors is to govern, not to manage. The most important aspect of the role is the appointment of the chief executive officer and ensuring that the CEO assembles a competent management team. Directors whose involvement is part time cannot possibly be across the detail of the business. They delegate the running of the company to management; but the second vital role directors play is holding management's 'feet to the fire' – ensuring that the company's policies and procedures are directed towards achieving desired outcomes, that management understands and communicates the company's values and codes of behaviour, that bad news travels upwards as fast as good news, that unacceptable behaviour is dealt with expeditiously and that employee rewards are aligned with performance.

Board committees are an important element in achieving these goals. They allow directors to gain a deeper understanding of issues, including audit and risk matters, human resources, safety practices and so on; and to give management the benefit of their own experience in such areas. But committee members and the committee chair need to be careful to ensure that they do not default to acting in a management role: employees report through the management hierarchy, not to a board committee.

As for the suggestion that focusing on financial outcomes is incompatible with good corporate citizenship, we couldn't disagree more. The reason listed companies exist is to provide their shareholders with financial returns. People buy shares in Wesfarmers because they hope it will provide them with better returns than if they buy shares in another company; but that does not give a company licence to put profit before good behaviour. The simple fact is that unless a company behaves as a good corporate citizen, it will not achieve financial success over the long term. Poor behaviour will cause many people not to buy shares or to sell their holding, customers will desert it, it will result in fines or bans for the company and the company will not be invited to join in profitable opportunities. In short, the company will lose its 'licence to operate'.

That is why at Wesfarmers we have always qualified our single financial objective with the words you see on page four of this review; words describing our commitment to take care of our employees, customers, suppliers, the environment and the communities in which we operate.

The fact that Wesfarmers has adhered to such principles explains why it continues to prosper more than a century after it was formed. It also explains why it has been so successful since its public listing in 1984. A $1,000 investment in the company at the time of listing, with dividends reinvested, is now worth $420,000, compared to $38,000 for a $1,000 investment in the ASX 50. Notwithstanding the uncertainties facing all businesses in our complex world, and the inevitability of making suboptimal decisions, hopefully as well as good ones, we are determined to continue that record of success.

Achieving that will require a competent and dedicated board and management team, and I believe shareholders have reason to be confident.

I take this opportunity, on behalf of my fellow directors, to thank our outgoing directors Paul Bassat and James Graham for their efforts on behalf of the company. Paul has provided valuable insights during his time on the Board, particularly in respect of issues around digital disruption; James' contribution to Wesfarmers over 40 years has been extraordinary. His first involvement with the Group was as principal advisor to the Wesfarmers Cooperative in 1977 in its protracted, company-making takeover of the fertiliser company CSBP and Farmers Ltd. James has provided advice on every strategic move by Wesfarmers since, initially in a professional role, but over the last 20 years in his role as a director. It is no exaggeration to say that the financial success of Wesfarmers described above has been due in no small part to James' involvement. We are delighted that the shareholders of Coles will benefit similarly through his role as Chair as it begins its journey as a re-listed company.

We welcome Sir Bill English to the Wesfarmers Board and look forward to his contribution; and we acknowledge with thanks the substantial contribution which Archie Norman has made as advisor to the Board and management since the Coles takeover in 2007. Archie will continue as advisor to the Coles board and we look forward to welcoming David Cheesewright as advisor to our board and Wesfarmers' nominee on the Coles board.

In closing, I pay tribute to our hard-working team, led by Rob Scott. We look forward to overseeing their efforts to ensure the continued success of the company.

Michael Chaney AO
Chairman

MANAGING DIRECTOR'S REPORT

ROB SCOTT
MANAGING DIRECTOR

It is my pleasure to provide the 2018 financial year update, my first as Managing Director.

This was a year of change for Wesfarmers, with good progress made to reposition the portfolio and ensure we have the right settings in place for sustained value creation. The changes we have made and those in progress have been guided by a steadfast commitment to our core objective to provide a satisfactory return to shareholders.

Through these changes, our businesses delivered a strong financial result, with earnings from continuing operations and excluding significant items growing 5.2 per cent. Reported net profit after tax reflected the trading losses and significant items associated with Bunnings United Kingdom and Ireland and the sale of Homebase in June 2018. While this was a disappointing investment, the sale has freed Wesfarmers of operating losses and future capital and lease obligations, and has strengthened the Group's financial position.

Bunnings in Australia and New Zealand had another strong year, with sustained sales momentum reflecting continued improvement in its customer offer through investment in price, range and service.

Coles' earnings were lower than the prior year due to the annualisation of last year's investment in the customer offer, one-off items in the prior year and lower convenience earnings. It was pleasing to see Coles deliver earnings growth and stronger sales momentum in the second half of the year as a result of improvements in customer service and retail execution.

Our Department Stores division delivered record earnings under Wesfarmers' ownership, with Kmart building on its position as a leading global product development company and discount retailer. Target was able to improve earnings on the prior year through better cost and inventory control, as the reset of its offer continued. Trading conditions for Target remain challenging and this was reflected in the non-cash impairment recognised during the year.

Officeworks continues to build on its strong and consistent performance with another positive result. It is investing in and improving its sophisticated omni-channel customer offer which delivers exceptional value and convenience to customers.

Finally, our Industrials Division also performed well, with strong returns from Resources and Chemicals, Energy and Fertilisers, and modest earnings growth in Industrial and Safety.

In addition to the divestment of Homebase, Wesfarmers also completed the sale of Curragh. The sale of Curragh and the announcement in August 2018 of the sale of Wesfarmers' 40 per cent interest in the Bengalla mine mark Wesfarmers' exit from coal mining following a detailed strategic review of these assets. Both have been very successful investments for Wesfarmers and I would like to sincerely thank the dedicated teams, ably led by Craig McCabe, for their efforts over the years.

The sale of Kmart Tyre and Auto Service (KTAS) was also announced in August 2018. It achieved strong earnings growth under Wesfarmers' ownership and the sale to Continental AG provides an opportunity to expand its offer to customers with the backing of a leading international company. Thanks to the KTAS team – we wish them the best for the future.

The most significant transaction announced during the year was the proposal to demerge Coles, which we expect to complete in November 2018, subject to shareholder and other approvals. Coles is an iconic Australian company which has benefited from almost $9 billion of investment and a world-class transformation under Wesfarmers' ownership. Now a mature and profitable business, Coles is well positioned for life as a separately listed company. Coles will provide shareholders with exposure to a cash-generative business which is expected to be resilient through economic cycles.

The changes over the past year are evidence of the strength of the Wesfarmers model. Notably our capacity to move swiftly to manage our portfolio and the flexibility this provides for renewal. Further, our model of divisional autonomy provides our operating businesses with the ability to retain a laser-like focus on their customers and operations and deliver strong performance outcomes during times of change.

At Wesfarmers, we have always recognised that we can only provide a satisfactory return to our shareholders by creating long-term value for all our stakeholders – team members, customers, suppliers and the communities in which we operate. During the year, we paid our team members over $9 billion in salaries and wages. We are also delivering improvements in workplace safety, reductions in emissions intensity and strengthening our processes around ethical sourcing. Our businesses made community contributions, both directly and through customers and team members, of $148 million.

People

Wesfarmers is the largest private sector employer in Australia with some 217,000 team members across our businesses. The strong performance of our continuing operations reflects the dedication of our hard-working teams.

Within the Leadership Team it has been a year of renewal with the retirement of some key executives across the Group. The Managing Director of Coles, John Durkan, will hand over to Steven Cain in September 2018. John has been instrumental in the turnaround of Coles, first as Merchandise Director and more recently as Managing Director. John leaves Coles in great shape and we thank him for his significant contribution.

Our long-time retail advisor, Archie Norman, will step down as an advisor to Wesfarmers upon the demerger of Coles. Archie was a driving force in the successful turnaround of Coles and I am delighted that he will continue to advise the Coles Board, post-demerger.

Guy Russo will be retiring after 10 years at Wesfarmers, during which he led the remarkable turnaround in the fortunes of Kmart, and more recently oversaw the reset and return to profitability of Target. From 1 November 2018, Ian Bailey will assume the role of Managing Director, Department Stores in addition to his current role as Managing Director of Kmart. Marina Joanou was promoted to Managing Director of Target in August 2018. Ian and Marina are exceptional executives who have worked closely with Guy through the successful turnaround of Kmart and recent reset of Target.

Mark Ward is also retiring as Managing Director of Officeworks after 11 years of outstanding service, but will remain with the Group working on a number of projects including the Advanced Analytics Centre Advisory Board, leading a Group-wide safety project, and on the board of Bunnings.

Alan Carpenter is retiring as Executive General Manager of Corporate Affairs, a position he has held since he joined Wesfarmers in 2009. Alan's advice and counsel have been invaluable to many of us during that period, and we wish him well in retirement. Naomi Flutter has joined our Leadership Team to succeed Alan, and brings a wealth of experience to this important role.

Earlier in the year, Anthony Gianotti was promoted to Chief Financial Officer and we welcomed David Baxby to the Group as Managing Director, Wesfarmers Industrials, and Ed Bostock as Managing Director, Business Development.

Outlook

When reflecting on the strength of our balance sheet, our businesses and our teams, I am confident that Wesfarmers' best days lie ahead.

We expect our retail businesses to deliver continued earnings growth through further investment and improvement in their customer offers, expanding their addressable markets and offering even better products and service. The focus of our Industrials business will remain on improving safety and operational efficiency while evaluating new opportunities to leverage our capabilities and capital.

With the establishment of the Advanced Analytics Centre, we will further develop our digital and data capabilities. Across the Group, we are focused on building great talent and teams, and encouraging an entrepreneurial spirit. These areas will define the competitive advantage of Wesfarmers in the decades to come.

Subject to shareholder approval, the demerger of Coles will enable Wesfarmers to reaffirm its position as a diversified conglomerate and reallocate capital towards higher growth opportunities.

Wesfarmers will retain a 15 per cent shareholding in Coles, and will support investments in flybuys, our joint venture with Coles, that will provide opportunities to better leverage data and digital capabilities for the benefit of customers.

We will continue to take a long-term view, retaining a strong balance sheet and capital discipline to enable us to take advantage of opportunities to create shareholder value if and when they arise.

In conclusion, I extend my thanks to our dedicated team members across the Group during this period of change.

Rob Scott
Managing Director

OPERATING AND FINANCIAL REVIEW

ANTHONY GIANOTTI
CHIEF FINANCIAL OFFICER

On behalf of the Board, I'm pleased to present the operating and financial review of Wesfarmers for shareholders.

Wesfarmers' primary objective is to deliver satisfactory returns to shareholders through financial discipline and exceptional management of a diversified portfolio of businesses. A key focus of the Group is ensuring that each of its divisions has a strong management capability that is accountable for strategy development and execution, as well as day-to-day operational performance. Each division is overseen by a divisional board of directors or steering committee that includes the Wesfarmers Managing Director and Chief Financial Officer, and is guided by a Group-wide operating cycle and governance framework.

This operating and financial review sets out the Group's objective, values, growth enablers and strategies. It also outlines a review of operational performance for the 2018 financial year, as well as summarising the Group's risks and prospects. The 2018 financial performance is outlined for each division, together with its competitive environment, strategies, risks and prospects.

The review should be read in conjunction with the financial statements, which are presented on pages 97 to 144 of the 2018 annual report.

Anthony Gianotti
Chief Financial Officer

The Wesfarmers Way

From our origins in 1914 as a Western Australian farmers' cooperative, Wesfarmers has grown into one of Australia's largest listed companies and private sector employers, with more than 217,000 employees and 495,000 shareholders.

Wesfarmers' diverse business operations in this year's review cover: supermarkets; home improvement; department stores; office supplies; chemicals, energy and fertilisers; industrial and safety products; and coal. Wesfarmers' businesses predominantly operate in Australia and New Zealand with the portfolio including some of the leading brands in these countries.

The Wesfarmers Way is the framework for the company's business model and comprises core values, growth enablers and value-creating strategies directed at achieving the Group's primary objective of providing a satisfactory return to shareholders.

THE WESFARMERS WAY

OBJECTIVE

To deliver a satisfactory return to shareholders

VALUE CREATING STRATEGIES

Strengthen existing businesses through operating excellence and satisfying customer needs	Secure growth opportunities through entrepreneurial initiatives	Renew the portfolio through value-adding transactions	Ensure sustainability through responsible long-term management

GROWTH ENABLERS

Outstanding People	Commercial Excellence	Empowering Culture	Innovation	Social Responsibility	Robust Financial Capacity

CORE VALUES

Integrity	Openness	Accountability	Entrepreneurial Spirit

OUR OBJECTIVE

The primary objective of Wesfarmers is to provide a satisfactory return to shareholders. The measure used by the Group to assess satisfactory returns is total shareholder return (TSR) over time. We measure our performance by comparing Wesfarmers' TSR against that achieved by the broader Australian market index.

Performance measures

Growth in TSR relies on improving returns from invested capital relative to the cost of that capital and growing the capital base at a satisfactory rate of return on capital (ROC)[1].

Given a key factor in determining TSR performance is the movement in Wesfarmers' share price, which can be affected by factors outside the control of the company (including market sentiment, business cycles, interest rates and exchange rates), the Group focuses on return on equity (ROE) as a key internal performance indicator.

While ROE is recognised as a fundamental measure of financial performance at a Group level, ROC has been adopted as the principal measure of divisional performance. ROC focuses divisional businesses on increasing earnings and/or increasing capital productivity by managing existing assets efficiently, as well as making an adequate return on any new capital deployed.

Minimum ROC targets for each division are set based on their pre-tax cost of capital, while satisfactory ROC targets are established based on the Group's ROE target, which is reviewed annually with reference to the performance of the broader market.

[1] ROC = EBIT/(capital employed).

APPROACH TO DELIVERING SATISFACTORY RETURNS TO SHAREHOLDERS

The Group seeks to:

- continue to invest in Group businesses where capital investment opportunities exceed return requirements;
- acquire or divest businesses where doing so is expected to increase long-term shareholder wealth; and
- manage the Group's balance sheet to achieve an appropriate risk profile, an optimised cost of capital and flexibility to take advantage of opportunities as they arise.

CASH FLOW GENERATION

- Drive long-term earnings growth
- Manage working capital effectively
- Strong capital expenditure processes
- Invest above the cost of capital
- Financial discipline

In generating cash flow and earnings, the Group seeks to employ excellent management teams who are empowered to drive long-term earnings growth. This is achieved through deploying best practice principles in operational execution and maintaining a long-term focus in regards to strategy and results.

The Group continuously looks to improve the working capital efficiency of its businesses. In addition, the Group ensures strong discipline in relation to capital expenditure and investment decisions.

BALANCE SHEET STRENGTH

- Diversity of funding sources
- Optimise funding costs
- Maintain strong credit metrics
- Risk management of maturities

The Group endeavours to achieve a cost of capital advantage while maintaining balance sheet strength and flexibility in order to be able to act when opportunities arise.

This includes maintaining access to diverse sources of funding, including bank facilities and global bond markets, and optimising funding costs. The Group maintains strong credit metrics, in line with strong investment grade credit ratings, supported by good cash flow generation and disciplined capital management.

Risk is managed by smoothing debt maturities over time, limiting the total repayments in any given year.

DELIVERY OF LONG-TERM SHAREHOLDER RETURNS

- Improve returns on invested capital
- Efficient distribution of franking credits to shareholders
- Effective capital management

With a focus on generating strong cash flows and maintaining balance sheet strength, the Group aims to deliver satisfactory returns to shareholders through improving returns on invested capital. Recognising the value of franking credits, Wesfarmers also seeks to distribute these to shareholders. Capital management decisions may also be taken from time to time where this activity is in shareholders' interests.

APPROACH TO CAPITAL ALLOCATION

The Group evaluates a broad range of investment opportunities, including:

EXISTING PORTFOLIO	• Deploying capital in its existing portfolio to drive continued growth in businesses with leading positions in growing markets
ADJACENT OPPORTUNITIES	• Leveraging existing assets and capabilities to take advantage of adjacent opportunities
VALUE-ACCRETIVE TRANSACTIONS	• Disciplined investments in opportunistic and value-accretive transactions through various ownership models (e.g., minority interest, full control, partnerships)

Importantly, in assessing these opportunities the Group applies a long-term horizon to investment decisions and remains very disciplined in its approach to evaluation, with the most important filter being whether the investment is going to create value for shareholders over time.

OUR VALUE-CREATING STRATEGIES

Consistent with the Wesfarmers Way, the Group's primary objective to provide a satisfactory return to shareholders is driven by four overarching strategies.

These are:

- strengthening existing businesses through operating excellence and satisfying customer needs;
- securing growth opportunities through entrepreneurial initiative;
- renewing the portfolio through value-adding transactions; and
- ensuring sustainability through responsible long-term management.

As shown below, each strategy is underpinned by the Group's well established strategic planning framework. A key attribute of this approach is the maintenance of a long-term focus and acting sustainably in the creation of value and the building of businesses.

At a divisional level, detailed strategies are developed specific to the opportunities to improve each of our individual businesses. Divisional strategies are discussed within their respective summaries, starting on page 24.

GROWTH ENABLERS

A core attribute of the Wesfarmers operating model is that each of our businesses operates with a high degree of autonomy. Rather than mandating detailed strategies or implementation plans, the Group focuses on ensuring that the following six key enablers are in place in our businesses, with a goal of driving operating performance to best practice.

Outstanding people

Wesfarmers seeks to be an employer of choice. Attracting outstanding people and utilising their individual talents is the most critical element in striving for sustainable success. Wesfarmers recognises that while great assets and strategies are critical, it is people who ultimately drive outcomes.

Commercial excellence

Wesfarmers seeks to ensure that it employs strong financial discipline in all its decisions across the Group. Wesfarmers has a clear bias towards promoting strong commercial capability across its leadership base.

Empowering culture

Wesfarmers recognises that an empowering culture is critical to engendering accountability for delivering the results agreed upon through the Group's corporate planning framework. Wesfarmers uses stretch targets in objective setting and encourages team members to be proactive in driving the creation of value in their businesses.

Innovation

Wesfarmers seeks to develop a culture that encourages innovation, and rewards entrepreneurial initiative and creativity.

Social responsibility

Respect for employees, customers and suppliers and a relentless focus on providing safe workplaces are fundamental to the way that Wesfarmers operates. Wesfarmers' social responsibility extends to maintaining high standards of ethical conduct, environmental responsibility and community contribution.

Robust financial capacity

By maintaining a strong balance sheet, the Group aims to provide a competitive cost and access to capital in order to allow the Group to act when value-creating opportunities present themselves.

CORE VALUES

INTEGRITY	OPENNESS	ACCOUNTABILITY	ENTREPRENEURIAL SPIRIT
Acting honestly and ethically in all dealings	Openness and honesty in reporting, feedback and ideas	Significant delegation of authority and decision-making to divisions	Adopt an owner mindset encouraging teams to identify opportunities and apply commercial and financial acumen to support calculated risk-taking
Reinforcing a culture of doing what is right	Accepting that people make mistakes and seeking to learn from them	Accountability for performance	Encourage our team to take the initiative and pursue new and innovative ways of delivering value
		Protecting and enhancing our reputation	

OPERATING EXCELLENCE

Our strategies	Our achievements	Our focus for the coming years
Strengthen existing businesses through operating excellence and satisfying customer needs	• Continued improvements in our customer offers, including reinvesting in value to drive business growth and improving merchandise ranges. • Further optimised and invested in our retail store networks and digital channels. • Focused on production plant efficiency and maintaining and growing customer relationships in our Industrials division. • Further operational productivity improvements and reduced costs across our businesses.	• **Bunnings** will maintain its focus on driving long-term value creation by delivering more customer value, creating better experiences for customers and the wider community, investing in new and existing stores, delivering greater digital reach and strengthening the core of the business. The business will also deepen its engagement with commercial customers and continue its merchandise innovation. • **Coles** remains committed to its customer-led strategy to provide better value, quality and service. Continued investment in value will be supported by simplifying the business through greater use of technology. The division has plans to further increase the quality of its fresh food offer and providing even more convenient shopping alternatives for customers. Coles will also maintain a disciplined and returns-focused approach to capital investment both in-store and throughout the business. • **Kmart** aims to grow through continued price leadership, better ranges, store network growth and a high performance culture. The business will continue to focus on delivering increased operational efficiency across stores and supply chain. • **Target** will continue to focus on delivering quality fashion at the best everyday price, creating easier customer experiences and optimising the store network. These initiatives will be supported by higher levels of direct sourcing, improved merchandise disciplines and planning systems, and operational simplification. • **Officeworks** will continue to deliver a unique 'one-stop shop' via its 'every channel' strategy. It will extend its reach across all channels through new categories and services, and drive further productivity improvements. • **Chemicals, Energy and Fertilisers (WesCEF)** will continue to focus on maintaining strong operational performance while delivering new and innovative products to its customers. • **Industrial and Safety** continue to improve business performance through lowering the cost of doing business, improving the offer to customers and investing in core systems and digital.

SECURE GROWTH OPPORTUNITIES

Our strategies	Our achievements	Our focus for the coming years
Secure growth opportunities through entrepreneurial initiative	• Provided even greater value for customers through price reinvestment of innovation-led productivity gains. • Continued to innovate our product ranges and categories across all businesses, providing value and quality to customers. • Further improved and extended channel and brand reach in the retail portfolio, focusing on store format innovation and the expansion of online offers. • Expanded customer programs, particularly the flybuys loyalty program and the PowerPass offer at Bunnings. • Improved use of data, supported by the establishment of the Advanced Analytics Centre.	• Continue to build and leverage the Group's digital and data capabilities. • Continue to reinforce innovation as a growth enabler. • Continue to rigorously apply financial disciplines and financial evaluation methodologies. • Increase and encourage collaboration across divisions, where appropriate.

RENEWING THE PORTFOLIO

Our strategies	Our achievements	Our focus for the coming years
Renew the portfolio through value-adding transactions	• Announced the intention to demerge Coles, subject to shareholder and other approvals. A successful demerger will set Coles up for success and facilitate greater focus by Wesfarmers on growth opportunities within its remaining businesses as well as the pursuit of value-accretive transactions. • Divested the Curragh coal mine, realising a very successful investment for shareholders over the 16 years of Wesfarmers ownership. • Divested BUKI, exiting a disappointing investment on terms that represent a compelling financial outcome relative to the alternative of retained ownership. • Subsequent to year-end, announced the divestment of Kmart Tyre and Auto as well as the Group's interest in Bengalla and indirect interest in Quadrant Energy, in all cases crystallising the significant value created under the period of Wesfarmers ownership.	• Maintain a strong focus and capability to evaluate growth opportunities where long-term shareholder value can be created. • Consider innovative investment approaches to complement traditional growth models and provide future optionality. • Ensure a patient and disciplined approach to investment opportunities is maintained. • Apply rigorous due diligence and post-acquisition integration processes. • Maintain a strong balance sheet to enable the Group to act opportunistically. • Consider opportunities to divest assets either in full or in part, where long-term shareholder value can be created.

OPERATING SUSTAINABLY

Our strategies	Our achievements	Our focus for the coming years
Ensure sustainability through responsible long-term management	• Further strengthened the Group's balance sheet. • Achieved good improvements in our safety performance. • Maintained a very strong focus on the development and management of our teams. • Continued to promote diversity in our workplaces, with 24 per cent more self-identified Indigenous employees this year, including more than 700 new Indigenous employees at Coles. • Advanced our executive development, retention and succession programs. • Continued to actively contribute to the communities in which we operate. In the 2018 financial year, we made community contributions, both direct and indirect, of $148 million.	• Continue to foster a more inclusive work environment, with particular focus on diversity (gender, age and ethnicity). • Increase the number of women in leadership positions across the Group. • Continue to look after the health, safety and development of our people. • Minimise our environmental footprint. • Contribute positively to the communities in which we operate. • Provide appropriate governance structures to safeguard future value creation. • Continue to strive to source products in a responsible manner and work with suppliers to ensure they meet our ethical, social and environmental standards. • Invest in the local communities in which we operate.

YEAR IN REVIEW

Overview

The Group reported a net profit after tax (NPAT) of $1,197 million for the year ended 30 June 2018. The reported profit includes a loss from discontinued operations of $1,407 million, which reflects the trading results and significant items for BUKI and Curragh, which were divested during the financial year. NPAT from continuing operations, excluding a $300 million non-cash impairment in Target, increased 5.2 per cent to $2,904 million.

The 2018 financial year was one of significant change for Wesfarmers, with decisive actions taken to reposition the Group's portfolio to deliver sustainable growth in earnings and improved shareholder returns. These actions, including the proposed demerger of Coles, and the divestments of Curragh and BUKI, demonstrate a disciplined approach to capital allocation and portfolio management.

Retail earnings (from continuing operations and excluding significant items) increased 5.2 per cent during the year, with Bunnings Australia and New Zealand (BANZ), Department Stores and Officeworks achieving very strong results. Industrial earnings from continuing operations were also higher, supported by strong contributions from WesCEF and Bengalla.

Divisional financial performances are outlined in pages 24 to 32 of this review.

Operating cash flow

Operating cash flows of $4,080 million were 3.5 per cent below the prior year, primarily due to higher tax payments during the financial year, relating to tax payable for earnings from Resources in the prior year.

The Group maintained a strong focus on working capital management resulting in a cash realisation ratio of 100.6 per cent. In aggregate, the Group achieved a neutral working capital result, reflecting increased net working capital investment in BANZ to support the growth in the store network, offset by improved working capital management in Target as well as inventory clearance in BUKI prior to divestment.

Capital expenditure

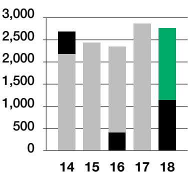
Strict capital disciplines were maintained while investment in organic growth opportunities continued. Gross capital expenditure of $1,815 million was $134 million higher than last year, reflecting an increase in BANZ store openings relative to the prior year and the acquisition of the Kmart brand name in Australia and New Zealand for $100 million, partially offset by lower capital expenditure in Coles.

Proceeds from disposals of $606 million were $47 million below last year which included the divestment of Coles' interest in a number of joint venture properties to ISPT, and the sale of land by WesCEF. The resulting net capital expenditure of $1,209 million was $181 million or 17.6 per cent higher than the prior year.

Net profit after tax

$2,772m

(excluding significant items)

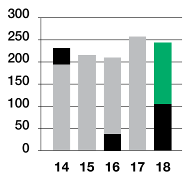


FY18	**2,772**
FY17	2,873
FY16	2,353
FY15	2,440
FY14	2,253

Earnings per share

245.1 cents

(excluding significant items)

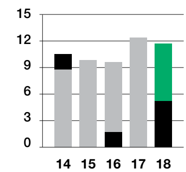


FY18	**245.1**
FY17	254.7
FY16	209.5
FY15	216.1
FY14	196.6

Return on equity

11.7%

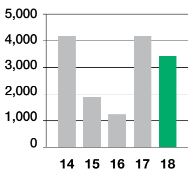
(excluding significant items)



FY18	**11.7**
FY17	12.4
FY16	9.6
FY15	9.8
FY14	8.8

Free cash flow

$3,422m



FY18	**3,422**
FY17	4,173
FY16	1,233
FY15	1,893
FY14	4,178

- **FY18 EXCLUDING SIGNIFICANT ITEMS**
- **EXCLUDING SIGNIFICANT ITEMS**
- **REPORTED**

- 2017 and 2018 includes the operational results of discontinued operations (Curragh and BUKI which were disposed of during the financial year).
- 2018 excludes the following post-tax amounts: $1,023 million of BUKI impairments, write-offs and store closure provisions; a $375 million loss on disposal of BUKI and $300 million of Target impairments, partially offset by a $123 million gain on sale of Curragh.
- 2016 excludes the following post-tax significant items: $1,249 million non-cash impairment of Target; $595 million non-cash impairment of Curragh; and $102 million of restructuring costs and provisions to reset Target.
- 2014 excludes $1,179 million in discontinued operations relating to the disposal of the Insurance division and WesCEF's interest in Air Liquide WA Pty Ltd along with ($743 million) in non-trading items relating to the impairment of Target's goodwill and Coles Liquor restructuring provision.

Free cash flow

Stable operating cash flows, higher net capital expenditure and lower other investing cash flows resulted in free cash flows of $3,422 million.

Other investing cash flows were $551 million which included proceeds from the disposal of Curragh, partially offset by cash within BUKI that was retained by the business on divestment to support working capital requirements and other financial obligations. This result was $424 million lower than last year which included the proceeds on disposal of Coles' credit card receivables of $947 million.

Balance sheet

The Group further strengthened its balance sheet during the year. Net financial debt at the end of the period, comprising interest-bearing liabilities net of cross-currency interest rate swaps and cash at bank and on deposit, was $3,580 million, $741 million below the net financial debt position at 30 June 2017. In addition to a reduction in net financial debt, the Group's balance sheet was also significantly strengthened by a reduction in off-balance sheet lease liabilities as a result of the disposal of BUKI.

Capital employed at year-end was $25,941 million. This was $1,641 million lower than last year mainly due to the divestments of BUKI and Curragh and impairments in Target. These divestments resulted in lower working capital balances, lower property, plant and equipment balances as well as a reduction in provisions and other liabilities primarily due to the de-recognition of employee and other provisions in BUKI and mine site rehabilitation provisions in Curragh. The proceeds from the divestment of Curragh also contributed to the improvement in net financial debt.

Debt management and financing

The Group's strategy is to diversify its funding sources, pre-fund upcoming maturities and maintain a presence in key markets.

In March 2018, US$750 million ($728 million, including associated cross-currency interest rate swaps) of bonds were repaid using existing cash balances and bank facilities. In addition, more than £705 million ($1,240 million) of bank facilities were cancelled as part of the divestment of BUKI in June 2018.

Finance costs, including discontinued operations, decreased 16.3 per cent to $221 million as a result of a lower average net debt balance. The Group's 'all-in' effective borrowing cost increased 14 basis points to 4.18 per cent due to the repayment of lower cost bank debt as the Group's net debt balance declined throughout the year. Lower finance costs contributed to strong liquidity metrics, with cash interest cover (R12) increasing to 30.4 times and fixed charges cover (R12) relatively stable at 3.0 times.

The Group maintained strong and stable credit ratings during the year. Moody's Investors Services' rating remained unchanged at A3 (stable) and Standard and Poor's revised its outlook for Wesfarmers' A- rating from negative to stable.

Group capital employed

Year ended 30 June[1]	2018 $m	2017 $m
Inventory	**6,011**	6,530
Receivables and prepayment	**1,939**	1,936
Payables	**(6,552)**	(6,616)
Other	**492**	410
Net working capital	**1,890**	2,260
Property, plant and equipment	**8,408**	9,440
Goodwill and intangibles	**17,860**	18,936
Other assets	**970**	622
Provisions and other liabilities	**(3,187)**	(3,676)
Total capital employed	**25,941**	27,582
Net financial debt excluding financial services debt[2]	**(3,580)**	(4,321)
Net tax balances	**393**	680
Total net assets	**22,754**	23,941

1 Balances reflect the management balance sheet, which is based on different classification and groupings than the balance sheet in the financial statements.
2 Net financial debt is net of cross-currency interest swaps, interest rate swap contracts and cash at bank and on deposit.

Cash capital expenditure

Year ended 30 June	2018 $m	2017 $m
Coles	**715**	805
BANZ	**497**	367
Department Stores	**293**	225
Officeworks	**45**	36
WesCEF	**60**	44
Industrial and Safety	**50**	34
Resources	**14**	14
Other & Discontinued	**141**	156
Total cash capital expenditure	**1,815**	1,681
Sale of property, plant and equipment	**(606)**	(653)
Net cash capital expenditure	**1,209**	1,028

YEAR IN REVIEW

Dividends

A key component of total shareholder return is the dividends paid to shareholders.

The Group's dividend policy considers available franking credits, current earnings and cash flows, future cash flow requirements and targeted credit metrics.

The Board has declared a fully-franked final ordinary dividend of 120 cents per share. This takes the full-year ordinary dividend to 223 cents per share, in line with the prior year. The final dividend will be paid on 27 September 2018 to shareholders on the company's register on 21 August 2018, the record date for the final dividend.

Given the preference of many shareholders to receive dividends in the form of equity, the directors have decided to continue the operation of the Dividend Investment Plan (the 'Plan').

The allocation price for shares issued under the Plan will be calculated as the average of the daily volume weighted average price of Wesfarmers shares on each of the 15 consecutive trading days from and including the third trading day after the record date, being 24 August 2018 to 13 September 2018.

The last date for receipt of applications to participate in, or to cease or vary participation in the Plan, is 22 August 2018. No discount will apply to the allocation price and the Plan will not be underwritten. Shares to be allocated under the Plan will be transferred to participants on 27 September 2018. Given the Group's strong credit metrics and stable cash flow performance for the year, any shares to be issued under the Plan will be acquired on-market and transferred to participants.

RISKS

Wesfarmers recognises the importance of, and is committed to, the identification, monitoring and management of material risks associated with its activities across the Group.

The following information sets out the major Group-wide risks. These are not in any particular order and do not include generic risks such as changes to macroeconomic conditions or the political or security situation affecting business and households in Australia, which would effect all companies with a large domestic presence and which could have a material effect on the future performance of the Group.

Further information on risk management, can be found on page 71 of the 2018 annual report and in the 2018 Corporate Governance Statement available in the corporate governance section of the company's website at **www.wesfarmers.com.au/cg**

Net financial debt reduced $741 million to $3,580 million.

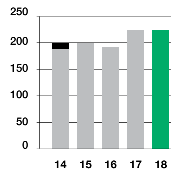
Debt sources[1]

Bank Bilaterals	21.4%
Euro Bonds	43.0%
Domestic Bonds	35.6%

[1] As at 30 June 2018.

Dividends per share

223 cents

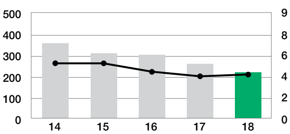


FY18	223
FY17	223
FY16	186
FY15	200
FY14[1]	200

[1] 2014 includes a 10 cents per share special 'Centenary' dividend.

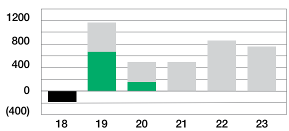
Finance costs ($m) and weighted average cost of debt (%)

- FINANCE COSTS (LHS) FY18
- FINANCE COSTS (LHS)
- WEIGHTED AVERAGE COST OF DEBT (RHS)



Debt maturity profile ($m)[1]

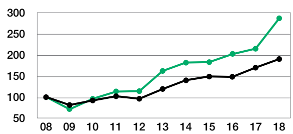
- BANK FACILITIES
- CAPITAL MARKETS
- CASH AT BANK AND ON DEPOSIT



[1] As at 30 June 2018.

TSR: Wesfarmers and ASX 200

- WESFARMERS LIMITED TSR INDEX[1]
- ASX 200 ACCUMULATION INDEX



[1] Assumes 100 per cent dividend reinvestment on the ex-dividend date, and full participation in capital management initiatives (e.g., rights issues and share buybacks). Source: Bloomberg.

Strategic

- Increased competition
- Ineffective execution of strategy
- Loss of key management personnel
- Damage or dilution to Wesfarmers' brands
- Digital disruption to industry structures
- Geopolitical uncertainty

Operational

- Loss of critical supply inputs or infrastructure, including IT systems
- Loss of data
- Business interruption arising from industrial disputes and work stoppages
- Risks inherent in distribution and sale of products
- People safety

Regulatory

- Non-compliance with applicable laws, regulations and standards
- Adverse regulatory or legislative change or implications of policy instability

Financial

- Currency volatility
- Adverse commodity price movements
- Reduced access to funding

Emerging

- Climate change

PROSPECTS

Following decisive actions taken to address areas of underperformance and reposition the Group's portfolio in the 2018 financial year, Wesfarmers is well placed to deliver sustainable growth in earnings and improved shareholder returns.

Significant progress has been made on the demerger of Coles, which is expected to be completed in November 2018, subject to shareholder and other approvals. The post-demerger capital structure, announced in July 2018, is expected to set Coles up for success and provide the business with significant operational and strategic flexibility. Coles' balance sheet will have headroom and allow it to make additional investments in new stores, the next evolution of store renewals, online capability, supply chain and deliver on its 'Fresh Tomorrow' strategic initiatives.

Following the demerger, Wesfarmers will have a portfolio of cash-generative businesses with good momentum and leading positions in growing markets. Continued earnings growth is expected across the Group's retail businesses. Growing addressable markets will remain a focus, along with ongoing improvements in merchandising and service, further enhancements to the customer experience both in-store and online, and investments in value supported by operational efficiencies.

The Group's Industrial businesses will continue to focus on operational efficiencies, cost control and capital discipline. Industrial earnings will continue to be influenced by international commodity prices, exchange rates, competitive factors and seasonal outcomes. Earnings for the Chemicals business in the 2019 financial year are expected to be affected by an oversupply of explosive-grade ammonium nitrate in the Western Australian market, subject to competitive factors.

In the coming year, Wesfarmers will continue to focus on leveraging its data and digital capabilities, developing great talent and teams, and driving entrepreneurial initiative. The Group remains generally optimistic and its strong balance sheet position, cash flow generation and capital discipline will continue to be prioritised to take advantage of growth opportunities, if and when they arise, to create value for shareholders over the long term.

CLIMATE-RELATED FINANCIAL DISCLOSURES

Wesfarmers supports the transition to a low carbon economy. This presents both risks and opportunities for our businesses. To facilitate this transition, Wesfarmers is committed to implementing the recommendations of the Financial Standards Board Taskforce on Climate-Related Financial Disclosures (TCFD). This will be a multi-year project as we continue to build our capabilities, capitalise on opportunities and improve disclosures in this area. We recognise that while we have made substantial in-roads this year, we still have further work to do.

Wesfarmers recognises the importance of climate-related financial disclosures to enable efficient allocation of capital within markets and to drive the transition to a sustainable global economy for all. Wesfarmers is working towards embedding our climate change strategy in all aspects of our business, in an effort to reduce our environmental footprint while also achieving long term sustainable growth. Wesfarmers supports the UN Sustainable Development Goals and aims to make progress against these goals, because it is good for our businesses, employees, suppliers and investors, but also because it improves outcomes for all in our local communities, industries, across Australia and in the global community.

During the 2018 financial year, we completed detailed gap and benchmarking analysis to ascertain where we are achieving good outcomes and where we need to improve. Wesfarmers recognises the complex nature of many of the challenges facing our businesses, our communities and our world, because of global environmental change. We look forward to facing the challenges ahead and being part of the solution to achieve a low carbon economy.

Governance

The Board of Wesfarmers has the highest level of oversight and responsibility for climate change within the Group. Each divisional board and management team has responsibility for identifying and managing any material business risks and opportunities, including climate change, in accordance with the Group's Risk Management Framework. Divisional management teams provide an annual risk report to their respective divisional boards for review and approval, prior to providing the report to the Wesfarmers Leadership Team at the annual planning forum.

A consolidated Group risk report is provided to both the Audit and Risk Committee and the Board of Wesfarmers for further review and approval. Additional information on corporate governance is available on pages 45 to 49 of this review and the full 2018 Corporate Governance Statement is available on the corporate governance section of the company's website at **www.wesfarmers.com.au/cg**

Risk management

Wesfarmers and its businesses undertake a thorough annual risk review in accordance with the Wesfarmers Risk Management Framework. This is well established throughout our businesses and provides the most efficient vehicle for climate change risk assessment, management and mitigation. Further information on the Wesfarmers Risk Management Framework is available on page 48 of this review.

For the 2018 financial year risk review, Wesfarmers' divisions assessed:

- security and pricing of energy supply; and
- physical, regulatory, reputational and competitive risks associated with climate change.

Further impact analysis, including risk mitigation opportunities, will be developed. Through the TCFD project Wesfarmers will expand our understanding of climate-related risks and opportunities within the businesses. As the project matures and we embed improved reporting processes and controls within our businesses, we will move towards more granular analysis, including comprehensive one, two, and four degree scenario analysis, resulting in improved disclosures. We expect to be in a position to include this scenario analysis in next year's annual report.

Strategy

Wesfarmers' climate strategy drives our environmental, energy, waste and water initiatives. By taking a proactive approach to managing climate-related risks and opportunities throughout the portfolio, we aim to maximise lowest cost abatement opportunities first and improve our energy, waste and supply chain systems. Wesfarmers has applied an internal carbon price to capital allocation decisions since 2014. As part of the risk procedure, high level risk analysis has commenced, the findings of which are set out below.

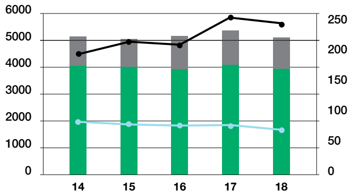
Risks and opportunities

Topic	Impact	Risk	Mitigation and opportunity
Physical risks	Acute	Extreme weather events such as fires, floods and cyclones could affect supply and logistics chains and manufacturing facilities within many of our businesses.	Improving resilience within our businesses to enable a rapid return to normal operations with minimal impact following any extreme or acute climate events Improving controls, monitoring and reporting on environmental performance will also drive improvements in operations to further prepare and adapt to climate change.
	Chronic	Changes in mean temperatures and rainfall patterns will lead to changing consumer and business needs. Sourcing of materials could become more expensive due to water scarcity and a move to phase-out unsustainable products.	Ensuring energy efficiency across all store networks and facilities will help mitigate increased energy cost and usage requirements. Further analysis of embedded carbon and water costs in supply chains will drive additional mitigation efforts as well as exploration of opportunities to meet changing consumer demands.
Transition risks	Policy	Government policy (including pricing carbon) and any other regulatory mechanism may increase costs for companies with carbon or other climate and environmental exposure. Additional regulation in relation to water and biodiversity may become more stringent over time as scarcity of resources and pollution concerns continue to escalate.	Legislative levers built into the Safeguard Mechanism make the introduction of a carbon pricing regime possible. Application of an internal carbon price enables management of potential carbon liability risks for existing facilities and projects or acquisitions. Through a focus on energy efficiency, and water and carbon footprint reduction initiatives, we aim to manage our exposure to regulatory risk. Further analysis of carbon and water within supply chains will enable a proactive approach to managing these risks going forward.
	Legal	Greater attention by stakeholders, particularly investors, could lead to increased litigation. Litigation is likely to be a higher risk for companies which rely heavily on revenue sourced from products that are unlikely to be required in a carbon-constrained world.	Analysis of stranded assets has provided options to remove these risks from our business while highlighting opportunities for growth in lower-risk industries. Improved reporting, analysis and disclosure of all climate-related risks, enables shareholders to accurately assess our efforts to mitigate this risk.
	Technology	The risks of disruptive technologies affecting demand for our products. The integration of new and old technologies can be complex, while the implementation of new or unproven technologies can result in a decrease in productivity if not managed correctly.	The rate of technological advancement in renewable energy generation and low-cost abatement technologies present both risks and opportunities to all our businesses. Our businesses are actively looking to capitalise on technologies available as well as looking at new opportunities presented. We are improving data and reporting processes, which is driving better resource allocation and efficiency as a result of increased accountability and ownership. The importance and power of data and analytics will be part of the sustainable technological drive to a low-carbon economy.
	Market	The supply and demand for consumables and commodities will change as consumer demand shifts to lower carbon products and technologies evolve. Environmental insecurity resulting in increased costs for electricity, water and other raw materials, could impact market penetration and share.	Lower cost generation achieved by renewables opens up a range of opportunities to source cheaper energy from renewable sources. Similarly, Power Purchase Agreements (PPAs) currently evolving in this area provide an opportunity to hedge commodity supply risk through alternate contract arrangements. Emphasis is placed on 'behind-the-meter' renewable sources, along with lowest cost abatement projects first, ensuring the businesses are well placed to enter into PPAs as they become more commercially viable.
	Reputation	A lack of direction on managing the effects of climate change creates an increased risk of reputational damage through stakeholder and investor activism or as a result of incorrect investment decisions being made.	Thorough research and analysis of investment opportunities, including the application of an internal carbon price, mitigates poor investment decisions being made while capitalising on opportunities presented. Refer above under Legal for efforts to mitigate legal and investor activism risks.

Metrics and targets

Wesfarmers monitors carbon emissions for regulatory compliance obligations and voluntary reporting purposes. The monitoring of emissions will support the effectiveness of our climate strategy and drive our risk analysis.

Greenhouse gas emissions



	Scope 1 & 2 GHG ('000 tCO_2e)	Scope 3 GHG[1] ('000 tCO_2e)	Total ('000 tCO_2e)
FY18[2]	**3,945**	**1,174**	**5,119**
FY17	4,078	1,282	5,360
FY16	3,915	1,253	5,168
FY15	4,012	1,048	5,060
FY14	4,047	1,098	5,145

1 Scope 3 GHG includes emissions from joint ventures.

2 Wesfarmers divested its Curragh mine during FY18. FY18 data includes emissions from the Curragh mine for the period 1 July 2017 to 29 March 2018. Some emission sources have been estimated for the business.

The Wesfarmers conglomerate model allows for management and accountability targets within individual businesses and as a result no single Group-wide target has been set. Each business tailors its emissions management to its business model resulting in varied approaches to target setting. In some instances targets have been set per source, resulting in strategies to reduce energy and emissions. As a result of the diverse nature of the businesses in the Wesfarmers portfolio, the risks and opportunities presented in one business do not necessarily translate to a similar outcome in another.

Division	Targets and business priorities	Progress
Bunnings	Bunnings is accelerating energy reduction through more renewable energy installations and lighting efficiencies, and will roll out 25 solar PV systems and 19 LED retrofits in the 2019 financial year.	During 2018, nine stores had solar PV systems installed, taking the total number of solar PV systems to 23 stores, covering 25,000 square metres of roof area. Bunnings also retrofitted LED lighting into 12 existing stores during the same period, with 26 stores retrofitted to date.
Coles	In 2009, Coles set a target to reduce its greenhouse gas emissions by 30 per cent by 2020.	Coles met this target four years early in 2016. Since 2009, Coles has achieved a 35 per cent reduction in greenhouse gas emissions, including a 74 per cent reduction in scope one greenhouse gas emissions from refrigerant sources due to ongoing refrigeration and HVAC upgrades.
Department Stores	**Kmart** has set an energy efficiency target of 20 per cent reduction of energy per square metre by December 2020 compared to 2015. **Target** has set an energy efficiency target of 25 per cent reduction of energy per square metre by December 2019 compared to 2015.	An overarching strategy of lowest cost abatement first, combined with improved data collation, analytics, systems and processes, specifically around energy demand management, has enabled our Department Stores to drive energy efficiency projects. Kmart stores have reduced their electricity usage by 15 per cent since 2015 equating to 20 per cent less greenhouse gas emissions per metre of store building area. Target stores have reduced their electricity usage by 32 per cent since 2015 equating to 36 per cent less greenhouse gas emissions per metre of store building area.
Officeworks	Officeworks has set a target of a 15 per cent reduction in greenhouse gas emissions from electricity usage compared to 2015.	Officeworks has reduced electricity usage by 11 per cent since 2015 equating to 17 per cent less greenhouse gas emissions.
Industrials	Most abatement projects have already been realised for the **WesCEF** business. The focus is on ongoing improvements through a process of continuous review and action. **Industrial and Safety** has an internal target of a 10 per cent reduction in electricity used year on year.	As part of ongoing environmental licence compliance requirements all facilities must comply with stringent emissions, water quality, water efficiency and air quality requirements. Under the Safeguard Mechanism all facilities are below baseline and forecast to remain below, based on legislation as it is currently enacted. Significant abatement projects have already been completed. A business-wide focus on energy, water and waste efficiency ensures that opportunities are constantly reviewed as part of ongoing process improvements at all facilities. During 2018, Kleenheat entered into a ten-year 30MW PPA to source renewable energy for its customers. Since 2015, Industrial and Safety (excluding Coregas Air Separation Unit in Mackay) has achieved a 25 per cent reduction in electricity through solar installations and LED retrofit projects.

Additional detail on Wesfarmers' sustainability initiatives, projects and performance can be found on pages 33 to 40 of this review or in the online Sustainability Report at **sustainability.wesfarmers.com.au**

BUNNINGS

Revenue

$12,544m

2018	**12,544**
2017	11,514
2016	10,575
2015	9,534
2014	8,546

EBIT

$1,504m

2018	**1,504**
2017	1,334
2016	1,212
2015	1,088
2014	979

Performance drivers

Operating revenue from Bunnings Australia and New Zealand increased 8.9 per cent to $12,544 million. Total store sales growth of 8.9 per cent was achieved during the year, underpinned by an increase of 7.8 per cent in store-on-store sales. Bunnings Australia and New Zealand recorded EBIT of $1,504 million, an increase of 12.7 per cent on last year.

Sales growth was achieved in both consumer and commercial markets with a continued focus on improving the core drivers of price, range and service.

Further investments in customer value, the introduction of online transactional capability for special orders, deeper commercial engagement and continued merchandise innovation were highlights.

Our business

Bunnings is the leading retailer of home improvement and outdoor living products in Australia and New Zealand. Bunnings is a major supplier to project builders, commercial tradespeople and the housing industry.

Bunnings is focused on creating value for its customers over the long term. The long-term value creation approach is based on four interlinked principles: a winning offer to customers; an engaged, focused and committed workforce; business behaviour that builds trust; and sustainable satisfactory shareholder returns.

Bunnings employs more than 43,000 team members across Australia and New Zealand. Bunnings stores stock around 45,000 products and an expanded range of over 20,000 products is available through a special order service both online and in-store.

Our market

In Australia and New Zealand, Bunnings caters for consumers as well as light and heavy commercial customers across the home improvement and outdoor living market, operating from a network of large warehouse stores, smaller format stores, trade centres, and frame and truss sites.

Bunnings Australia and New Zealand is expanding its brand reach across its market through the opening of new stores and flexible formats, along with more digital engagement. The focus is on delivering the best offer everywhere, be that digital, in-home, in-store or on-site.

Prospects

Bunnings' strategic pillars of price, range and service remain as relevant as ever and continue to underpin our focus on delivering a winning offer to customers. Our customers value convenience and service and we are focused on offering a wide range of products and services to meet their needs.

Our focus on growth remains strong and we are confident that there is significant scope for further growth in consumer and commercial markets. Leveraging our physical network, embracing technology, and a strong commitment to making our business simpler to run are focus areas that strengthen our core and allow us to continue to invest in service, value and growth initiatives.

We are accelerating and significantly evolving our digital capabilities to ensure that the experiences our customers and local communities know us for are even stronger and more accessible than ever.

We see an opportunity to broaden our addressable market. We are challenging ourselves to think more about seasonality in the business, which will open up new category opportunities and enable further improvements in existing categories. Doing more to tailor product ranges to suit different regions will make us even more relevant to our customers in the markets where they live or run their business.

COLES

Revenue

$39,388m

2018	39,388	
2017	39,217	
2016	39,242	
2015	38,201	
2014	37,391	

EBIT

$1,500m

2018	1,500	
2017	1,609	
2016	1,860	
2015	1,783	
2014	1,672	

Performance drivers

Coles' revenue of $39,388 million for the year was broadly in line with last year, with earnings before interest and tax declining 6.8 per cent to $1,500 million.

Food and Liquor recorded sales growth of 2.1 per cent driven by continued investment in value, quality and service. Sales momentum steadily improved during the year, underpinned by growth in customer transactions, number of units sold and basket size.

Coles' focus to deliver a better customer experience was reflected in improved customer satisfaction scores, to the highest level in two years, particularly in the areas of quality, range and availability.

Fresh food remains a substantial growth opportunity and Coles made significant progress during the year in improving the quality and range of its fresh products, especially in produce, meat and bakery, increasing its fresh market share and sales contribution.

Coles lowered prices by 1.2 per cent for customers during the year. Trusted value remains paramount for Coles, and as at 30 June 2018 there were approximately 4,500 products on 'Everyday Low Pricing'.

Coles Online delivered strong double-digit sales growth for the year, as further investments were made to improve fulfilment capabilities, reduce delivery times and provide innovative pick-up solutions.

The Liquor transformation continued to build on an improved and more consistent customer offering as pricing, range and store investment were further enhanced. Liquor has achieved 11 consecutive quarters of comparable sales growth and continues to gain momentum.

Coles Express recorded revenue (including fuel) of $5,761 million for the year, 6.1 per cent lower than the previous year due to lower fuel volumes.

Despite a decline in fuel transactions, convenience store sales increased by 1.6 per cent for the year.

Flybuys achieved 5.6 per cent growth in active households and double-digit growth in points redeemed as new partnerships and initiatives provided customers with even greater value.

Our business

Coles provides fresh food, groceries, general merchandise, liquor, fuel and financial services through its national store network and online channels. Coles employs more than 112,000 team members across Australia.

Our market

Coles operates a national network of 809 supermarkets, 711 convenience outlets, 899 liquor stores and 88 hotels. Each week, 21.7 million customer transactions are recorded across the Coles businesses.

Coles also operates in the financial services market, offering home, car and landlord insurance, and credit cards.

Prospects

In an ever-changing competitive landscape, Coles remains committed to its customer-led strategy to provide better value, quality and service to its customers across Australia.

Coles is a great business, supported by more than 112,000 passionate team members, and is well-placed to grow in the future. Coles aims to create a strong point of difference in the marketplace as it invests in improving the quality of its fresh food offer, tailoring stores to the shopping missions of local communities, and providing a suite of convenient shopping alternatives for customers.

Coles is focused on making life easier for customers and creating unparalleled convenience through its many channels and services such as Coles Online, Financial Services and Australia's number one loyalty program, flybuys.

At a time when Australian household budgets remain under pressure, Coles will continue to lower the cost of the weekly shop for customers and build on its trusted value position. Such investment is expected to be funded by ongoing productivity savings.

There are significant cost-of-doing business opportunities that exist within the business and these will be realised over time through productivity initiatives and greater use of technology across the business.

Coles Liquor continues to execute well on its transformation plan, with opportunities to improve range, convenience and drive further efficiencies across the business.

Coles Express remains committed to growth through providing a market-leading shop offer in conjunction with a competitive fuel offer.

Driving innovation remains a focus in the food offer in-store and will increasingly influence the business going forward.

DEPARTMENT STORES

Revenue

$8,837m

2018	**8,837**
2017	8,528
2016	8,646
2015	7,991
2014	7,710

EBIT

$660m

2018	**660**
2017	543
2016	275
2015	522
2014	452

DEPARTMENT STORES

Revenue for the Department Stores division was $8,837 million for the year. This was an increase of 3.6 per cent with continued strong growth in Kmart partially offset by lower revenue in Target.

Earnings for the Department Stores division increased 21.5 per cent to $660 million, representing record earnings under Wesfarmers' ownership. This reflected continued strong growth from Kmart, along with improved trading margins and productivity improvements in Target.

Target's sales were affected by the reset of product, range and price across the business. Kmart's strong sales growth was supported by double-digit growth in customer transactions and units sold.

KMART

Performance drivers

Kmart's total sales increased 8.0 per cent, with comparable sales increasing 5.4 per cent. This reflected strong performances in all categories, particularly in home and kids general merchandise.

Kmart continued to invest in its store network, opening 10 new stores including one Target store conversion, closing two stores and completing 20 store refurbishments during the year.

Kmart Tyre and Auto Service also invested in its network, finishing the year with 256 service centres after opening six new centres and closing one during the year.

Our business

Kmart was established in 1969, with the opening of its first store in Burwood, Victoria. In April 2019, Kmart will celebrate its 50th anniversary. Kmart operates 228 stores throughout Australia and New Zealand, offering customers a wide range of apparel and general merchandise products at low prices, every day.

Kmart employs more than 33,000 team members, who are focused on the Kmart vision of delivering the lowest prices on everyday items for Australian and New Zealand families. On 13 August 2018, Wesfarmers announced that it had entered into an agreement with Continental A.G. to sell Kmart Tyre and Auto Service, subject to certain conditions including regulatory approvals.

Our market

Kmart operates in the clothing, homewares and general merchandise retail sector, both locally and internationally. This sector is competitive and comprises department stores, specialty retailers and a growing online channel. It is also characterised by an expanding presence of international retailers, an increasing level of direct sourcing and online growth. Kmart sources from both local and international suppliers, with product-sourcing offices in Hong Kong, China, Bangladesh, India and Indonesia.

Prospects

Kmart will continue to drive sustainable growth through a focus on making it a great place to shop that is simple to run and delivering better products at lower prices. Kmart will continue to invest in price to further drive volume and maintain Kmart's price leadership position in the market. The business is well positioned for the 2019 financial year, with a continued focus on category growth opportunities and the delivery of ongoing operating efficiencies in stores and the supply chain. Continued investment in the store network is expected to deliver five new stores and the completion of 33 store refurbishments in the 2019 financial year.

TARGET

Performance drivers

Target recorded a pre-tax non-cash impairment of $306 million, reflecting a moderated outlook for the business. Total sales decreased 4.7 per cent, however the quality of the sales mix improved and growth was achieved in online, menswear and homewares. The online proposition was further advanced via expanded ranges and improved customer convenience, which supported increased rates of conversion and improved sales growth.

Our business

Target operates a national network of 303 stores as well as online. Its objective is to provide quality and fashion at the best prices. Target employs more than 13,000 team members across its stores, support offices and direct sourcing operations – all focused on delivering fashion that excites and quality that endures.

Our market

Like Kmart, Target participates in the Australian clothing, homewares and general merchandise retail sector. The addressable market exceeds $80 billion and within this market Target has a sound competitive position supported by a strong brand heritage characterised by quality, fashion and value.

Prospects

Target will continue to advance its business transformation, building on the momentum created by changes over the past two years with a strong focus on quality and fashion at the best price. Improvements in fashion and quality across the range will be supported by an improved online experience. Target will also drive productivity by continuing to optimise the store network and focusing on end-to-end costs, in particular through more direct sourcing, and improving working capital management.

OFFICEWORKS

Revenue

$2,142m

Year	$m
2018	**2,142**
2017	1,964
2016	1,851
2015	1,714
2014	1,575

EBIT

$156m

Year	$m
2018	**156**
2017	144
2016	134
2015	118
2014	103

Performance drivers

Officeworks delivered revenue of $2,142 million for the year, an increase of 9.1 per cent on the prior corresponding period. Earnings increased 8.3 per cent to $156 million.

Customers continued to respond favourably to Officeworks' 'every channel' strategy, with sales growth achieved across both stores and online.

Providing a compelling customer offer remained a strong focus throughout the year. The growth in sales and earnings was underpinned by new and expanded product ranges, merchandise layout and store design changes, online enhancements, and a relentless focus on price, range and great customer service across all channels to market.

Strong momentum in the business-to-business segment was maintained as Officeworks' 'every channel' offer continued to resonate with an increasing number of micro-, small- and medium-sized business customers.

Strong sales growth, effective management of gross margin and cost of doing business and disciplined capital management delivered an increase in return on capital of 1.9 percentage points to 16.6 per cent.

Ongoing investment in stores and online to support the future growth of the business was further reflected in a strong capital expenditure program during the year.

Six new stores were opened during the year, and at the end of June 2018 there were 165 stores operating across Australia.

Our business

Officeworks is Australia's leading retailer and supplier of office products and solutions for micro-, small- and medium-sized businesses, students and households, committed to helping customers make bigger things happen. Operating through a nationwide network of 165 stores, an online platform, a call centre and a team of business specialists, Officeworks is focused on delivering a one-stop shop for customers by delivering the widest range, low prices and great service.

Our market

Officeworks' current addressable market in Australia is approximately $20 billion. The market remains highly competitive, with a wide variety of participants, some of whom participate across multiple categories while others seek to specialise in certain areas.

Officeworks has continued to expand its addressable market through range and category expansion, and to drive innovation in core office products.

Prospects

Officeworks will continue to drive growth and productivity by executing its strategic agenda. Competitive intensity is expected to remain high as the landscape evolves, but Officeworks is well placed to continue to drive growth in this environment.

Key focus areas in the 2019 financial year will include strengthening and expanding the customer offer by adding new products and ranges as well as adding more services to complement the existing range. This will strengthen Officeworks' position as a one-stop shop for micro-, small- and medium-sized businesses, students and households.

Investment in the store network will continue through more store openings and ongoing enhancements to merchandise layouts and store design. Likewise, enhancements to the online offer will continue to make it easier and more convenient for customers to shop whenever, wherever and however they choose.

Enhancing productivity and efficiency across all elements of the business will remain a priority with the focus on working capital optimisation, better space utilisation, effective cost control and more effective use of data to improve decision-making.

Officeworks remains committed to investing in the safety, talent and diversity of the team, and making a positive difference in the community.

INDUSTRIALS

Revenue

$1,830m

2018	**1,830**
2017	1,639
2016	1,820
2015	1,839
2014	1,812

EBIT

$390m

2018	**390**
2017	395
2016	294
2015	233
2014	221

CHEMICALS, ENERGY AND FERTILISERS

Performance drivers

Revenue of $1,830 million was 11.7 per cent above last year with Chemicals, Energy and Fertilisers all contributing to revenue growth. Chemicals revenue increased primarily due to higher EGAN sales volumes as a result of production disruptions to the competing Burrup ammonium nitrate (AN) plant and higher PVC sales volumes. Energy revenue increased due to higher Saudi CP (the international benchmark indicator for LPG) and continued growth in the number of natural gas retail customers.

Reported earnings of $390 million were 1.3 per cent lower than the prior year. The prior year earnings include one-off benefits of $55 million. Excluding these one-off items, earnings increased 14.7 per cent.

An ongoing focus on safety, particularly high potential incidents, has seen the lost time injury frequency rate maintain at historically low levels with LTIFR at 1.3 compared to 0.7 last year.

Our business

WesCEF operates eight businesses in Australia and employs approximately 1,200 team members. WesCEF's business units are Chemicals, Energy (Kleenheat), and CSBP Fertilisers.

Our market

Chemicals includes:

- the manufacture and supply of ammonia, AN and industrial chemicals primarily to the Western Australian resources and industrial sectors through CSBP
- Queensland Nitrates (QNP), CSBP's 50 per cent joint venture with Dyno Nobel Asia Pacific which manufactures and supplies AN to the resources sector in the Bowen Basin coal fields
- Australian Gold Reagents (AGR), CSBP's 75 per cent joint venture with Coogee Chemicals which manufactures and supplies sodium cyanide
- Australian Vinyls, which supplies PVC resin and specialty chemicals to the Australian industrial sector
- ModWood, which manufactures wood-plastic composite decking and screening products

Kleenheat extracts LPG from natural gas and distributes bulk and bottled LPG to the residential and commercial markets in Western Australia and the Northern Territory. Kleenheat is also a retailer of natural gas to residential and commercial markets, and electricity to businesses in Western Australia.

CSBP Fertilisers manufactures, imports and distributes fertilisers for the Western Australian agricultural sector. CSBP Fertilisers also provides technical support services for growers. Fertilisers recently launched its agricultural technology business, Decipher, which allows growers and their advisors to visualise farm data and make more informed nutritional decisions.

Wesfarmers announced an agreement to divest its 13.2 per cent indirect interest in Quadrant Energy on 22 August 2018.

Prospects

The performance of the Chemicals, Energy and Fertilisers business will continue to be impacted by international commodity prices, exchange rates, competitive factors and seasonal outcomes. Earnings for the Chemicals business in the 2019 financial year are expected to be affected by an oversupply of explosive-grade ammonium nitrate (EGAN) in the Western Australian market, resulting in lower margins as production is diverted to other customers and markets. To mitigate this, the business remains focused on securing commitments for future uncontracted volumes. Natural gas retailing is expected to grow albeit at a lower rate due to competition.

INDUSTRIALS

Revenue

$1,750m

2018	**1,750**
2017	1,776
2016	1,844
2015	1,772
2014	1,621

EBIT

$118m

2018	**118**
2017	115
2016	63
2015	70
2014	131

INDUSTRIAL AND SAFETY

Performance drivers

Revenue of $1,750 million was 1.5 per cent lower than the prior year. Blackwoods' revenue was marginally below the prior year due to strong demand from the mining segment not offsetting weaknesses in other segments. Workwear Group revenue was lower than the prior year due to strong demand in the industrial work wear market in Australia being offset by weaker demand in New Zealand and the UK, and impacts from a fire at a major distribution centre. Coregas revenue increased on the prior year due primarily to growth in tonnage, bulk and New Zealand sales channels, moderated by changes in sales mix and pricing pressure.

Earnings of $118 million were a 2.6 per cent increase on the prior year. Blackwoods earnings were impacted by the continued investment in the transformation of customer service, the supply chain and digital platforms. Workwear Group earnings increased due to improved margins from sourcing initiatives partially offset by restructuring costs in the supply chain and remediation costs at the fire-affected distribution centre. Coregas earnings were lower than the prior year despite stronger sales due to margins being impacted by higher energy costs and increased competition.

Our business

Industrial and Safety operates four main businesses: Blackwoods, Workwear Group, Coregas and Greencap.

Blackwoods is the market leader in B2B industrial suppliers and safety products to businesses of all sizes across Australia and New Zealand. It distributes its products through an extensive national supply chain, branch network and online platforms. Its broad product range is supported by expert technical advice and solutions.

Workwear Group is Australia's largest provider of industrial and corporate workwear, featuring iconic Australian brands Hard Yakka and King Gee. Workwear Group also supplies bespoke and catalogue uniforms to leading airlines, financial services providers, retailers and other large corporates through NNT and Incorporatewear (UK), as well as specialised garments to defence and emergency services customers in Australia and New Zealand.

Coregas is a supplier of industrial, specialty and medical gases in Australia and New Zealand, serving customers of all sizes through multiple sales channels and distribution networks, including Blackwoods and Bunnings.

Greencap is an expert risk management and digital compliance solutions business.

Our market

Industrial and Safety service customers across diverse industries such as construction, mining, manufacturing, retail, food and beverage, utilities, transport, facilities maintenance and government. The businesses also service a wide range of customer groups including large corporate enterprises, government organisations and small-to-medium sized businesses.

Prospects

The continued transformation of Blackwoods and the almost completed turnaround of the Workwear Group business will provide a platform to support future growth for both businesses. The investment focus is on improving systems, supply chain efficiencies, optimising category management and enhancing customer service. While Coregas will experience ongoing margin pressure from pricing and input costs, the business is focused on growth opportunities in healthcare and the Trade N Go business.

Revenue

$1,689m

2018	**1,689**
2017	1,746
2016	1,008
2015	1,374
2014	1,544

EBIT

$359m

2018	**359**
2017	405
2016	(310)
2015	50
2014	130

RESOURCES

Performance drivers

The sale of the Curragh coal mine in Queensland to Coronado Coal Group was completed on 29 March 2018 and as a result Curragh only contributed nine months to the 2018 financial year. Overall the investment by Wesfarmers in Curragh, which was acquired in 2000, has delivered an after-tax internal rate of return of approximately 49 per cent per annum.

Revenue of $1,689 million was 3.3 per cent below last year, primarily due to the divestment of Curragh, which was partially offset by an increase in the average prices for thermal and metallurgical coal achieved due to the continued robustness of export coal markets.

Earnings of $359 million were $46 million below last year, primarily due to the divestment of Curragh.

At Bengalla, a continued focus on production debottlenecking drove an increase in production to take advantage of higher export thermal coal prices, resulting in higher earnings.

Our business

Following the divestment of Curragh, Resources has a 40 per cent joint venture interest in the Bengalla mine, located south-west of Muswellbrook, in the Hunter Valley region of New South Wales.

Wesfarmers announced an agreement to sell its 40 per cent interest in the Bengalla Joint Venture on 7 August 2018. The sale of the interest in Bengalla is expected to close in the fourth quarter of calendar year 2018 and will complete Wesfarmers' exit from coal mining following a detailed strategic review.

Our market

Bengalla's steaming coal is used for power generation and is primarily exported to customers based in Japan and North Asia.

Prospects

Subsequent to year-end, Wesfarmers announced the sale of its 40 per cent interest in the Bengalla mine which, subject to completion, will complete Wesfarmers' exit from coal mining following a detailed strategic review of these assets.

OTHER ACTIVITIES

Wesfarmers is also a major investor in the BWP Trust, Gresham Partners and Wespine Industries.

BWP Trust

Wesfarmers' investment in the BWP Trust (the Trust) contributed earnings of $45 million, compared to $55 million last year due to lower property revaluations.

The Trust was established in 1998 with a focus on warehouse retailing properties and, in particular, Bunnings warehouses leased to Bunnings Group Limited. BWP Management Limited, the responsible entity for the Trust, is a wholly owned subsidiary of Wesfarmers Limited. Units in the Trust are listed on the Australian Securities Exchange and Wesfarmers holds, through a wholly owned subsidiary, 24.8 per cent of the total units issued by the Trust as at 30 June 2018.

The Trust performed in line with its business objectives during the year, providing a 1.7 per cent increase in full-year distributions and $70 million in net revaluation gains from its property investment portfolio.

The Trust's portfolio as at 30 June 2018 consisted of a total of 79 properties: 76 established Bunnings warehouses, eight of which have adjacent retail showrooms that the Trust owns and are leased to other retailers; one fully leased stand-alone large format showroom property; and two vacant properties.

Gresham Partners

Wesfarmers has a 50 per cent shareholding in Gresham Partners Group Limited, the holding company for the Gresham Partners operations. Gresham is a leading independent financial services business with activities in corporate advisory, funds management, property, and capital solutions.

During the year, Gresham participated in a number of significant advisory transactions, including mergers and acquisitions, corporate restructurings and debt refinancing on behalf of a range of domestic and international clients. Its property funds management business, which is the manager of established institutional funds and syndicates, continued to finance a range of Australian development projects.

Wesfarmers is a participant in the Gresham Private Equity funds with the remaining holding being an underground mining services business, Barminco Limited, operating both in Australian and overseas markets. In August 2018, Ausdrill Limited agreed to acquire Barminco. As a part of the transaction Barminco shareholders will become shareholders in the enlarged Ausdrill upon completion.

Wespine Industries

The 50 per cent-owned Wespine Industries operates a plantation softwood sawmill in Dardanup, Western Australia.

Timber sales for the 2018 financial year increased by 31 per cent with higher sales to the Eastern States more than offsetting sustained weakness in house building activity in Western Australia. Operating margins also improved during the year, reflecting production efficiencies on higher volumes.

Safety performance improved with the rolling 12-month total recordable injury frequency rate for the year falling to a record low in June 2018. The management team is maintaining its focus on all aspects of workplace safety.

SUSTAINABILITY

Wesfarmers considers sustainability as an opportunity to drive strong and long-term shareholder returns.

At Wesfarmers we believe long-term value creation is only possible if we play a positive role in the communities we serve. Sustainability is about understanding and managing the ways we impact the communities and environments in which we operate, to ensure we continue to create value in the future.

Wesfarmers is committed to minimising our footprint and to delivering solutions that help our customers and the community do the same. We contribute to the communities in which we operate through strong partnerships and by providing direct and indirect employment. We endeavour to continually improve our performance and publicly report on our progress and challenges in our annual sustainability report.

In March 2018, Wesfarmers announced the completion of the sale of its Curragh coal mine and this review includes data for that business until 29 March 2018.

The Dow Jones Sustainability Index (DJSI) tracks sustainability performance of leading companies around the world. In September 2018, Wesfarmers was advised that it is one of only six companies worldwide in the food and staples sector to be included in the DJSI World index.

Our full sustainability report is available at **sustainability.wesfarmers.com.au**

OUR PERFORMANCE

WE ARE PROUD OF OUR PROGRESS IN THE FOLLOWING AREAS.

Safety

Injury rate

↘15%

Reduced our total recordable injury frequency rate by 15 per cent to 24.4.

Ethical sourcing and human rights

Factories in our audit program

4,003

Improved the transparency of our supply chain with 4,003 factories including supplier sites in our audit program.

Diversity

Indigenous employees

5,228

Worked to promote diversity in our workplaces, with a 24% increase in employees identifying as Indigenous[1].

Community contributions

Direct funding

$86.6m

Contributed a further $60.9 million in indirect funding to community organisations.

WE ACKNOWLEDGE THAT WE CAN IMPROVE OUR PERFORMANCE.

Diversity

Wesfarmers' workforce is made up of 54 per cent women and 46 per cent men. A key opportunity for the Group is to increase the percentage of leadership positions held by women.

Over the last five years, there has been a 5.0 per cent increase in women in management roles and a 5.5 per cent increase in women in senior roles.

Climate change resilience

We will continue to focus on climate change resilience, especially energy efficiency.

We are proactive about managing risks associated with climate change because we believe this will deliver significant benefits for us all.

This year we reduced our Scope 1 and 2 carbon emissions by 3 per cent.

[1] As at 30 June 2018.

SAFETY

We maintain a relentless focus on providing safe workplaces.

Wesfarmers is a business driven by people. As Australia's largest private sector employer some 217,000 people come to work in our offices, shops, plants and facilities every day.

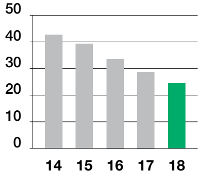
The safety of team members, customers, suppliers and visitors across all our sites is our highest priority. We continue to make improvements to safety.

To monitor our safety performance, we use total recordable injury frequency rate (TRIFR) and lost time injury frequency rate (LTIFR), which show injuries per million hours worked by employees and long-term contractors. This year, our TRIFR decreased by 15 per cent from 28.7 to 24.4, with improvements across most divisions. Our LTIFR decreased nine per cent this year compared to the prior corresponding period.

We were pleased that our workers' compensation claims decreased by more than 500 to 5,863.

Total recordable injury frequency rate[1]

24.4



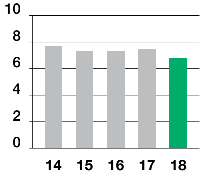
FY18	**24.4**
FY17[2]	28.7
FY16[2]	33.6
FY15	39.4
FY14	42.7

[1] TRIFR is the number of lost time injuries and medical treatment injuries per million hours worked.

[2] Restated due to maturation of data.

Lost time injury frequency rate[1]

6.8



FY18	**6.8**
FY17[2]	7.5
FY16[2]	7.3
FY15	7.3
FY14	7.7

[1] LTIFR is the number of lost time injuries per million hours worked.

[2] Restated due to maturation of data.

PEOPLE DEVELOPMENT

Our greatest competitive advantage is our people and we are committed to providing them with opportunities to improve their performance and their careers.

Wesfarmers is Australia's largest employer with approximately 217,000 employees. Our businesses provide employment to approximately one in 60 working Australians.

During the year, we paid $9.3 billion in salaries, wages and benefits to our employees.

Training and development

Wesfarmers' divisions provide job-specific and career development training opportunities that include technical skills, customer service, team work, and leadership. These programs are available to full-time, part-time and casual employees.

At the Group level, we focus on the potential and capability of our leadership teams and general managers, to ensure they have the capabilities we require for today and for the future.

We set standards for talent, leading cross-divisional talent development processes and supporting the individual development of our most critical and highest potential leaders.

This year Wesfarmers launched a Group-wide investment in awareness and capability building associated with data analytics, in line with one of our strategic focus areas.

Workplace relations

More than 87 per cent of our team members are covered by collective agreements. We recognise the right of those we employ to negotiate either individually or collectively, with or without the involvement of third parties. Collective agreements typically include provisions for notice periods and provisions for consultation and negotiation. We also believe in maximising the flexibility of workplace arrangements available to our employees and their managers.

Blackwoods helps team members plan for the time of their lives

Blackwoods has identified an increasing corporate risk associated with a maturing workforce. During the year, it introduced a program to address the cost of illness and injury within this cohort and the loss of business knowledge and customer serviceability as older people left the organisation.

DIVERSITY

We strive to create an inclusive work environment, with particular attention to gender balance and the inclusion of Indigenous people.

Wesfarmers is committed to building an inclusive culture that harnesses the power of diversity of thought and experience in our teams. Diversity enables us to best deliver on the needs of each of our customers and thus deliver for our shareholders.

Gender balance

While our workforce is balanced with 54 per cent of our team members female, there is room to strengthen the gender balance in management roles. Twenty-eight per cent of senior management roles are held by women. 'Gender balance' means that teams have a minimum of 40 per cent of either gender.

Building a more gender balanced business that appreciates and caters to the strengths, preferences and needs of different team members and different customers is a source of competitive advantage.

Wesfarmers supports its divisions to build a gender-balanced workforce in a number of ways. In 2018, independent external gender audits identified opportunities to improve gender balance. Wesfarmers has developed its own gender tool kit which is a resource to help our businesses identify opportunities to better harness the strength of male and female talent and capture business opportunities by better catering to all people across our customer base. The launch of a Wesfarmers cross-divisional Gender Balance Working Group, sponsored by our Group Managing Director, has enabled our divisions to share practices across the Group as well as hear from external experts.

Female representation across the Group

	2017	2018
Wesfarmers Limited Non-Executive Directors	38%	33%
Senior executive positions (General manager or above)	24%	28%
All management and professional roles	32%	34%
Total workforce	54%	54%

Indigenous representation in our workforce

Wesfarmers' diversity strategy includes a commitment to make every business a place where Indigenous people feel welcome and valued, as employees, customers and suppliers. To do this, Wesfarmers prepared and committed to its first Reconciliation Action Plan (RAP) in 2009, which outlines specific measurable actions to be undertaken across the Group, targeting Indigenous employment, business engagement, community partnerships and team member volunteering with Indigenous organisations.

This year, we made progress across all areas of our RAP, with the following highlights.

Indigenous employment

As Australia's largest employer, we believe we can provide Indigenous people with greater opportunities to participate in sustainable employment, and this remains our primary goal. This year we employed 997 more Indigenous team members, and total Indigenous team members now represent 2.5 per cent of Wesfarmers' Australian workforce.

Indigenous team members

2018	5,228
2017	4,231
2016	3,327
2015	2,762
2014	1,711

Wesfarmers is Australia's largest employer of Indigenous people.

Indigenous procurement

In addition to direct employment, Wesfarmers has created Indigenous employment opportunities through procurement from local and national Indigenous suppliers. In the five years from 2013 to 2017, Wesfarmers purchased more than $65 million in products and services from Indigenous suppliers.

Indigenous partnerships

Wesfarmers is committed to establishing community partnerships with organisations focused on improving the lives of Indigenous people.

Wesfarmers has partnered with Clontarf since 2001 to improve the education, discipline, life skills, self-esteem and employment prospects of young Indigenous men using football as a foundation. During the year Clontarf continued to expand nationally as it aims to double its student intake. While significant financial support is provided by Wesfarmers, a number of our divisions have established relationships with Clontarf Academies around Australia and provide work experience and employment opportunities, as well as mentoring and other in-kind support.

We continued to support Australian Indigenous Mentoring Experience and The Graham (Polly) Farmer Foundation. Wesfarmers also entered into the second year of its partnership with Reconciliation WA. Many of our divisions also have additional partnerships with organisations that support Indigenous communities, such as New Start Australia, The Fred Hollows Foundation and The Australian Literacy and Numeracy Foundation.

Our RAP is available at **wesfarmers.com.au**

Coles launches its accessibility action plan

In June 2018, Coles launched its second Accessibility Action Plan 2018-2020, which aims to improve the accessibility of its stores, sites, workplaces and digital access for people with disability. The new plan makes 16 commitments and includes expanding 'Quiet Hour'. Quiet Hour is a low-sensory shopping experience offering dimmed lights, reduced noise and limited overhead announcements at specified times.

SUPPLIERS

We commit to strong and respectful relationships with our suppliers.

Our relationships with approximately 18,000 suppliers across the Group are very important to us. This year we paid approximately $47 billion to our suppliers. We want to provide value to our customers and sustainable growth for our suppliers and their employees. Striving for better efficiency in our consumer supply chains ensures their continued competitiveness.

Kmart and Target commit to sourcing more sustainable cotton

Kmart and Target have joined the Better Cotton Initiative, a sustainable cotton standard and program that exists to make global cotton production better for the people who produce it, better for the environment it grows in and better for the sector's future.

ETHICAL SOURCING AND HUMAN RIGHTS

We strive to source products in a responsible manner while working with suppliers to improve their social and environmental practices.

Ethical sourcing and human rights has been identified as Wesfarmers' most material sustainability issue in our annual materiality process.

Our businesses directly source products from more than 20 countries. Some of the major locations we source from outside Australia include China, Bangladesh, New Zealand, India, Thailand and Vietnam. While our operations and supply chains are complex, our aim is to ensure that human rights are understood, respected and upheld. We expect our partners and stakeholders to adhere to ethical business conduct consistent with our own, and are committed to working with them to fulfil this common goal.

During the year, Wesfarmers continued to engage with government and NGOs to voice its support for establishing a Modern Slavery Act in Australia. We believe the Act will improve transparency in corporate and public sector activities, and ultimately help to eliminate modern slavery across Australian entities' operations and their supply chains.

Our third Modern Slavery Statement can be found in our 2018 Sustainability Report available at **sustainability.wesfarmers.com.au**

Increasing supply chain transparency

Global supply chains are inherently complex, diverse and dynamic. During the year, we continued to focus on supply chain transparency as the key to ensuring modern slavery is not occurring in our supply chains. Our due diligence process has revealed unfair working conditions is a risk in supply chains all over the world, including OECD countries such as Australia.

During the year Target, Kmart and Coles maintained their commitment to supply chain transparency by continuing to publish the details of the factories that directly produce their own brand products.

Ethical sourcing audit programs

To mitigate the risk of unethical practices occurring in our supply chains, the relevant Wesfarmers businesses (Coles, Bunnings, Target, Kmart, Officeworks, and Industrial and Safety) apply a human rights and ethical sourcing audit program to certain suppliers. Suppliers are considered lower risk if they are supplying recognised international brands.

This year, our audit program covered 4,003 factories or supplier sites in Australia and overseas used to produce products for sale across our retail businesses.

Factories and supplier sites in the audit program are required to have undertaken an assessment as mandated by our business. Factories may then be required to undertake further assessments including having a current audit certificate, which means they have been audited by us or another party whose audits we accept. The audits identify a range of non-compliances, from minor non-compliances such as minor gaps in record keeping to critical breaches, such as incidences of forced labour or bribery.

Where a non-compliance is identified, the factory is required to fix the issue, within an appropriate period of time, depending on the nature of the non-compliance.

We were able to remedy 43 of these issues immediately, 50 had action plans that were on track at the end of the reporting period, one was exited immediately and no further supply orders were placed at the remaining 20.

Ethical sourcing audit program findings

4,003
Total number of factories[1]

Approved	1,849
Conditionally Approved	1,815
Expired Audits	257
Critical Breaches	82

[1] Factories include supplier sites.

Officeworks works with suppliers to improve working conditions

Officeworks has a comprehensive approach to ethical sourcing that is built on the values of transparency, integrity, collaboration and continuous improvement, aiming to protect workers' rights throughout the supply chain.

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COMMUNITY CONTRIBUTIONS

We make a positive contribution to the communities in which we operate.

Wesfarmers is a successful company, and one that creates value for all its stakeholders. As a result, we have a significant positive impact on the Australian economy. The wealth created by the Group during the year was $69.9 billion which, in one form or another, was distributed to our various stakeholders. Wesfarmers is Australia's largest private sector employer. The vast majority of our shares are owned by residents of Australia, and we invest in the local communities where our businesses operate.

In 2018, the Wesfarmers Group contributed $86.6 million in direct funding to community organisations across Australia and New Zealand and other regions where we operate. The Group also facilitated donations from customers and employees totalling $60.9 million this year, taking total community contributions to approximately $148 million.

Wesfarmers has always believed that a strong business environment is underpinned by a cohesive and inclusive community environment. Accordingly, Wesfarmers has had a long-term commitment to investing in community initiatives linked to long-term social and economic outcomes.

Our divisional contribution

Reflecting the Group's divisional autonomy, our approach to community engagement is driven and managed by our businesses to ensure value is created in ways that best fit with their operations and geographic spread.

Wesfarmers has a local footprint in many communities. Many of our divisions have major, long-term partnerships at a national level, such as the enduring partnership between Kmart and The Salvation Army through the Kmart Wishing Tree Appeal, or Coles' relationship with national food relief charity SecondBite.

In addition to these major partnerships, a significant part of our community investment is directed to smaller, not-for-profit organisations operating locally. For example, Bunnings has supported thousands of local community groups throughout the year by participating in activities such as fundraising sausage sizzles, hands-on projects, community workshops and product contributions.

Our retail businesses all support local community groups through the provision of gift cards, products or facilitating the collection of customer donations for local fundraising initiatives. As a result of these locally driven activities, there are a significant number of community groups and programs which have received the support of our businesses across a wide range of areas.

Wesfarmers contribution

In addition to the millions of dollars invested in community programs by our various businesses, Wesfarmers also supports a number of organisations philanthropically.

Blackwoods' support for the Fred Hollows Foundation exceeds $1 million

Through proceeds from the sale of a select range of products and employee and supplier support, Blackwoods contributed more than $500,000 to support Indigenous health programs in the past 12 years.

During the year, Backwoods reviewed its support to the foundation and announced an improved contribution of 10 per cent of proceeds from the sale of Prosafe eye and face protection products going to The Fred Hollows Foundation Indigenous Australia program, contributing more than $600,000 this year alone.

The Wesfarmers Board approves partnerships focused on five areas: medical research and health; Indigenous programs, particularly targeting education and employment outcomes; education initiatives; community programs; and the Wesfarmers Arts program.

In 2018, approximately $9 million was contributed to our partners, the majority of which are long-term commitments with West Australian-based organisations.

This year marked the start of our renewed contract with Telethon Kids Institute, with an increased funding contribution from Wesfarmers to $1.5 million per annum. Wesfarmers has had a long partnership with Telethon Kids, most recently through the establishment of the Wesfarmers Centre of Vaccines and Infectious Diseases.

Wesfarmers Arts

Wesfarmers has supported the arts in Australia for more than three decades. Our engagement in the cultural life of the community embraces our long-term support for a wide range of premier performing and visual arts organisations and the ongoing development of The Wesfarmers Collection of Australian Art.

From rare watercolours of the earliest years of European settlement, to the art of today across painting, photography, sculpture and digital media, The Wesfarmers Collection reflects the diversity of creative Australia through the work of our country's defining artists. During the year, we shared works from our collection with museums and galleries throughout Australia and online via Instagram, Facebook and the Wesfarmers Art Collection app, available free from the Appstore.

In 2018 the Wesfarmers Arts sponsorship program provided $3.3 million in support of the activities of 14 leading arts organisations.

PRODUCT SAFETY AND CUSTOMER PRIVACY

We are committed to providing consumers with safe products and protecting their privacy.

All of the consumer products we supply must be safe and meet consumer guarantees under the consumer laws of the countries where we operate. We ensure that all our products comply with relevant mandatory standards before they are offered for sale. As well as safety testing and compliance with required standards, our divisions implement product recalls where possible safety issues may arise.

During the year as part of our materiality process, customer privacy emerged as a key material issue for Wesfarmers and its businesses. We are committed to complying with the Australian Privacy Act and all relevant legislation.

We have systems and procedures in place to protect customer information and acknowledge that privacy protection requires ongoing significant resources. This remains a high priority.

During the year we continued to implement a number of controls to minimise risk, including enhanced monitoring and vulnerability testing of our systems and procedures.

CLIMATE CHANGE RESILIENCE

We strive to improve the emissions intensity of our businesses and improve their resilience to climate change.

We acknowledge the scientific consensus on climate change and the effects it may have on our customers, our operations, the economy and the communities in which we operate. We are proactive about managing risks associated with climate change because responding will deliver significant economic, social and environmental benefits for us all.

Wesfarmers supports the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) which has developed voluntary, consistent climate-related financial disclosures for companies, and is committed to providing stakeholders with information in relation to how we are managing climate change risks. In line with the TCFD recommendations, our disclosures can be found in the Operating and Financial Review section on page 21.

Bunnings invests in renewable energy

At the end of the financial year solar PV systems were installed at 23 Bunnings stores across Australia, covering 25,000 square metres of roof area.

Managing our emissions

The scale of the climate challenge is great but the International Panel on Climate Change highlights that the world has the means to address it. Our divisions are looking for ways to improve energy efficiency, reduce emissions across their operations and supply chains and invest in low-emissions and renewable technologies as we transition to a low carbon economy.

We recognise our responsibility to all our stakeholders to play an active role in addressing climate change.

We emit greenhouse gases both directly and indirectly. Our direct (Scope 1) emissions come from our industrial businesses, including the use of natural gas and diesel, and fugitive emissions from coal mining. Our main source of indirect (Scope 2) emissions is electricity used by our operations. We also estimate our Scope 3 emissions, which are other indirect emissions that occur as a result of our operations (e.g. employee air travel), but are not controlled by us.

We are able to manage our emissions intensity (tonnes of emissions per one million dollars revenue) through various initiatives including technology improvements in our industrial processes and through energy efficiency initiatives in all our businesses.

Our emissions

This year, we emitted a total of 3,945 thousand tonnes of carbon dioxide equivalent (CO_2e) in scope one and two emissions, which was 3 per cent less than last year. This represents a 6 per cent reduction in emissions intensity from last year. This year, the decrease in our emissions was driven by energy efficiency projects at Coles, Kmart and Officeworks which account for a reduction of more than 200 thousand tonnes of CO_2e. The decrease is also related to the sale of the Curragh coal mine as we have calculated the emissions related to this business up until it was divested in March 2018.

Officeworks plants more than 200,000 trees

Partnering with Greening Australia, Officeworks committed to planting two trees for every one used, based on the weight of paper-based products purchased by its customers. Encompassing more than 8,000 products, the initiative set out to re-establish native plants across landscapes to revegetate bushland, help wildlife flourish, support threatened species, and increase the water quality in these regions.

WASTE AND WATER USE

We strive to reduce our waste to landfill and water use where possible.

We are working to reduce our waste to landfill intensity rate and to divert as much as possible to recycling, both in our operations and for our customers.

Water management is a material issue for WesCEF, Resources, Coles and Bunnings. Senior management of those businesses is responsible for assessing and managing water related risks and opportunities and their divisional boards have oversight of these strategic risks and opportunities. We recognise that Australia is a highly water stressed country and our focus is on using water more efficiently, reducing our water use intensity rate and replacing scheme water with reclaimed or recycled water where possible.

Recycling and waste

This year, we decreased our waste to landfill by 4 per cent to 154 thousand tonnes and decreased our waste recycled by 6 per cent to 351 thousand tonnes. This was primarily due to waste diversion projects at Coles, Target and Officeworks.

Our main sources of waste are cardboard, food and plastic at Coles. Coles is focused on innovating and improving its recycling programs across these areas. The total amount of waste recycled by Coles decreased 3 per cent this year, while waste to landfill decreased 8 per cent. Coles is combating food waste in stores and the supply chain by partnering with SecondBite. Through this partnership it ensures that edible, surplus food ends up on the plates of people in need instead of contributing to landfill.

In May 2018, Coles marked a milestone with soft plastics recycling for customers available in all its supermarkets nationally. Coles' partnership with REDcycle provides customers with a simple and effective way of recycling soft plastics, including plastic packaging and plastic bags. Customers can simply place their soft plastics in a dedicated REDcycle bin at their local Coles store, where it will be collected and recycled into a range of products.

Reducing water use

This year, the Group recorded water use of approximately 13,422 megalitres. This represents a decrease in water use of 18 per cent due to the sale of the Curragh coal mine as we have calculated the water use related to this business until it was divested in March 2018.

Dry ice replaces water at CSBP

During the year, WesCEF reduced its water use by using dry ice rather than water to clean equipment where feasible.

ROBUST GOVERNANCE

We maintain robust corporate governance policies in all our businesses.

The Board of Wesfarmers is committed to fulfilling its corporate governance obligations and responsibilities in the best interests of the company and its stakeholders. Further information on our corporate governance practices can be found on pages 45 to 49 and in the full 2018 Corporate Governance Statement available on the company's website at **www.wesfarmers.com.au/cg**

BOARD OF DIRECTORS

MICHAEL CHANEY AO
CHAIRMAN

BSc, MBA, Hon. LLD W.Aust, FTSE
Age 68

Term: Chairman since November 2015; Director since June 2015.

Skills and experience: After an early career in petroleum geology and corporate finance, Michael joined Wesfarmers in 1983 as Company Secretary and Administration Manager. He became Finance Director in 1984 and was appointed Managing Director in July 1992. He retired from that position in July 2005.

Directorships of listed entities (last three years), other directorships/offices (current and recent):

- Chairman of Woodside Petroleum Limited (retired April 2018)
- Chancellor of The University of Western Australia (retired December 2017)
- Member of Commonwealth Science Council (since October 2014)
- Chair of the National School Resourcing Board (since November 2017)
- Chairman of National Australia Bank Limited (retired December 2015)
- Member of Prime Minister's Business Advisory Council (retired December 2015)

ROB SCOTT
MANAGING DIRECTOR

B.Comm, MAppFin, CA, GradDipAppFin
Age 49

Term: Director since November 2017.

Skills and experience: Rob joined Wesfarmers in 1993 before moving into investment banking in various roles in Australia and Asia. Rob rejoined Wesfarmers in 2004 in Business Development before being appointed Managing Director of Wesfarmers Insurance in 2007 and then Finance Director of Coles in 2013. He was Managing Director, Financial Services in 2014 and Managing Director of the Wesfarmers Industrials division in 2015. Rob became the Group's Deputy Chief Executive Officer in February 2017 and assumed the role of Managing Director and Chief Executive Officer at the conclusion of the 2017 Annual General Meeting in November 2017.

Directorships of listed entities (last three years), other directorships/offices (current and recent):

- Director of Gresham Partners Group Limited (resigned July 2018)
- Director of Gresham Partners Holding Limited (resigned July 2018)
- Member of UWA Business School Advisory Board (since August 2017)
- Chairman of Rowing Australia (since October 2014)

BOARD OF DIRECTORS

JENNIFER WESTACOTT AO
DIRECTOR

BA (Honours), FAICD, FIPAA
Age 58

Term: Director since April 2013.

Skills and experience: Jennifer is Chief Executive of the Business Council of Australia. Prior to that, she was a Board director and lead partner at KPMG. Jennifer has extensive experience in critical leadership positions in the New South Wales and Victorian governments.

Directorships of listed entities (last three years), other directorships/offices (current and recent):

- Adjunct Professor at the City Futures Research Centre of the University of New South Wales
- Co-chair, Advisory Board, Australia Sino One Hundred Year Agricultural and Food Safety Partnership (since July 2015)
- Chair of the Mental Health Council of Australia (since January 2013)
- Co-chair of the Australia-Canada Economic Leadership Forum Organising Committee (since February 2016)
- Member of the Melbourne School of Government Advisory Board (since March 2016)
- Member of the Prime Minister's Expert Advisory Panel on the Reform of the Federation (concluded December 2015)
- Member of the Prime Minister's Cyber Security Review Panel (concluded April 2016)
- Board member of Cyber Security Research Centre (CSRC) Ltd (since February 2018)
- Co-Patron of Pride in Diversity (since November 2017)

THE RIGHT HONOURABLE BILL ENGLISH KNZM
DIRECTOR

BA (Hons) (Wellington), BCom (Otago)
Age 56

Term: Director since April 2018.

Skills and experience: Bill was Minister of Finance and Deputy Prime Minister of New Zealand from October 2008 to December 2016 and Prime Minister until the change of government in October 2017. He retired from parliament in March 2018.
Bill has also held ministerial roles in health, education, housing, and revenue since his election to Parliament in 1990. He has long-term interests in economic restructuring, sound microeconomic policy, and social policy reform.

Directorships of listed entities (last three years), other directorships/offices (current and recent):

- None

WAYNE OSBORN
DIRECTOR

Dip Elect Eng, MBA, FAICD, FTSE
Age 67

Term: Director since March 2010.

Skills and experience: Wayne started working in the iron ore industry in the mid-1970s and joined Alcoa in 1979. He worked in various roles across the Australian business, including accountability for Alcoa's Asia Pacific operations, prior to being appointed Managing Director in 2001, retiring in 2008.

Directorships of listed entities (last three years), other directorships/offices (current and recent):

- Director of South32 Limited (since May 2015)
- Director of Alinta Holdings (retired April 2017)
- Director of Alinta Energy Limited (retired April 2017)
- Director of Iluka Resources Limited (retired May 2016)

DIANE SMITH-GANDER
DIRECTOR

B.Ec, MBA, Hon.DEc W.Aust (UWA), FAICD, FGIA

Age 60

Term: Director since August 2009.

Skills and experience: Diane has extensive experience in corporate governance and providing strategic advice to corporations in Australia and overseas. She was a partner with McKinsey & Company in the USA, became a senior advisor to McKinsey & Company in Australia in 2016 and has more than a decade of executive experience in the banking industry.

Directorships of listed entities (last three years), other directorships/offices (current and recent):

- Director of AGL Energy Limited (since September 2016)
- Chairman of Broadspectrum Limited (formerly known as Transfield Services Limited) which delisted in June 2016 (director since October 2010, Chairman since October 2013, retired September 2016)
- Chair of Safe Work Australia (since February 2016)
- Trustee and director of CEDA – Committee for Economic Development of Australia (trustee since September 2014, director since November 2015)
- Director of Keystart Home Loans (since July 2016)
- Board member of Henry Davis York (since July 2016)
- Chair of the Asbestos Safety and Eradication Council (since December 2016)

TONY HOWARTH AO
DIRECTOR

CitWA, Hon.LLD (UWA), SF Fin, FAICD

Age 66

Term: Director since July 2007.

Skills and experience: Tony has more than 30 years' experience in the banking and finance industry. He was Chairman of Home Building Society Limited and Deputy Chairman of Bank of Queensland Limited. Tony has held several senior management positions during his career, including Managing Director of Challenge Bank Limited and Chief Executive Officer of Hartleys Limited.

Directorships of listed entities (last three years), other directorships/offices (current and recent):

- Director of BWP Management Limited, the responsible entity for the BWP Trust (since October 2012)
- Chairman of MMA Offshore Limited (retired November 2017)
- Chairman of St John of God Health Care Inc. (retired May 2018)
- Chairman of the West Australian Rugby Union Inc.(retired December 2017)
- Director of Alinta Holdings (since March 2011)
- Director Alinta Energy Pty Limited (since September 2016)
- Director of Viburnum Funds Pty Ltd (since July 2007)

VANESSA WALLACE
DIRECTOR

B.Comm (UNSW), MBA (IMD Switzerland), MAICD

Age 55

Term: Director since July 2010.

Skills and experience: Vanessa is an experienced strategy management consultant who had been with Strategy& (formerly Booz & Company) for more than 25 years. She has deep expertise in the financial services sector across the spectrum of wealth management, retail banking and insurance, with particular functional depth in risk management, post-merger integration and capturing business opportunities associated with channels, customers and markets.

Directorships of listed entities (last three years), other directorships/offices (current and recent):

- Director of SEEK Limited (since 1 March 2017)
- Director of AMP Limited (resigned May 2018)
- Chairman of AMP Capital Holdings Limited (resigned June 2018)
- Executive Chairman of Strategy& (Japan) Inc. (retired June 2015)

BOARD OF DIRECTORS

PAUL BASSAT
DIRECTOR

B.Comm, LL.B. (Melb)
Age 50

Term: Director since November 2012.

Skills and experience: Paul started his career as a lawyer in 1991. He co-founded SEEK Limited in 1997, and served as Chief Executive Officer and then as joint Chief Executive Officer until 2011. He is a co-founder and director of Square Peg Capital Pty Ltd, a venture capital fund that invests in early stage and growth stage technology companies. He is also a director of the Peter MacCallum Cancer Foundation, Mt Scopus College Foundation and the P&S Bassat Foundation and is a member of Innovation and Science Australia.

Directorships of listed entities (last three years), other directorships/offices (current and recent):

- Australian Football League Commissioner (since February 2012)
- Director of AFL Sportsready Pty Ltd (resigned October 2017)

JAMES GRAHAM AM
DIRECTOR (to 23 July 2018)

BE (Chem)(Hons)(Syd), MBA (UNSW), FIEAust, FTSE, FAICD, SF Fin
Age 70

Term: Director since May 1998.

Skills and experience: James has had an active involvement in the growth of Wesfarmers since 1976 as Chairman and Managing Director of Gresham Partners Limited, and previously as Managing Director of Rothschild Australia Limited. James was also previously Chairman of Rabobank Australia Limited, Chairman of the Darling Harbour Authority and a director of Hill Samuel Australia Limited.

Directorships of listed entities (last three years), other directorships/offices (current and recent):

- Chairman of the Advisory Council of the Institute for Neuroscience and Muscle Research (since 1999)

CORPORATE GOVERNANCE OVERVIEW

The Board of Wesfarmers Limited is committed to providing a satisfactory return to its shareholders and fulfilling its corporate governance obligations and responsibilities in the best interests of the company and its stakeholders. This statement details the key aspects of the governance framework and practices of Wesfarmers. Wesfarmers regularly reviews its governance framework and practices so as to ensure it consistently reflects market practice and stakeholder expectations.

Set out below is an overview of selected aspects of Wesfarmers' corporate governance framework and key focus areas of the Board and its committees in 2018.

A copy of Wesfarmers' full 2018 Corporate Governance Statement, which provides detailed information about governance, and a copy of Wesfarmers' Appendix 4G, which sets out the company's compliance with the recommendations in the third edition of the ASX Corporate Governance Council's Principles and Recommendations (ASX Principles), is available on the corporate governance section of the company's website at **www.wesfarmers.com.au/cg**

The Board believes that the governance policies and practices adopted by Wesfarmers during 2018 are in accordance with the recommendations contained in the ASX Principles.

Roles and responsibilities of the Board and management

The role of the Board is to approve the strategic direction of the Group, to guide and monitor the management of Wesfarmers and its businesses in accordance with the strategic plans, to instil the core values of the Group, and to oversee good governance practice. The Board aims to protect and enhance the interests of its shareholders, while taking into account the interests of other stakeholders, including employees, customers, suppliers and the wider community.

In performing its role, the Board is committed to a high standard of corporate governance practice and to fostering a culture of compliance which values ethical behaviour, personal and corporate integrity, accountability, transparency and respect for others.

The Group Managing Director has responsibility for the day-to-day management of Wesfarmers and its businesses, and is supported in this function by the Wesfarmers Leadership Team. Details of the members of the Wesfarmers Leadership Team are set out in the corporate governance section of the company's website (**www.wesfarmers.com.au/cg**). The Board maintains ultimate responsibility for strategy and control of Wesfarmers and its businesses.

In fulfilling its roles and responsibilities, the key focus areas of the Board during the 2018 financial year are as follows.

Key focus areas of the Board during the 2018 financial year included:

- Overseeing the implementation of strategy to address areas of underperformance and reposition the portfolio to deliver growth in shareholder returns
- Approving the proposed demerger of Coles and overseeing the proposed leadership change with Steven Cain to be appointed as the next Managing Director of Coles to succeed John Durkan (March 2018)
- Overseeing a comprehensive review of strategic options to improve shareholder returns for the Bunnings United Kingdom and Ireland business and approving the divestment (May 2018)
- Approving the sale of the Curragh coal mine in Queensland for $700 million with a post-tax gain on sale of approximately $123 million (December 2017)
- Overseeing management's performance in strategy implementation
- Monitoring the Group's operating and cash flow performance, financial position and key metrics, including financial covenants and credit ratings
- Reviewing business operations and the development plans of each division likely to impact long-term shareholder value creation whether through portfolio management, consideration of divestment options or other strategies
- Monitoring the Group's safety performance and overseeing implementation of strategies to improve safety performance and enhance workplace safety awareness
- Reviewing talent management and development
- Monitoring and evaluating growth opportunities to complement the existing portfolio
- Reviewing policies, reporting and processes to improve the Group's system of corporate governance

CORPORATE GOVERNANCE OVERVIEW

Structure and composition of the Board

Wesfarmers is committed to ensuring that the composition of the Board continues to include directors who bring an appropriate mix of skills, experience, expertise and diversity (including gender diversity) to Board decision-making.

The Board currently comprises nine directors, including eight non-executive directors. Detailed biographies of the directors as at 30 June 2018 are set out on pages 41 to 44. The current directors possess an appropriate mix of skills, experience, expertise and diversity to enable the Board to discharge its responsibilities and deliver the company's strategic priorities as a diversified corporation with current businesses operating in supermarkets, liquor, hotels and convenience stores; home improvement; department stores; office supplies; and an Industrials division with businesses in chemicals, energy and fertilisers, industrial and safety products, and coal.

Rob Scott was appointed as Wesfarmers Deputy Chief Executive Officer in February 2017, and joined the Board and assumed the role of Group Managing Director in November 2017.

Former New Zealand Prime Minister, The Right Honourable Bill English KNZM was appointed a director on 30 April 2018. He brings significant and valuable experience to the Board given his outstanding record of financial management and government policy development and given Wesfarmers' extensive business interests in New Zealand. He guided the New Zealand economy through the global financial crisis, initiated tax reforms, implemented partial floats of four government companies and led the financing to rebuild Christchurch after the 2010 earthquakes.

On 23 July 2018, Wesfarmers announced that James Graham had retired as a non-executive director of the company to coincide with his appointment as Chairman-elect of the proposed demerged Coles group.

The Board skills matrix set out on this page describes the combined skills, experience and expertise presently represented on the Board.

To the extent that any skills are not directly represented on the Board, they are augmented through management and external advisors.

Archie Norman, who has significant retail experience, was appointed in 2009 as an advisor to the Board on retail issues. In this role, Mr Norman attends Wesfarmers Board meetings as required and is a director of the Coles and Target boards. Mr Norman will step down from this role to become an advisor to the proposed demerged Coles Board, continuing his strategic contribution to that business.

David Cheesewright who has extensive experience in international retailing and manufacturing, including 19 years with Walmart, will be the Wesfarmers nominee on the Coles Board in recognition of its retention of a shareholding interest. Mr Cheesewright is also to be appointed an advisor to the Wesfarmers Board.

Skills, experience and expertise

- CEO level experience
- ASX-listed company experience
- Capital markets
- Finance and banking
- Strategy and risk management
- E-commerce and digital
- Governance
- Human resources and executive remuneration
- Financial acumen and transaction experience
- Marketing/customers/retail
- Regulatory and government policy
- Resources and industrial
- International business experience
- Corporate sustainability
- International and domestic political experience
- Crisis and disaster management and recovery
- Community engagement
- International trade experience

Director independence

Directors are expected to bring views and judgement to Board deliberations that are independent of management and free of any business or other relationship or circumstance that could materially interfere with the exercise of objective, unfettered or independent judgement, having regard to the best interests of the company as a whole.

The Board's assessment of independence and the criteria against which it determines the materiality of any facts, information or circumstances, is formed having regard to the ASX Principles. In particular, the Board focuses on the factors relevant to assessing the independence of a director set out in recommendation 2.3; the materiality guidelines applied in accordance with Australian Accounting Standards; any independent professional advice sought by the Board at its discretion; and developments in international corporate governance standards.

The Board has reviewed the position and relationships of all directors in office as at the date of the company's 2018 annual report and considers that all eight non-executive directors are independent.

CORPORATE GOVERNANCE OVERVIEW

Committees of the Board

The Board has established a Nomination Committee, a Remuneration Committee, an Audit and Risk Committee, and a Gresham Mandate Review Committee as standing committees to assist with the discharge of its responsibilities. Following the resignation of Mr Graham from the Board in July 2018, the Gresham Mandate Review Committee was disbanded in August 2018. Details of the current membership and composition of each committee are set out in the 2018 Corporate Governance Statement.

Role of the Nomination Committee

As part of the Nomination Committee's oversight of Board succession planning, it is responsible for identifying suitable candidates to fill Board vacancies as and when they arise, or to identify candidates to complement the existing Board, and to make recommendations to the Board on their appointment. Where appropriate, external consultants are engaged to assist in searching for candidates. The Nomination Committee is responsible for scheduling formal performance reviews of the Board and its committees at least every two years. The Board then undertakes an evaluation process to review its performance which is facilitated by an external consultant. More details about Wesfarmers' review process for both the Board and its committees are set out in the 2018 Corporate Governance Statement.

Key focus areas of the Nomination Committee during the 2018 financial year included:

- Identification and nomination of Bill English as a new non-executive director for election to the Board bringing skills, experience and expertise to augment those of current directors
- Identification and nomination of Chairman-elect and non-executive directors for the proposed Coles demerged entity
- Consideration of feedback from major shareholders during the Chairman's Roadshow conducted prior to the 2017 Annual General Meeting

Role of the Remuneration Committee

The role of the Remuneration Committee is to review and make recommendations to the Board in relation to overall remuneration policy. Full details of the remuneration paid to non-executive and executive directors, and senior executives are set out in the remuneration report on pages 77 to 96 of the 2018 annual report.

Senior executives comprising members of the Wesfarmers Leadership Team have a variable or 'at risk' component as part of their total remuneration package under the Key Executive Equity Performance Plan (KEEPP). The mix of remuneration components and the performance measures used in the KEEPP have been chosen to ensure that there is a strong link between remuneration earned and the achievement of the Group's strategy and business objectives, risk management and, ultimately, generating satisfactory returns for shareholders.

Annual performance reviews of each member of the Wesfarmers Leadership Team, including the Group Managing Director, for the 2018 financial year have been undertaken. More details about Wesfarmers' performance and development review process for senior executives is set out in the 2018 Corporate Governance Statement.

Key focus areas of the Remuneration Committee during the 2018 financial year included:

- Reviewing and making a recommendation to the Board in relation to the fixed and variable remuneration of the Group Managing Director and his direct reports
- Reviewing and making recommendations to the Board in relation to the Wesfarmers variable remuneration plans, including recommending to the Board the vesting outcomes of the 2014 Wesfarmers Long Term Incentive Plan shares, based on the achievement of the performance conditions as at 30 June 2018
- Reviewing the succession and transition plans for the Wesfarmers Leadership Team, including the transition plans for the newly appointed Group Managing Director and Group Chief Financial Officer
- Reviewing the senior executive remuneration framework and policies, including terms of employment such as notice periods, restraint and non-solicitation clauses
- Reviewing the expected implications of the proposed demerger of Coles from the Wesfarmers Group on the long-term incentive plans in operation within the Group
- Reviewing and making a recommendation to the Board on non-executive director fees
- Reviewing and monitoring diversity targets and gender pay equity

Role of Audit and Risk Committee

The Audit and Risk Committee assists the Board in fulfilling its responsibilities in overseeing the company's financial reporting, compliance with legal and regulatory requirements, the setting and reviewing of risk parameters of the Wesfarmers Group, and proactively managing the Group's systems of internal control and its financial and non-financial risk management framework.

CORPORATE GOVERNANCE OVERVIEW

Key focus areas of the Audit and Risk Committee during the 2018 financial year included:

- Monitoring the Group's cyber security framework, including data protection management, third party data risk management and the reporting structure and escalation process on information security risks
- Monitoring the ethical sourcing of products for resale through the Group's retail networks to ensure that there are appropriate safeguards and processes in place
- Reviewing and assessing the Group's processes which ensure the integrity of financial statements and reporting, and associated compliance with accounting, legal and regulatory requirements
- Reviewing the processes and controls around the recognition of commercial income by the retail divisions to ensure recognition is in accordance with Accounting Standards and accepted industry practice
- Monitoring the retail shrinkage control measures and reporting procedures in the Group's divisions
- Reviewing and evaluating the adequacy of the Group's insurance arrangements to ensure appropriate cover for identified operational and business risks
- Monitoring the Group's tax compliance program both in Australia and overseas, including cross-border intra-Group transactions, to ensure its obligations are met in the jurisdictions in which the Group operates

Role of the external auditor

The company's external auditor is Ernst & Young. The effectiveness, performance and independence of the external auditor is reviewed annually by the Audit and Risk Committee. Darren Lewsen is the lead partner for Ernst & Young and was appointed on 1 July 2013. In accordance with the requirements of the *Corporations Act 2001*, the Audit and Risk Committee approved Mr Lewsen to act as the lead partner for a sixth year in 2018/19.

Ernst & Young provided the required independence declaration to the Board for the financial year ended 30 June 2018. The independence declaration forms part of the directors' report and is provided on page 76 of the 2018 annual report.

Risk management

Wesfarmers is committed to the identification, monitoring and management of material financial and non-financial risks associated with its business activities across the Group.

The Board recognises that a sound culture is fundamental to an effective risk management framework. Wesfarmers promotes a culture which values the principles of honesty, transparency, integrity, fairness, constructive challenge and accountability, and these values are reflected in the Group's Code of Conduct.

These elements are necessary to support effective risk management and awareness, and to support appropriate behaviours and judgements about risk taking.

Management is responsible for the Group's day-to-day compliance with risk management systems. Management monitors compliance with, and the effectiveness of the risk management systems and controls at a divisional level. Senior management across the Wesfarmers Group is responsible for reinforcing and modelling the key behaviours required to maintain a sound risk culture, including encouraging constructive challenge and transparency. Wesfarmers' senior management reports to the Board on the adequacy of the risk management systems and processes on a consolidated basis across the Group. Divisional Managing Directors are accountable for risk management outcomes, and day-to-day compliance in their respective divisions. During the second half of the 2018 financial year, the Group formalised its approach to the review and consideration of operational risks within each division through the establishment of divisional audit and risk committees. These committees ensure management has access to timely information about emerging and existing risks and provides management with a dedicated forum to facilitate constructive debate and challenge regarding operational risk management. The committees further strengthen operational risk management and support the divisional boards and management and have become an increasingly important component of the Board's assurance framework on risk and governance.

Risk Management Framework

The Risk Management Framework of Wesfarmers is reviewed by the Board on an annual basis and was approved in May 2018. This framework details the overarching principles and risk management controls that are embedded in the Group's risk management processes, procedures and reporting systems, and the division of the key risk management functions between the Board, Group Managing Director and Chief Financial Officer, Audit and Risk Committee, divisional management and Group Assurance and Risk, including:

CORPORATE GOVERNANCE OVERVIEW

- the Group Code of Conduct;
- established Group and divisional structures, reporting lines and, appropriate authorities and responsibilities, including guidelines and limits for approval of all expenditure, including capital expenditure and investments, and contractual commitments;
- Operating Cycle and Divisional Reporting Requirements documents that clearly set out the Board, Board committees and divisional board activities and reports;
- a formal director induction program and a directors' program of annual site visits to Wesfarmers' operations to enhance the Board's understanding of key and emerging business risks;
- a formal corporate planning process which requires each division to assess trends that are likely to affect and shape their industry, perform scenario planning and prepare a SWOT analysis;
- Group policies and procedures for the management of financial risk and treasury operations, such as exposures to foreign currencies and movements in interest rates;
- a Group compliance reporting program supported by approved guidelines and standards covering safety; the environment; legal liability; information technology; ethical sourcing; taxation compliance; risk identification, quantification and reporting; and financial reporting controls;
- a comprehensive risk financing program, including risk transfer to external insurers and reinsurers;
- annual budgeting and monthly reporting systems for all businesses which enable the monitoring of progress against performance targets and the evaluation of trends;
- appropriate due diligence procedures for acquisitions and divestments;
- crisis management systems and business continuity processes for all key businesses in the Group; and
- external and internal assurance programs.

Investor engagement

Wesfarmers recognises the importance of providing its shareholders and the broader investment community with facilities to access up-to-date high quality information, participate in shareholder decisions of the company and provide avenues for two-way communication between the company, the Board and shareholders. Wesfarmers has developed a program on investor engagement for engaging with shareholders, debt investors, the media and the broader investment community. In addition, the company's shareholders have the ability to elect to receive communications and other shareholder information electronically.

Governance policies

The corporate governance section of the company's website (**www.wesfarmers.com.au/cg**) contains access to all relevant corporate governance information, including Board and committee charters, and Group policies referred to in the 2018 Corporate Governance Statement.

Ethical and responsible behaviour

Wesfarmers' primary objective is to deliver satisfactory returns to shareholders through financial discipline and exceptional management of a diversified portfolio of businesses. The Wesfarmers Way is the framework for the company's business model and comprises our core values of integrity, openness, accountability and entrepreneurial spirit, details of which are published on Wesfarmers' website. The Wesfarmers Way, together with the Code of Conduct and other policies, guide the behaviour of everyone who works at Wesfarmers as we strive to achieve our primary objective. The Board and senior executives of the Group strive to ensure that their own actions and decisions are consistent with Wesfarmers' core values.

Diversity

Wesfarmers considers building a diverse and inclusive workforce as an opportunity to deliver on our objective of satisfactory returns to shareholders. Our customers and stakeholders are increasingly diverse and to gain the best insight into their needs, and how to meet them, diverse and inclusive teams are required. A diversity of perspectives and backgrounds also strengthens creativity and innovation in teams. Moreover, creating an environment that attracts, retains and promotes talent with a wide range of strengths and experiences ensures Wesfarmers is best equipped for future growth.

Our commitment to diversity across Wesfarmers extends to all individuals and all perspectives. Particular focus is paid to achieving a gender balance in senior management positions across our divisions and continuing to boost employment of Indigenous people.

Further details on diversity are set out on page 36 of this review and in the 2018 Corporate Governance Statement on the company's website at **www.wesfarmers.com.au/cg**

REMUNERATION OVERVIEW

Introduction

This summary provides an overview of how Wesfarmers' performance for the 2018 financial year has driven remuneration outcomes for senior executives.

The Wesfarmers Limited Board is committed to an executive remuneration framework that is focused on driving a performance culture to reflect the diversified portfolio of businesses. It seeks to link executive pay to the achievement of the Group's strategy and business objectives and, ultimately, to generate satisfactory returns for shareholders.

Senior executive remuneration is set at levels which are competitive with executives in comparable companies and roles, noting that the leaders of our four main operating divisions, our divisional managing directors[1], are responsible for strategy and the direction of large stand-alone businesses. This is vital to attracting and retaining the best people and reflects each executive's contribution, competencies and capabilities.

The remuneration report, which can be found on pages 77 to 96 of the 2018 annual report, explains how Wesfarmers' performance for the 2018 financial year has driven remuneration outcomes for senior executives. The audited remuneration table can be found on page 92 of the 2018 annual report.

The 2018 financial year saw strong performances from a number of Wesfarmers' businesses with the Department Stores division, Industrials division, Officeworks, and Bunnings Australia and New Zealand all exceeding their EBIT budget while Coles met budget in a very competitive market. It was a challenging year for some other businesses within the Group, with the announcement in February 2018 of significant impairments, writedowns and forecast losses for Bunnings United Kingdom and Ireland (BUKI) prior to the eventual divestment of Homebase and a significant impairment of Target. These impairments resulted in substantial financial remuneration reductions in 2018 for the executives involved (as detailed throughout the 2018 remuneration report).

2018 – a new team

Key management personnel (KMP) changes

In November 2017, Rob Scott took up his appointment as Wesfarmers' Group Managing Director, succeeding Richard Goyder who led the Company for more than 12 years.

With a new Group Managing Director at the helm of the company and a renewed Wesfarmers Leadership Team, the 2018 financial year has been a year of considerable change, marked by decisive actions taken in the long-term interests of Wesfarmers' shareholders and a review of the company's portfolio of businesses.

In addition to changes within the Leadership Team, Wesfarmers was also pleased to announce the appointment of The Right Honourable Bill English KNZM as a new non-executive director of the Group.

Renewed leadership, renewed focus

In a rapidly changing business environment, Mr Scott's strategic areas of focus for the Group are: developing and attracting world-class talent to support the business into the future; driving entrepreneurial initiative (where the Leadership Team is encouraged to take measured risks); and, investing in Wesfarmers' digital and data capabilities. These areas of focus are all underpinned by a commitment to generating long-term, sustainable returns for shareholders by creating long-term value for our stakeholders.

The Key Executive Equity Performance Plan (KEEPP) is the primary incentive plan in which the executive KMP participates and supports these strategic objectives.

Portfolio review

Wesfarmers is committed to delivering satisfactory returns to shareholders by proactively managing its portfolio, investing in value-accretive growth opportunities and improving its underperforming businesses. The 2018 financial year saw a number of significant decisions being taken which were intended to position Wesfarmers to deliver strong returns for shareholders over a long-term horizon.

On 16 March 2018, Wesfarmers announced the proposed demerger of Coles from the Group, subject to shareholder and other approvals. If approved, it is due to occur in late November 2018. The demerger is expected to have an impact upon the remuneration of the executive KMP, as explained on page 90 of the 2018 annual report.

On 29 March 2018, Wesfarmers announced the completion of the sale of the Curragh coal mine to Coronado Coal Group. The profit from the sale of the business has been excluded from executive remuneration outcomes.

Further, Wesfarmers completed the divestment of Homebase in the United Kingdom and Ireland to a company associated with Hilco Capital on 11 June 2018, after acquiring the business in 2016. The underperformance of this business was disappointing and the divestment was deemed to be in the best interests of shareholders and has been reflected in executive remuneration outcomes (as set out in section 3 of the 2018 remuneration report).

[1] This includes the Managing Director, Coles; Managing Director, Bunnings Group; Managing Director, Wesfarmers Industrials and Chief Executive Officer, Department Stores.

REMUNERATION OVERVIEW

2018 remuneration snapshot

Remuneration objective

Drive leadership performance and behaviours to deliver satisfactory returns to shareholders over the long term

Guiding principles

1	2	3
Align executive and stakeholder interests through share ownership, focusing on Group results through awards of long-term, at-risk deferred equity	Be transparent and fit for purpose, recognising our autonomous operating model, linking rewards to achievement of objectives for which executives are directly accountable and responsible while retaining a link to Group performance, e.g., the use of the individual KEEPP scorecards and individualised KEEPP performance hurdles	Attract, engage and retain world-class talent and outstanding people to drive outcomes
4	**5**	**6**
Recognise and reward high performance with a strong focus on the long term	Align effective risk management and strategy execution with reward, having greater focus on long-term held equity than cash	Drive strategic achievement, e.g., in safety, customer metrics, gender balance, succession planning and talent management, in the KEEPP scorecards

REMUNERATION OVERVIEW

2018 remuneration snapshot (continued)

How did the business perform?	• Reported NPAT was $1,197 million, which included a number of significant items such as: the December 2017 non-cash impairment of Target; the December 2017 non-cash impairment, write-offs and store closure provisions for BUKI; the loss on the subsequent disposal of BUKI; and the profit from the sale of Curragh. • Adjusted NPAT, excluding the significant items was $2,772 million. • With the exception of BUKI, all divisions performed well against their budgets.
Linking business performance to remuneration outcomes	• The 2014 Wesfarmers Long Term Incentive Plan (WLTIP) was tested at 30 June 2018, and the results were impacted by the losses, both the operational losses and the loss on disposal of the business, from BUKI as well as the non-cash impairments of both Target and BUKI. Following testing, all performance rights lapsed. This delivered no value to 2014 WLTIP participants, including for some senior executives who have now left the business. In total, $12 million worth of WLTIP allocations were forfeited as at 30 June 2018 by the current and former executive KMP (as disclosed on page 80 of the 2018 annual report), with $17 million forfeited overall by all plan participants (based on a Wesfarmers Limited share price of $49.36 as at 30 June 2018). Page 88 of the 2018 annual report shows the number of performance rights forfeited. • Mr Goyder and Terry Bowen, former Group Chief Financial Officer, did not receive any annual incentive in the 2018 financial year as the financial hurdles as at 31 December 2017 were not achieved and both agreed to forfeit any payment in relation to their strategic hurdles. • Following the end of the 2018 financial year, the outcomes of the 2018 KEEPP for the executive KMP have been determined using the financial and strategic measures set out in their scorecards and, overall, reflect their individual contributions. • The profit from the sale of the Curragh coal mine and the loss from the disposal of BUKI were excluded from the outcomes of the 2018 KEEPP. The impairments announced in February 2018 were excluded from the outcomes of the 2018 KEEPP. • The full impact of the BUKI operating losses were included in Mr Scott's 2018 KEEPP scorecard outcomes, delivering an outcome of 84.4 per cent of maximum opportunity. • The full impact of the BUKI operating losses were also applied to the 2018 KEEPP scorecard outcomes for Anthony Gianotti, Group Chief Financial Officer and Michael Schneider, Managing Director, Bunnings Group; and significantly reduced the remuneration of the BUKI operational leadership team. • For the executive KMP, excluding Mr Scott, the 2018 KEEPP award outcome was on average 83.3 per cent of maximum opportunity.
Other outcomes	• Mr Scott's fixed annual remuneration (FAR) was increased to $2,500,000 on appointment to Group Managing Director. The FAR for Mr Scott is 28.7 per cent less than the FAR paid to his predecessor, Mr Goyder, who stepped down as Group Managing Director in November 2017. • Mr Gianotti's FAR was increased to $1,350,000 on appointment to Group Chief Financial Officer. The FAR for Mr Gianotti is 27.0 per cent less than the FAR paid to his predecessor, Mr Bowen, who stepped down as Group Chief Financial Officer in November 2017. • Fixed remuneration remained unchanged for the majority of the Leadership Team, with an average increase of 1.9 per cent in the October 2017 remuneration review. • There were no increases to non-executive director fees for 2018. • The maximum cash payable under the 2018 KEEPP for the Group Managing Director and the Group Chief Financial Officer reduced in comparison with the maximum cash payable under the previous variable incentive plans, further aligning remuneration outcome to long-term business performance.

REMUNERATION OVERVIEW

Executive KMP and remuneration frameworks

Executive KMP

The executive KMP includes the Group Managing Director and the Group Chief Financial Officer and those executives who have authority and responsibility for planning, directing and controlling the activities of a major profit generating division of Wesfarmers. The executive KMP for 2018 are:

Executive KMP
Group Managing Director (Rob Scott)[1]
Managing Director, Coles (John Durkan)
Chief Executive Officer, Department Stores (Guy Russo)
Managing Director, Bunnings Group (Michael Schneider)
Newly appointed executive KMP
Group Chief Financial Officer (Anthony Gianotti)[2]
Managing Director, Wesfarmers Industrials (David Baxby)[3]
Former executive KMP
Group Managing Director (Richard Goyder)[4]
Group Chief Financial Officer (Terry Bowen)[5]

1 R G Scott commenced in the role of Group Managing Director on 16 November 2017.
2 A N Gianotti was appointed as Group Chief Financial Officer and became a member of the executive KMP on 13 November 2017.
3 D A Baxby was appointed as Managing Director, Wesfarmers Industrials and became a member of the executive KMP on 14 August 2017.
4 R J B Goyder ceased in the role of Group Managing Director and as a member of the executive KMP on 16 November 2017.
5 T J Bowen ceased in the role of Group Chief Financial Officer and as a member of the executive KMP on 10 November 2017.

It is anticipated that there will be changes to the executive KMP for 2019. In March 2018, Wesfarmers announced that John Durkan will step down as Managing Director, Coles and will be replaced in the role by Steven Cain in mid-September 2018. Further, in August 2018, Wesfarmers announced that Guy Russo will step down as Chief Executive Officer, Department Stores in November 2018, to be replaced by Ian Bailey. Both Mr Durkan and Mr Russo will remain with the Group in the role of Senior Advisor. Mr Cain and Mr Bailey are expected to be KMP for part of the 2019 financial year.

Remuneration framework and policy

Wesfarmers' primary objective is to provide satisfactory returns to shareholders and the guiding remuneration principles are focused on driving the leadership performance and behaviours consistent with achieving this objective.

Our ongoing remuneration framework for the executive KMP comprises FAR and participation in the KEEPP. The graph below shows these components as a percentage of total maximum remuneration for each executive KMP:

Total maximum remuneration

Fixed remuneration	25%
KEEPP	75%

The remuneration mix for the executive KMP is structured to reward executives for performance at a Group or divisional level, as appropriate, and to align executive and stakeholder interests through share ownership.

Fixed remuneration

Total remuneration is set at a competitive level to attract, retain and engage key talent, with fixed remuneration set at a level that is appropriate for the requirements of the role. The level of differentiation between the roles is based upon: role and responsibility; business and individual performance; internal and external relativities; and contribution, competencies and capabilities.

REMUNERATION OVERVIEW

KEEPP

The KEEPP was introduced in the 2017 financial year, and was the only variable remuneration plan the current executive KMP were invited to participate in during the 2018 financial year.

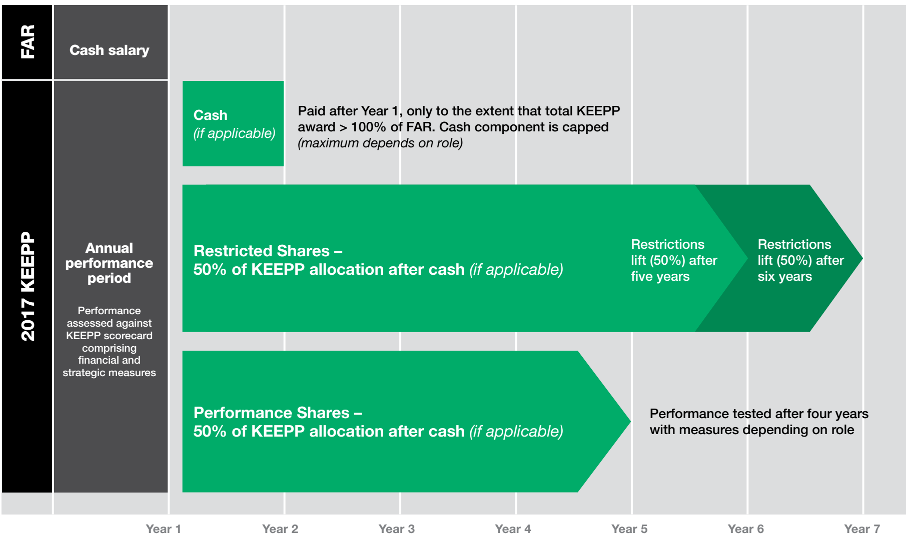
Annual awards under the plan are determined with respect to performance against a scorecard that comprises both financial and strategic measures relevant to the role of each participant. The target opportunity for each participant is 200 per cent of FAR and the maximum opportunity is 300 per cent of FAR. Where the executive was not a member of the executive KMP in the prior financial year and did not have a KEEPP scorecard for that year, the Group Managing Director recommends to the Remuneration Committee and the Board the amount under the KEEPP to grant.

The award is delivered primarily in shares. The cash component is only paid to the extent that the KEEPP award is above 100 per cent of FAR and will reduce over time. Starting in the 2020 financial year, the Group Managing Director and Group Chief Financial Officer will not receive a KEEPP cash component.

The 2018 KEEPP allocation to participants consists of cash, with the remainder split between Restricted Shares (50 per cent) and Performance Shares (50 per cent). Half of the Restricted Shares will be restricted for five years and half will be restricted for six years providing a significant portion of remuneration linked to Group performance over the long term.

In total, each KEEPP cycle operates over seven years. The diagram below shows the remuneration lifecycle for each element of the remuneration framework. A detailed summary of how the KEEPP operates is provided in section 3.3(d) of the 2018 remuneration report.

As at 30 June 2018, the service and performance conditions to determine vesting of the 2018 KEEPP allocation had not yet been finalised.



REMUNERATION OVERVIEW

Outcomes

Overview of company performance

The Group reported NPAT of $1,197 million for the 2018 financial year. The result includes: $1,575 million of significant items being $123 million gain relating to the sale of the Curragh coal mine; $375 million loss on disposal of BUKI; $300 million non-cash impairment of Target; and $1,023 non-cash impairment of BUKI. NPAT decreased by $1,676 million from the 2017 financial year.

The 2018 financial year has seen good performance against budget for most of the businesses, which is pleasing given the competitive environment in which most businesses operate. The table below summarises details of Wesfarmers' performance for key financial measures over the past five financial years.

Financial year ended 30 June	2014	2015	2016	2017	2018
Net profit after tax (NPAT) ($m)	2,689	2,440	407	2,873	**1,197**
Adjusted NPAT (excluding significant items) ($m)[1]	2,253	2,440	2,353	2,873	**2,772**
Total dividends per share (declared) (cents)	200[2]	200	186	223	**223**
Capital management distribution (paid) (cents)	50	100	-	-	**-**
Closing share price ($ as at 30 June)	41.84	39.03	40.10	40.12	**49.36**
Earnings per share (EPS) (cents)	234.6[3]	216.1	36.2[4]	254.7	**105.8[5]**
Adjusted EPS (cents)[1]	196.6	216.1	209.5	254.7	**245.1**
Return on equity (ROE) (rolling 12) (%)	10.5[3]	9.8	1.7[4]	12.4	**5.2[5]**

1 2014 excludes $1,179 million in discontinued operations relating to the disposal of the Insurance division and WesCEF's interest in Air Liquide WA Pty Ltd along with ($743 million) in non-trading items relating to the impairment of Target's goodwill and Coles Liquor restructuring provision. 2016 excludes $1,249 million non-cash impairment of Target, $595 million non-cash impairment of Curragh and $102 million of restructuring costs and provisions to reset Target. 2018 excludes the following pre-tax (post-tax) amounts: $931 million ($1,023 million) of impairments, write-offs and store closure provisions in BUKI; a $375 million ($375 million) loss on disposal of BUKI; a $306 million ($300 million) non-cash impairment of Target; and, a $120 million ($123 million) gain on disposal of Curragh.

2 2014 total dividends per share includes the 10 cent special 'Centenary' dividend.

3 2014 EPS and ROE includes the items outlined in footnote 1 above.

4 2016 EPS and ROE includes the items outlined in footnote 1 above.

5 2018 EPS and ROE includes the items outlined in footnote 1 above.

KEEPP outcomes – overview

Careful consideration was given to how both the Group and divisional results should be reflected in the 2018 KEEPP scorecard outcomes. Mr Scott, Mr Gianotti and David Baxby, Managing Director, Wesfarmers Industrials, have not received a benefit from the profit received from the sale of the Curragh coal mine. The outcomes for Mr Scott, Mr Gianotti and Mr Schneider were negatively impacted by the inclusion of the full operating losses from BUKI.

The impairment of both BUKI and Target was undertaken consistent with the requirements of the accounting standards. The actions taken by management to exit from BUKI and to continue to extract value across the broader Department Stores network were considered to be in the best interests of shareholders. The Board has considered the respective impact of each of these on remuneration outcomes for the executive KMP.

Given the long-term nature of the KEEPP, the focus required to improve performance within the Group for the long-term benefit of shareholders and the degree of responsibility for past decisions and performance, the $1,023 million non-cash impairment of BUKI has not impacted the 2018 KEEPP scorecard outcomes for Mr Scott and Mr Gianotti who took up their current roles during the 2018 financial year. Further, the $300 million non-cash impairment of Target has not impacted the 2018 KEEPP scorecard results for Mr Scott, Mr Gianotti and Mr Russo.

The Board considers that these decisions on remuneration outcomes for the executive KMP for the 2018 financial year align with the long-term interests of shareholders by delivering the majority of the awards in shares. The shares continue to be subject to share price risk over both the four-year performance period (Performance Shares) and the five- and six-year restriction period (Restricted Shares).

The results of the performance against the annual scorecard for the 2018 KEEPP allocation for each executive KMP are provided in greater detail in section 3.3(a) of the 2018 remuneration report.

REMUNERATION OVERVIEW

Group Managing Director and Group Chief Financial Officer – performance commentary

For the Group Managing Director and the Group Chief Financial Officer, 60 per cent of the 2018 KEEPP scorecard was based on achievement of Group financial measures and 40 per cent was based on achievement of individual strategic measures.

For the Group financial measures, Mr Scott and Mr Gianotti achieved above target results against both Group NPAT and ROE, excluding the profit from the sale of the Curragh coal mine, the loss on disposal of BUKI and the non-cash impairments announced in February 2018 and including the operating losses from BUKI.

Mr Scott exceeded his overall strategic objectives for the year, demonstrated through effective portfolio management to improve long-term TSR, including the sale of the Curragh coal mine, the exit from BUKI and progress in relation to the proposed demerger of Coles, in addition to focusing on growth opportunities through improved digital and data capabilities, recruiting key talent into critical leadership and advisor roles, being a champion for talent initiatives and improving gender balance at senior levels.

Mr Gianotti was considered to have exceeded his strategic targets for the year in areas including balance sheet and capital management, risk management, external relationship management and talent.

Divisional managing directors – performance commentary

For the divisional managing directors, 60 per cent of the 2018 KEEPP scorecard was based on achievement of financial measures for their respective divisions and 40 per cent was based on achievement of individual strategic measures.

Mr Durkan delivered on target financial results for Coles in a highly competitive environment. Mr Durkan exceeded his strategic objectives for the year, demonstrated across a number of commercially sensitive areas as well as improvements in safety, employee engagement and gender balance.

Mr Russo has delivered continued improvement in both EBIT and ROC for Department Stores, excluding the non-cash impairment of Target, and achieved a maximum outcome for his financial measures. Mr Russo performed well against his strategic targets, delivering the next phase of the Target turnaround strategy and achieving good progress in safety improvement and gender balance for Department Stores. Overall, Mr Russo was considered to have exceeded his strategic objectives.

Mr Schneider has delivered very strong financial results for Bunnings Australia and New Zealand, which accounted for 80 per cent of his financial target overall. None of the financial targets have been met in relation to BUKI and Mr Schneider has not received any benefit in relation to these. Mr Schneider achieved strong results in improving digital and data capabilities within Bunnings and made good progress in safety, talent and gender balance in addition to supporting the exit of BUKI. Overall, Mr Schneider exceeded target on his strategic objectives.

Mr Baxby delivered strong results for Wesfarmers Industrials, and achieved a maximum outcome for his financial measures. The profit from the sale of the Curragh coal mine was excluded. Mr Baxby exceeded in the achievement of his strategic objectives such as talent, gender balance and strengthening digital and data capabilities, although the tough target set for safety improvement has not been achieved. Overall, Mr Baxby was considered to have exceeded target for his strategic objectives.

REMUNERATION OVERVIEW

KEEPP outcomes – 2018 financial year scorecard

The table below sets out specific information relating to the actual KEEPP outcomes for the 2018 financial year, based upon the 2018 financial year scorecards.

Name	Total outcome 2018 KEEPP scorecard ($)	Cash (paid in August 2018) ($)	Balance available for Restricted Shares and Performance Shares[1] ($)	Percentage of maximum 2018 KEEPP opportunity: Awarded %	Percentage of maximum 2018 KEEPP opportunity: Forfeited %
R G Scott	6,327,646	500,000	5,827,646	84.4	15.6
A N Gianotti	3,416,929	270,000	3,146,929	84.4	15.6
D A Baxby	3,240,000	540,000	2,700,000	90.0	10.0
J P Durkan[2]	5,104,550	990,000	4,114,550	77.3	22.7
G A Russo	4,995,000	832,500	4,162,500	90.0	10.0
M D Schneider	3,354,355	675,000	2,679,355	74.5	25.5

1 50% allocated as Restricted Shares and 50% allocated as Performance Shares.

2 The Board has agreed that Mr Durkan's 2018 KEEPP shares will be delivered wholly in Restricted Shares given his change in role from Managing Director, Coles prior to the allocation of any shares under the 2018 KEEPP.

The KEEPP cash component for the 2018 financial year scorecard was paid on 17 August 2018. The Restricted Shares and Performance Shares are expected to be allocated in December 2018. Details of these share grants will be provided in the 2019 remuneration report.

WLTIP outcomes – overview

The 2014 WLTIP was measured against both relative TSR and relative compound annual growth rate (CAGR) in ROE over the past four years to 30 June 2018. Following testing, the threshold vesting levels were not achieved and therefore none of the 2014 WLTIP grant vested into shares and all the performance rights lapsed.

Further details on testing of the 2014 WLTIP and the number of performance rights forfeited can be found on page 88 of the 2018 annual report.

Annual incentive – overview

Mr Goyder and Mr Bowen participated in the annual incentive plan during the 2018 financial year, up until the time they each left the Group. The financial measure (70 per cent weighting), being a Group NPAT hurdle with an ROE gate, up to 31 December 2017, was the same for both Mr Goyder and Mr Bowen. The strategic measures (30 per cent weighting) specifically related to the successful transition of Mr Scott and Mr Gianotti and the delivery of a strong balance sheet at the time of their respective departures. Mr Goyder also had a focus on the continued improvements in safety across the Group.

Following the announcement in February 2018 of the $300 million non-cash impairment of Target and the $1,023 million non-cash impairment of BUKI, as at 31 December 2017 the financial measures were below the minimum threshold required for any payment. Further, Mr Goyder and Mr Bowen agreed to forfeit any payment in relation to their strategic measures. Accordingly, no payments were made to Mr Goyder or Mr Bowen under the annual incentive plan for the 2018 financial year.

REMUNERATION OVERVIEW

Anticipated impact of the proposed demerger of Coles on executive remuneration

KEEPP

The Restricted Shares and the Performance Shares carry a right to participate in the demerger of Coles. The Wesfarmers Board considers it of utmost importance that the integrity of the KEEPP is preserved by having awards under the KEEPP wholly aligned with Wesfarmers Shares. As well as ensuring the continued long-term alignment between participants and Wesfarmers shareholders, this is also intended to incentivise Wesfarmers' senior executives to demonstrate performance and behaviours which deliver satisfactory returns to Wesfarmers shareholders over the long term.

As a result, the Board has decided that, if the demerger receives the required approvals, the 2016 and 2017 KEEPP allocations held by the senior executives will likely be cancelled prior to the demerger. After the demerger has been completed, the intention is for new awards to be made wholly in Wesfarmers shares. The terms and conditions of the new awards will be determined in a manner that is consistent with the original design principles of the KEEPP, including, for example, the allocation of both Restricted Shares that are held for the long term and Performance Shares that vest based upon the achievement of divisional and/or Group performance conditions, depending on the participant's role. The Board will also ensure that the KEEPP participants will be no better off following the demerger, including by setting performance conditions that remain appropriately challenging in light of the demerger.

Further information will be provided in the 2019 remuneration report.

WLTIP

The WLTIP performance rights allocated under the 2015 and 2016 WLTIP allocations do not carry a right to participate in the demerger of Coles. In order to preserve the overall value of the performance rights following the demerger, and to ensure that participants are not disadvantaged by the demerger, assuming the proposed demerger of Coles from the Group receives the required approvals, the Board has decided it will grant participants in the 2015 WLTIP who continue to be employed within the Wesfarmers Group additional performance rights. The additional grants will be made shortly after the demerger on substantially the same terms as the participant's original award of performance rights under the WLTIP. Where a participant in the 2015 or 2016 WLTIP previously ceased employment with the Group but continues to hold performance rights under the WLTIP, the Wesfarmers Board has decided it will make an additional cash payment, equal in value and subject to substantially the same terms as the participant's original award of performance rights. The original award of performance rights held under the 2015 and 2016 WLTIP will otherwise remain on foot and continue to be held subject to the original terms. The expected calculation method for the additional performance rights is set out on page 90 of the 2018 annual report.

Further, the Board intends to exercise discretion in relation to the calculation of the 2015 WLTIP ROE hurdle to ensure participants are not afforded any undue benefits from the increase in ROE that would occur as a result of the demerger. As the standard methodology for calculating TSR will incorporate the demerger of Coles into the calculation of Wesfarmers' TSR, the Board is not required to exercise any discretion in relation to the calculation of the TSR hurdles under the 2015 and 2016 WLTIP as a result of the demerger.

Further information will be provided in the 2019 remuneration report.

Remuneration governance

Responsibility for setting a remuneration policy and determining non-executive director, executive director and senior executive remuneration rests with the Board.

The Remuneration Committee is delegated responsibility to review and make recommendations to the Board. Management and remuneration consultants provide information to assist the Board and Remuneration Committee, but do not substitute the Board and committee processes.

Details of the composition of the Remuneration Committee is set out on page 93 of the 2018 annual report. Further information regarding the objectives and role of the Remuneration Committee is contained in its charter, which is available on the Corporate Governance section of the company's website at **www.wesfarmers.com.au/cg**

FIVE-YEAR FINANCIAL HISTORY

All figures in $m unless shown otherwise	2018	2017[1] Restated	2016[2]	2015[2]	2014[2,3] Restated
Summarised income statement[4,5]					
Sales revenue	**66,608**	64,583	65,643	62,129	59,903
Other operating revenue	**275**	330	338	318	278
Operating revenue	**66,883**	64,913	65,981	62,447	60,181
Operating profit before depreciation and amortisation, finance costs and income tax	**5,259**	5,352	2,642	4,978	3,877
Depreciation and amortisation	**(1,198)**	(1,175)	(1,296)	(1,219)	(1,082)
EBIT	**4,061**	4,177	1,346	3,759	2,795
Finance costs	**(211)**	(248)	(308)	(315)	(346)
Income tax expense	**(1,246)**	(1,169)	(631)	(1,004)	(939)
Profit after tax from discontinued operations	**(1,407)**	113	-	-	1,179
Operating profit after income tax attributable to members of Wesfarmers Limited	**1,197**	2,873	407	2,440	2,689
Capital and dividends					
Ordinary shares on issue (number) 000's as at 30 June	**1,133,840**	1,133,840	1,126,131	1,123,753	1,143,275
Paid up ordinary capital as at 30 June	**22,277**	22,268	21,937	21,844	22,708
Fully-franked dividend per ordinary share declared (cents)	**223**	223	186	200	200
Capital management: capital return and fully-franked dividend components	**-**	-	-	100	50
Financial performance					
Earnings per share (weighted average) (cents)	**105.8**	254.7	36.2	216.1	234.6
Earnings per share growth	**(58.5%)**	603.6%	(83.2%)	(7.9%)	19.8%
Return on average ordinary shareholders' equity (R12) (excluding significant items[4])	**11.7%**	12.4%	9.6%	9.8%	10.5%
Fixed charges cover (R12, times) (excluding significant items[6])	**3.0**	3.1	2.7	3.0	3.2
Interest cover (cash basis) (R12, times) (excluding significant items[6])	**30.4**	25.0	16.8	20.5	15.9
Financial position as at 30 June					
Total assets	**36,933**	40,115	40,783	40,402	39,727
Total liabilities	**14,179**	16,174	17,834	15,621	13,740
Net assets	**22,754**	23,941	22,949	24,781	25,987
Net tangible asset backing per ordinary share	**$4.33**	$4.44	$3.45	$4.85	$6.14
Net debt to equity	**17.3%**	20.1%	31.0%	25.1%	13.1%
Total liabilities/total assets	**38.4%**	40.3%	43.7%	38.7%	34.6%
Stock market capitalisation as at 30 June	**55,966**	45,490	45,158	43,860	47,835

1 The 2017 numbers have been restated to reflect the disposal of BUKI and the Curragh coal mine as discontinued operations.

2 The 2016 to 2014 numbers have not been restated for classification of BUKI and the Curragh coal mine as discontinued operations.

3 The 2014 numbers have been restated to reflect the disposal of WesCEF's interest in Air Liquide WA Pty Ltd as a discontinued operation.

4 The summarised income statement for 2016 includes significant items relating to the following pre-tax (post-tax) items: $1,266 million ($1,249 million) non-cash impairment of Target; $850 million ($595 million) non-cash impairment of Curragh; and $145 million ($102 million) of restructuring costs and provisions to reset Target.

5 The summarised income statement for 2018 includes significant items relating to the pre-tax $306 million ($300 million post-tax) non-cash impairment of Target.

6 The 2018 and 2016 numbers exclude the significant items outlined in footnotes 4 and 5 above.

CORPORATE DIRECTORY

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Email info@wesfarmers.com.au

Executive director

Rob Scott
Group Managing Director and Chief Executive Officer

Non-executive directors

Michael Chaney AO
Chairman

Paul Bassat

The Right Honourable Bill English KNZM

Tony Howarth AO

Wayne Osborn

Diane Smith-Gander

Vanessa Wallace

Jennifer Westacott AO

Chief Financial Officer

Anthony Gianotti

Company Secretary

Linda Kenyon

Share registry

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Facsimile Australia (03) 9473 2500
Facsimile International (+61 3) 9473 2500
Website www.investorcentre.com/wes

Financial calendar+

Record date for final dividend	21 August 2018
Final dividend paid	27 September 2018
Annual general meeting	15 November 2018
Half-year end	31 December 2018
Half-year profit announcement	February 2019
Record date for interim dividend	February 2019
Interim dividend payable	April 2019
Year-end	30 June 2019

+ Timing of events is subject to change.

Annual general meeting

The 37th Annual General Meeting of Wesfarmers Limited will be held at the Perth Convention and Exhibition Centre, Mounts Bay Road, Perth, Western Australia on Thursday, 15 November 2018 at 10:30am (Perth time).

Website

To view the 2018 annual report, shareholder and company information, news announcements, background information on Wesfarmers' businesses and historical information, visit the Wesfarmers website at **www.wesfarmers.com.au**

WESFARMERS BRANDS

Bunnings

Bunnings Warehouse
Bunnings
Bunnings Trade

Coles

coles
coles.com.au
coles express
Vintage Cellars
first choice liquor
Liquorland
spirit hotels
coles Financial Services
flybuys

Department Stores

Kmart
Kmart Tyre & Auto Service
Target

Officeworks

Officeworks

Industrials

Wesfarmers Chemicals, Energy & Fertilisers
CSBP
Australian Vinyls
AGA
QNP
EVOL LNG
Kleenheat
Modwood
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