



27 August 2021

The Manager
Market Announcements Office
Australian Securities Exchange

Dear Manager,

2021 ANNUAL REPORT (INCLUDING APPENDIX 4E)

In accordance with the requirements of the ASX Listing Rules, **attached** for release to the market is the 2021 Annual Report (including Appendix 4E).

The following will also be released in conjunction with today's announcement:

- Notification of Dividend/Distribution;
- 2021 Full-year results;
- 2021 Full-year results briefing presentation; and
- 2021 Corporate Governance Statement and Appendix 4G

An analyst briefing will be held at 10:00am AWST / 12:00pm AEST following the release of the full-year results announcement and the 2021 Annual Report (including Appendix 4E). This briefing will be webcast and accessible via our website at www.wesfarmers.com.au.

Yours faithfully,

A handwritten signature in blue ink that reads "V. Robinson".

Vicki Robinson
Executive General Manager
Company Secretariat

This announcement was authorised to be given to the ASX by the Wesfarmers Limited Board.

Annual Report 2021





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, Wesfarmers' diverse businesses in this year's review cover: home improvement, outdoor living and building materials; general merchandise and apparel; office and technology products; manufacturing and distribution of chemicals and fertilisers; industrial and safety product distribution; and gas processing and distribution. Wesfarmers is one of Australia's largest private sector employers with approximately 114,000 team members and is owned by more than 483,000 shareholders.

ABOUT THIS REPORT

This annual report is a summary of Wesfarmers and its subsidiary companies' operations, activities and financial performance and position as at 30 June 2021. In this report 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 report to a 'year' are to the financial year ended 30 June 2021 (previous corresponding period 30 June 2020) unless otherwise stated. All dollar figures are expressed in Australian dollars (AUD) unless otherwise stated.

References to AASB refer to the Australian Accounting Standards Board and IFRS refers to the International Financial Reporting Standards. There are references to IFRS and non-IFRS financial information in this report. Non-IFRS financial measures are financial measures other than those defined or specified under any relevant

accounting standard and may not be directly comparable with other companies' information. Non-IFRS financial measures are used to enhance the comparability of information between reporting periods. Non-IFRS financial information should be considered in addition to, and is not intended to be a substitute for, IFRS financial information and measures. Non-IFRS financial measures are not subject to audit or review.

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 report and printed copies are only posted to shareholders who have elected to receive a printed copy. This report is printed on environmentally responsible paper manufactured under ISO 14001 environmental standards.

APPENDIX 4E

For the year ended 30 June 2021

Results for announcement to the market	2021	2020
Revenue from continuing operations	Up 10.0% to \$33,941 million	\$30,846 million
Profit after tax attributable to members from continuing operations	Up 46.7% to \$2,380 million	\$1,622 million
Net profit for the full-year attributable to members	Up 40.2% to \$2,380 million	\$1,697 million
Net tangible asset per ordinary share ¹	\$5.14	\$4.89
Operating cash flow per share	\$2.99	\$4.02
Dividends	Amount per security	Franked amount per security
Interim dividend	88 cents	88 cents
Final dividend	90 cents	90 cents
Total FY2021 dividend	178 cents	178 cents
Previous corresponding period:		
Interim dividend	75 cents	75 cents
Final dividend	77 cents	77 cents
Special dividend ²	18 cents	18 cents
Total FY2020 dividend	170 cents	170 cents
Record date for determining entitlements to the dividend	5:00pm (AWST) on 2 September 2021	
Last date for receipt of election notice for Dividend Investment Plan	5:00pm (AWST) on 3 September 2021	
Date the final dividend is payable	7 October 2021	
Capital management	Amount per security	
Return of capital to shareholders (proposed for payment on 2 December 2021) ³	200 cents	

¹ The calculation of net tangible asset per ordinary share includes right-of-use assets and lease liabilities.

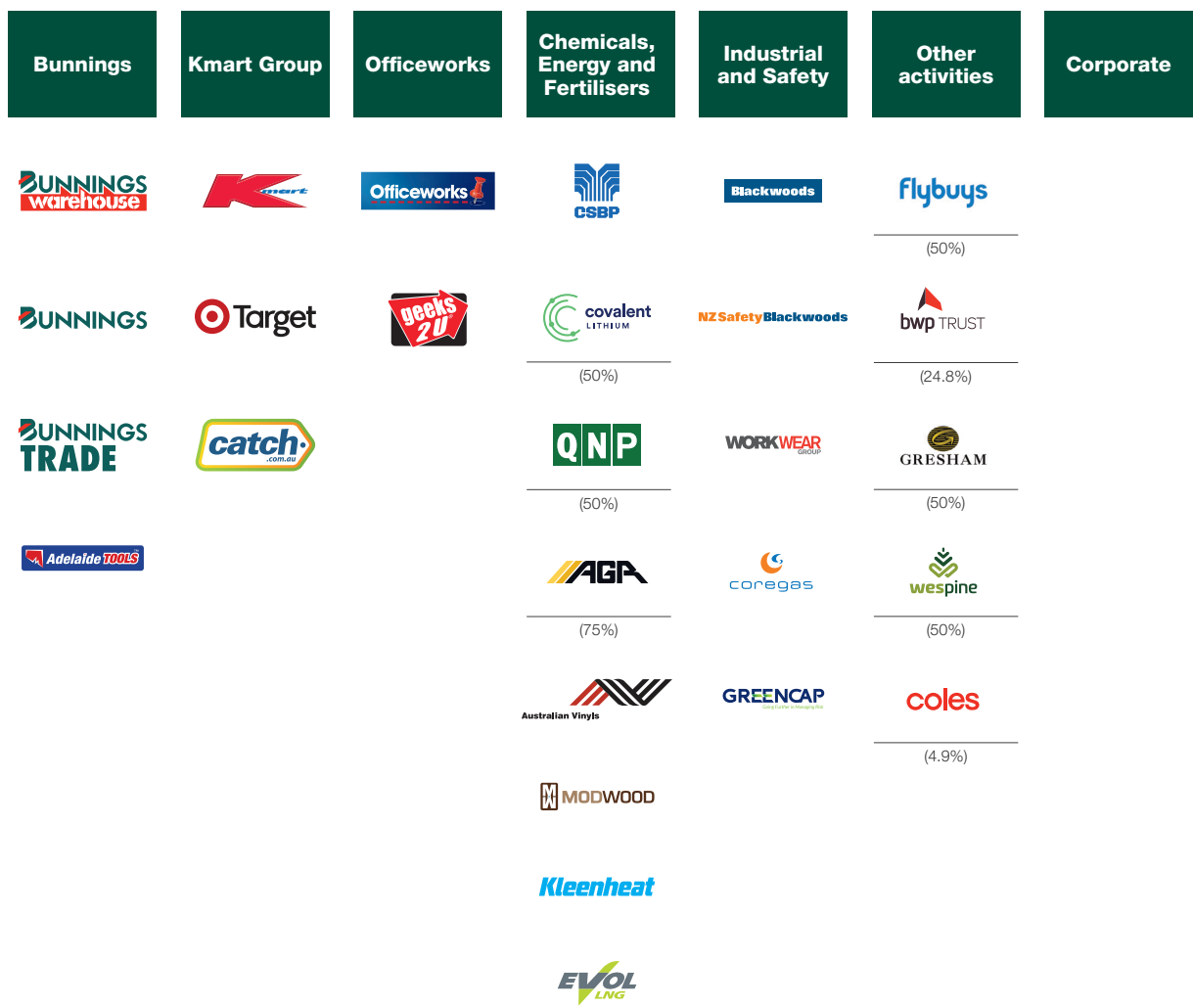
² The fully-franked special dividend relates to the after-tax profit on the sale of the Group's 10.1 per cent interest in Coles Group Limited (Coles) during FY2020.

³ The proposed return of capital is subject to shareholder approval at the Wesfarmers Annual General Meeting on 21 October 2021.

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Group structure



Our primary objective

To deliver 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



Performance highlights

REVENUE

\$33.9b

↑10.0%

NET PROFIT AFTER TAX

\$2.4b

↑16.2%

From continuing operations and excluding significant items

DIVIDENDS PER SHARE

\$1.78

Fully franked

PROPOSED CAPITAL RETURN PER SHARE

\$2.00

SALARIES AND WAGES

\$5.3b

GOVERNMENT TAXES AND OTHER CHARGES

\$1.3b

COMMUNITY CONTRIBUTIONS

\$55m

Direct and indirect community contributions

SAFETY

↓8%

Reduction in total recordable injury frequency rate to 9.6

INDIGENOUS TEAM MEMBERS

2,994

Increasing from 1.9% to 2.8% of our Australian workforce

GREENHOUSE GAS EMISSIONS

SCOPE 1 & 2

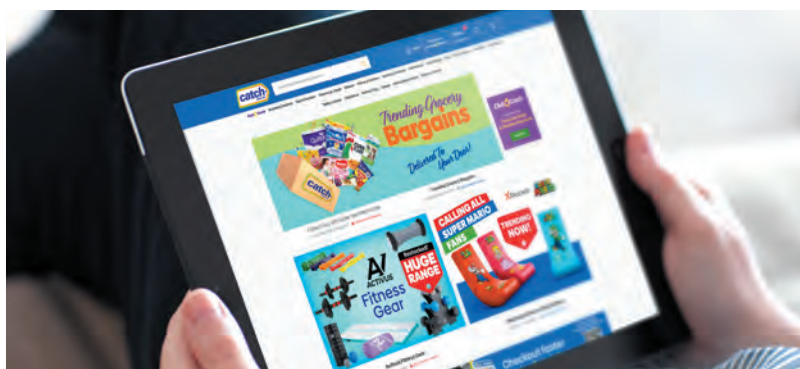
1,476ktCO₂e

↓9%

Our strategic priorities

DEVELOP A MARKET-LEADING DATA AND DIGITAL ECOSYSTEM

Leverage scale and unique assets to develop a data and digital ecosystem that will provide customers with a more seamless and personalised digital experience across the Wesfarmers retail businesses



INVEST IN PLATFORMS FOR LONG-TERM GROWTH

Continue to invest in and develop opportunities that will enable the Group to build scale in areas where there are strong growth prospects



ACCELERATE THE PACE OF CONTINUOUS IMPROVEMENT

Maintain an agile approach and momentum, reinforce price leadership, adjust to changes in customer demand and deliver process improvements

PROGRESS TOWARDS NET ZERO

Deliver progress towards our net zero Scope 1 and 2 emissions ambitions for our retailers by 2030 and industrials businesses by 2050

FOCUS ON ETHICAL SOURCING AND HUMAN RIGHTS

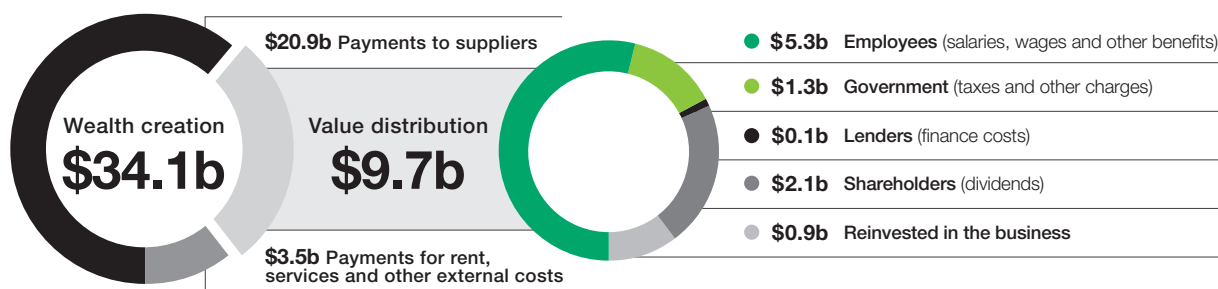
Collaborate with global peers, non-government organisations and others to mitigate risks and enhance human rights in our supply chains

FOSTER DEVELOPMENT, DIVERSITY AND INCLUSION

Provide safe, engaging and inclusive environments for team members, and continue progress towards employment parity for Aboriginal and Torres Strait Islanders in our Australian workforce

Performance overview

Wealth creation and value distribution



Group performance

Key financial data		2021	2020
Results from continuing operations			
Revenue	\$m	33,941	30,846
Earnings before interest and tax	\$m	3,717	2,744
Earnings before interest and tax (after interest on lease liabilities)	\$m	3,491	2,507
Earnings before interest and tax (after interest on lease liabilities) (excluding significant items) ¹	\$m	3,550	2,942
Net profit after tax	\$m	2,380	1,622
Net profit after tax (excluding significant items) ¹	\$m	2,421	2,083
Basic earnings per share (excluding significant items) ¹	cents	214.1	184.2
Results including discontinued operations²			
Net profit after tax from discontinued operations	\$m	-	75
Net profit after tax	\$m	2,380	1,697
Net profit after tax (excluding significant items) ¹	\$m	2,421	2,075
Return on average shareholders' equity (R12) (excluding significant items) ¹	%	26.1	22.1
Cash flow and dividends including discontinued operations			
Operating cash flows	\$m	3,383	4,546
Net capital expenditure	\$m	632	568
Free cash flows	\$m	2,741	5,188
Equity dividends paid	\$m	2,074	1,734
Operating cash flow per share	cents	299.1	401.9
Free cash flow per share	cents	242.4	458.7
Dividends per share	cents	178.0	170.0
Balance sheet and gearing			
Total assets	\$m	26,214	25,425
Net debt/(cash) ³	\$m	227	(85)
Shareholders' equity	\$m	9,715	9,344
Gearing (net debt to equity)	%	2.3	(0.9)

¹ 2021 excludes pre-tax (post-tax) \$59 million (\$41 million) restructuring costs in Kmart Group. 2020 excludes the following significant items pre-tax (post tax): \$525 million (\$437 million) non-cash impairment in Kmart Group, \$110 million (\$83 million) restructuring costs and provisions in Kmart Group, \$310 million (\$298 million) non-cash impairment in Industrial and Safety offset by a gain of \$290 million (\$203 million) on the sale of 10.1 per cent of the interest in Coles and a gain of \$220 million (\$154 million) on the revaluation of the retained 4.9 per cent interest in Coles. 2020 includes significant items of \$83 million from the finalisation of tax positions on prior year disposals in discontinued operations.

² Discontinued operations relate to Bunnings United Kingdom and Ireland (BUKI), Bengalla, Quadrant Energy and Coles.

³ Excludes lease liabilities.

The Group's businesses continued to invest in providing greater value, quality and convenience for customers, including through strengthened data and digital capabilities, in line with Wesfarmers' objective of delivering superior and sustainable long-term returns.

Divisional performance

Bunnings		2021	2020
Revenue	\$m	16,871	14,999
Earnings before tax	\$m	2,185	1,826
Segment assets	\$m	8,289	8,163
Segment liabilities	\$m	5,994	6,062
Capital employed R12 ¹	\$m	2,651	3,146
Return on capital employed R12 ¹	%	82.4	58.0
Cash capital expenditure	\$m	445	511
Kmart Group		2021²	2020 ³
Revenue	\$m	9,982	9,217
Earnings before tax	\$m	693	410
Segment assets	\$m	6,040	5,725
Segment liabilities	\$m	4,656	4,518
Capital employed R12 ¹	\$m	1,329	2,011
Return on capital employed R12 ¹	%	52.1	20.4
Cash capital expenditure	\$m	185	142
Officeworks		2021	2020
Revenue	\$m	3,029	2,787
Earnings before tax	\$m	212	197
Segment assets	\$m	1,892	1,819
Segment liabilities	\$m	985	1,028
Capital employed R12 ¹	\$m	949	976
Return on capital employed R12 ¹	%	22.3	20.2
Cash capital expenditure	\$m	65	40
Chemicals, Energy and Fertilisers		2021	2020
Revenue	\$m	2,146	2,085
Earnings before tax	\$m	384	394
Segment assets	\$m	2,676	2,450
Segment liabilities	\$m	473	458
Capital employed R12 ¹	\$m	2,171	1,942
Return on capital employed R12 ¹	%	17.7	20.3
Cash capital expenditure	\$m	137	110
Industrial and Safety		2021	2020 ⁴
Revenue	\$m	1,855	1,745
Earnings before tax	\$m	70	39
Segment assets	\$m	1,712	1,585
Segment liabilities	\$m	583	543
Capital employed R12 ¹	\$m	1,126	1,448
Return on capital employed R12 ¹	%	6.2	2.7
Cash capital expenditure	\$m	62	59

¹ Capital employed excludes right-of-use assets and lease liabilities.

² The 2021 earnings before tax for Kmart Group excludes pre-tax restructuring costs of \$59 million.

³ The 2020 earnings before tax for Kmart Group excludes pre-tax impairment of the Target brand name and other assets of \$525 million and restructuring costs and provisions of \$110 million.

⁴ The 2020 earnings before tax for Industrial and Safety excludes pre-tax impairments of \$310 million.

Chairman's message



Twelve months ago, I reported that the 2020 financial year had been one of the most challenging years of the last half century, with the COVID-19 pandemic resulting in widespread shutdowns of community activities across Australia.

While recognising the uncertainties facing our businesses at that time, little did we realise then that the pandemic would continue to disrupt activities for the next year and beyond. At the time of writing this report, 60 per cent of Australians are subject to lockdowns in their local areas and in some cases, the lockdowns may well continue for some time to come.

It is gratifying that in these circumstances, Wesfarmers was able to continue its record of growth and increased returns to shareholders in the 2021 financial year. This was partly due to the type of businesses we own and operate, but more importantly, it resulted from the initiatives of our management and broader teams and our strong balance sheet.

Our management was successful in ensuring our retail environments remained safe for our teams and customers. They worked with

governments to ensure that our retail operations could continue to supply essential products to support communities, albeit in some cases only through online, and click and collect channels. These strategies helped to retain the confidence of governments, customers and, very importantly, our team members. At the same time, we were able to continue to provide financial support to the many community organisations that rely on us.

The Group's net profit after tax from continuing operations, excluding significant items, rose 16.2 per cent over the year and the directors determined to pay dividends totalling 178 cents per share, a rise of eight cents over the 2020 financial year. As has been our practice for many years, the dividend payout was set at a level which distributed most of our franking credits, which are of no value to the company but of great value to our

shareholders. Further details on the performance of Wesfarmers' business units are contained in the Managing Director's report and the divisional reports that follow.

At the close of the financial year, the company had negative net financial debt (i.e. a net cash balance) before lease liabilities of \$109 million¹. After considering a number of alternative approaches to achieving a more efficient capital structure — namely, a more balanced ratio of debt to shareholders' equity — the decision was taken to seek shareholder approval at this year's annual general meeting for a capital return of \$2.00 per share. This decision reflects our focus on delivering a satisfactory return to shareholders. The directors are confident that this will leave the company in a sound financial position, well-equipped to face the uncertainties ahead and with adequate capacity to fund new investment opportunities.

Pleasingly, the company's strong financial results this year have been achieved without resort to any Australian Government funding available as a result of the COVID-19 pandemic; and where prolonged lockdowns have occurred we continued to pay all permanent and many casual team members, even when there was no meaningful work for them.

While Wesfarmers' performance over a particular year is important — and it is fair to say that this is the principal focus of market commentators and company analysts — it is frankly not what drives your Board and management team. Rather, we are focused on the long term. Short-term performance is invariably affected by events outside the company's control and the current pandemic is a case in point. Long-term corporate success often requires foregoing immediate profits in return for growth and delayed earnings — an issue often not appreciated outside the company.

Wesfarmers has some credentials in this regard. Since its public listing in 1984, the company has produced a compound shareholder return of over 19 per cent per annum. That means that an investment of \$1,000 in 1984, with dividends reinvested, would be worth approximately \$669,000 today, compared with the same investment in the All Ordinaries Index, which would be worth just \$44,000. Over that time, there have been many occasions when those

¹ Interest-bearing liabilities less cash at bank and on deposit, net of cross-currency interest rate swaps and interest rate swap contracts. Excludes lease liabilities.

with a shorter-term focus have criticised the company for a particular move — an acquisition or an asset disposal, a failed foray into another geography, and so on. Inevitably, mistakes have been made, but the positive moves have outweighed the negative and the focus on the long term has proved to be successful.

The key to that has been an openness to innovation. When we went public in 1984, around 60 per cent of our profits came from our fertiliser operations. Today, that same excellent business accounts for just 2 per cent of earnings. The company has followed a philosophy of 'logical incrementalism' — expanding where there were opportunities to do so, trying new things, going forward where they worked out and retreating where they didn't, moving into new businesses and geographies — all the time with that primary shareholder-return focus. The company has done this, always knowing the criticality to long-term success of looking after and developing our team members, anticipating the needs of customers, treating suppliers ethically and fairly, investing in the community, taking care of the environment and behaving honestly and with integrity.

It is that growth philosophy that has underlain developments over recent years, including our move into the lithium industry through the takeover in 2019 of Kidman Resources and the Final Investment Decision this year to support the development of the Mt Holland lithium project. Likewise, it has informed our very large investment in the data and digital space including the acquisition of Catch, Bunnings' expansion into new product lines with the acquisition of Adelaide Tools and proposed acquisition of Beaumont Tiles, the rationalisation of the Kmart and Target businesses and the disposal of our coal businesses.

Innovation requires investment and, as our Federal Treasurer has quite rightly stressed, the future prosperity of Australia relies on companies like ours making significant investments. In Wesfarmers' case, we continue to make large capital investments in our different businesses. Over the last year, gross capital expenditure, in the traditional sense, amounted to nearly \$900 million and we expect it to surpass that in the 2022 financial year. But 'the traditional sense' — and the official statistics — understate

what is actually happening with regard to investment in our company and in the corporate world generally.

This is because of changes in our operating environment — with COVID-19 and with the transition from a physical to digital world, and in the way expenditures are measured; namely in the accounting standards.

During the pandemic, companies like ours have been faced with some difficult choices, including whether to stand down team members during lockdowns if there was no meaningful work or to keep paying them. We were in the fortunate position of having the financial capacity to do the latter. I must say, we did not find this a difficult decision nor was it influenced by the effect it might have on our annual profit result. We did it because we saw this not as an expense but as an investment; an investment in our people, in maintaining our skills base and in engendering loyalty amongst our team members, all of which would pay dividends in the long term — just like a traditional investment. This has been borne out, as the challenges associated with the pandemic have continued.

Having said that, I would stress how important it will be for governments to make every effort to avoid lockdowns as vaccination rates reach higher levels. Apart from the immediate costs borne by businesses, widespread lockdowns threaten to have very detrimental effects on the economy in the longer term through the collapse of individual businesses, loss of jobs and substantial increases in government debt.

The transition from a physical world to a digital one provides an even clearer illustration of how muddled the waters have become with regard to what constitutes investment. Here, what would traditionally have been classified as capital expenditures are now often classified as operating costs, and are expensed in the income account accordingly. These include some software-as-a-service arrangements as well as components of investments in the development and operation of data analytics and e-commerce platforms across our businesses. In the 2022 financial year we will continue our investment in developing a data and digital ecosystem, with around \$100 million to be accounted for as an operating expense rather than the investment that it really is.

On the other hand, new accounting rules require companies to bring to account in the balance sheet the present value of operating leases as if they were capital expenditures. While not recorded as such by us, this reflects the fact that Wesfarmers is the initiator of capital expenditures by others through its underwriting of their investments.

The bottom line of all of this for you, our shareholders, is whether your company is focusing on the long term, whether it is investing enough to ensure that profits and dividends have a good chance of growing in an increasingly competitive and changing world. Your Board believes that we are.

I take this opportunity on behalf of my fellow directors to thank our outgoing director, Wayne Osborn, for the great contribution he has made to the company over his 11 years on the Board. Wayne joined us after retiring as Managing Director of Alcoa Australia. His broad experience in senior management and board roles showed: through his wise counsel on human resources, management and technical matters, his chairing of the Board's Remuneration Committee, and his always firm but supportive manner. Wayne has been a pleasure for all of us to work with and he will be greatly missed.

We welcome three new faces to the Board in 2021 — Anil Sabharwal with his extensive experience in the technology, data and digital world, Alison Watkins who brings significant management and consumer experience and Alan Cransberg whose wide technical and management expertise in the resources sector will be invaluable, including as we proceed with the development of our lithium assets.

In closing I pay tribute to the outstanding Wesfarmers management team, led so capably by our Managing Director, Rob Scott. In what has again been a hugely challenging year, they have given their all to the achievement of the company's success. We think that with Wesfarmers' strong asset base, financial position and its dedicated team members, the future looks bright.



MICHAEL CHANEY AO
Chairman

Managing Director's report



The 2021 financial year presented many challenges to our way of life and our ways of working, as we responded to the evolving COVID-19 pandemic.

The scale and diversity of our businesses mean that we are deeply engaged in communities around Australia, New Zealand and internationally. Our teams experience the same challenges and concerns as the broader public, while continuing to support their customers and each other in their day-to-day roles.

Our Group's strong financial result this year is testament to our dedicated teams who have found new and safe ways to meet our customers' needs and support the community, despite a difficult and volatile trading environment.

I am incredibly proud of the resilience, ingenuity and empathy that was on display across our businesses throughout the year.

For more than a year now, our commitment to providing a COVID-safe environment for customers and team members has enabled our businesses to meet the changing needs of customers and retain the trust of the public. Our strong focus on workplace safety was evident through an eight per cent

improvement in the total recordable injury frequency rate during the year.

The extended lockdown in Victoria in 2020 was one of the most difficult times for those affected and their loved ones. We were pleased to extend additional support to our team through commitments to pay all permanent and many casual team members when there was no meaningful work available, and to offer counselling to our team and their families through our Employee Assistance Program. Importantly, we did this without accessing JobKeeper.

In 2021, we have supported vaccination efforts in the community, and have committed to provide all permanent team members with paid vaccination leave.

The last year also reinforced the importance of regular and meaningful employment to mental health, self-esteem and financial security. We were pleased to create over 6,000 net new jobs as we invested in our businesses for the future and to meet increased demand and activity through the year.

A highlight during the year was the progress made to improve operating performance, build deeper trust with the community and establish platforms for growth. Our prospects have improved through meaningful outcomes in ethical sourcing, workplace safety, diversity and wellbeing. I encourage you to review our progress in these areas, set out in this annual report.

In the 2021 financial year, our retail divisions all made significant commitments to achieving net zero Scope 1 and 2 emissions by 2030 and to source 100 per cent of their electricity needs from renewable sources by 2025. Our industrial businesses, where pathways to full decarbonisation are more challenging, have the aspiration to achieve net zero emissions by 2050, and are adopting market-leading approaches to the management and disclosure of their emissions intensity. Our disciplined focus on reducing emissions is reflected in a nine per cent reduction in reported Scope 1 and 2 emissions for the year.

We are making further progress in our teams' diversity with the proportion of Aboriginal and Torres Strait Islander team members increasing from 1.9 to 2.8 per cent over the year. We also increased the representation of women in senior executive positions from 30 to 35 per cent.

OUR PERFORMANCE

The Group's continuing businesses generated net profit after tax (NPAT) growth of 16.2 per cent to \$2.4 billion, excluding significant items.

A highlight of the year was the strong, and in most cases improved, performance in earnings across every division.

Bunnings achieved strong sales and earnings growth, as people spent more time undertaking projects at home. The business evolved its instore and digital offer, which provided alternative ways for customers to shop through lockdowns and this also attracted new customers. Good progress was made executing Bunnings' strategic agenda, including through the expansion of capabilities in the commercial area and a deeper engagement with trades.

Kmart Group's revenue increased 8.3 per cent over the year, and earnings improved 69.0 per cent, excluding significant items, reflecting strong customer demand as well as improved foot traffic. Issues with stock availability were addressed in the first half and improved availability enabled the division to meet strong customer demand.

Pleasingly, Kmart recorded solid sales and earnings growth, reflecting a consistently strong performance. Technology is playing an increasingly important role, improving the customer proposition and delivering efficiencies.

A highlight for the year was the successful conversion of 86 Target and Target Country stores to Kmart and K hub stores. Restructuring at this scale is never easy but Kmart and Target have emerged as stronger businesses with better prospects for the future. The trading performance from converted stores has been encouraging, and the program created more than 2,700 net new jobs in Kmart Group, including redeployment of a high proportion of Target team members.

Following a strong start to 2021, Catch's gross transaction value increased 41.0 per cent for the year. Catch is undertaking a significant investment program to improve its already extensive product range, deliver even better experiences for customers and build a scalable model that supports long-term growth. Catch now offers a wide range of Target and Kmart products, and click and collect is available for Catch customers at most Kmart and Target stores.

Officeworks performed strongly with earnings increasing 7.6 per cent for the year, driven by strong customer demand in stores and online. We saw continued growth for technology, office furniture and education products, as people spent more time working and learning from home.

Wesfarmers Chemicals, Energy & Fertilisers (WesCEF) delivered a solid performance for the year, notwithstanding elevated ammonia input costs and weaker export demand for sodium cyanide as a result of disruption to global gold mines due to COVID-19. The diversity of WesCEF's businesses helped to deliver a pleasing result, with strong fertiliser sales given favourable growing conditions for Western Australian farmers.

The performance of Industrial and Safety has improved, with the division benefiting from the increased focus on customer service and improved digital capabilities. Progress has been made with the implementation of the new enterprise resource planning system in Blackwoods. Coregas and Workwear Group also delivered a pleasing performance in a challenging year for many of their customers.

INVESTMENT AND PORTFOLIO ACTIONS

In February 2021 Wesfarmers, along with its joint venture partner Sociedad Quimica y Minera de Chile S.A. (SQM), gave approval on the Final Investment Decision for the Mt Holland lithium project. The project has now received all critical approvals and first production of lithium hydroxide is expected in the 2024 calendar year.

We are pleased to have begun construction of the Mt Holland lithium project, which capitalises on WesCEF's chemical processing expertise and

Western Australia's unique position to support the growing global demand for electric vehicle battery materials. The Mt Holland lithium project will make a crucial contribution to global efforts to reduce greenhouse gas emissions.

In April 2021, Bunnings entered into an agreement to acquire Australian hard surfaces retailer, Beaumont Tiles, subject to the satisfaction of a number of conditions, including regulatory approval. The acquisition represents an opportunity to build on the success of the Beaumont Tiles business and invest in its future growth.

In July 2021, Wesfarmers made a non-binding indicative offer to acquire Australian Pharmaceutical Industries (API). We see the acquisition of API as providing an attractive opportunity to enter the growing health, wellbeing and beauty sector. There is no certainty as to whether the proposed transaction will proceed.

OUTLOOK

The start of the 2022 financial year has been disruptive, like last year, with Sydney in an extended lockdown, and lockdowns impacting several other capitals, as governments seek to contain the virulent Delta strain of COVID-19. It is self-evident that community vaccination rates are central to our path forward. With high rates of community vaccination come greater freedoms (including to see family and friends), an ability to make plans for the future (including to travel, which is crucial for business) and opportunities to restore wellbeing.

Wesfarmers and our businesses stand ready to support governments and the communities where we operate to manage our transition through the pandemic. Importantly, governments and others will need to continue to evolve the response to the pandemic. High vaccination rates will mean that the benefits of widespread, strict lockdowns and domestic travel restrictions no longer outweigh the social and economic costs and their implications for mental health and wellbeing.

In times of uncertainty, it is less helpful for us to try to predict the future, and more useful to focus on those things we can control. In this regard, we will continue to maintain a strong balance sheet to provide the flexibility to withstand a range of outcomes. We will continue to support our teams, our customers and the community as we work through current challenges. We will continue to invest for the long term, in our existing businesses and where we see new and emerging opportunities.

At our recent Strategy Briefing Day, we provided details of three areas of renewed focus, consistent with our value-creating strategies, as we seek to deliver a

satisfactory (that is, top quartile) total shareholder return over the long term.

The first is to develop a market-leading data and digital ecosystem, which will better connect our great brands with the public, deliver better value and experiences to customers and create new growth opportunities. This is a natural extension of the substantial and ongoing investments in data and digital across the Group.

The second priority is to increase our investments in platforms for long-term growth. This follows the repositioning of the portfolio and recent moves that enable us to scale up in areas with good growth prospects and build successful businesses over time.

Finally, we have an ambitious strategic agenda and our experience in the 2021 financial year has shown us how quickly we can drive change. Our business model, the capability of our team, and our culture has enabled us to deliver some exceptional outcomes at pace. With this in mind, we will accelerate the pace of continuous improvement across the Group.

The Group's retail businesses will maintain their focus on meeting changing customer needs and delivering even greater value, quality and convenience. Investments in digital capabilities will accelerate and are expected to improve our customer proposition, expand our addressable markets and deliver operating efficiencies.

The performance of the Group's industrial businesses remain subject to international commodity prices, foreign exchange rates and seasonal outcomes. The diversity of our operations and the opportunities to improve performance and invest in our businesses will support growth over time.

Importantly, our portfolio includes diverse, cash-generative businesses with leading market positions. The Group's strong balance sheet means we remain well-positioned to deal with a range of economic conditions.

I would like to again acknowledge the efforts of our team members for their contribution during a very demanding year, and a special thanks to our leadership team of Mike Schneider, Ian Bailey, Sarah Hunter, Ian Hansen, Tim Bult, Anthony Gianotti, Jenny Bryant, Naomi Flutter, Ed Bostock, Maya vanden Driesen and Vicki Robinson. The results delivered in the last year could not have been achieved without you going above and beyond on a regular basis. We know that the future will continue to present challenges, but I am confident that Wesfarmers' best years lie ahead.



ROB SCOTT

Managing Director

Leadership Team



Rob Scott

MANAGING DIRECTOR
WESFARMERS

Rob was appointed Managing Director of Wesfarmers in November 2017 following his appointment as Deputy Chief Executive Officer in February 2017.

Rob joined Wesfarmers in 1993, before moving into investment banking, where he held various roles in Australia and Asia. He re-joined Wesfarmers in Business Development in 2004, was appointed Managing Director of Wesfarmers Insurance in 2007 and then Finance Director of Coles in 2013. Rob was appointed Managing Director, Financial Services in 2014 and then Managing Director of the Wesfarmers Industrials division from August 2015 to August 2017.

Rob holds a Master of Applied Finance degree from Macquarie University and a Bachelor of Commerce degree from the Australian National University. He has a Graduate Diploma in Applied Finance and Investments, is a qualified Chartered Accountant and has completed the Advanced Management Program at Harvard Business School.



Anthony Gianotti

CHIEF FINANCIAL OFFICER
WESFARMERS

Anthony was appointed Chief Financial Officer of Wesfarmers in November 2017.

Anthony joined Wesfarmers in 2004 in Business Development and in 2005 was appointed Manager, Investor Relations and Business Projects. In 2006, he was appointed Head of Business Development and Strategy of Wesfarmers Insurance, then its Finance Director in 2009 and Managing Director in 2013. In August 2015, Anthony was appointed Finance Director of the Wesfarmers Industrials division and its Deputy Managing Director in February 2017.

Anthony holds a Bachelor of Commerce degree from Curtin University and a Graduate Diploma in Applied Finance and Investments. He is a qualified Chartered Accountant and has completed the Advanced Management Program at Harvard Business School.



Maya vanden Driesen

GROUP GENERAL COUNSEL
WESFARMERS

Maya was appointed Group General Counsel of Wesfarmers in January 2015. Prior to this, Maya held a number of senior roles in the company including Legal Counsel – Litigation, Senior Legal Counsel and General Manager Legal – Litigation. Before joining Wesfarmers, Maya practised law at Parker & Parker and Downings Legal.

Maya holds Bachelor of Jurisprudence and Bachelor of Laws degrees from The University of Western Australia (UWA) and was admitted to practise as a barrister and solicitor in 1990.

Maya is a Graduate of the Australian Institute of Company Directors and sits on the Executive Committee of the GC 100, representing the General Counsel of Australia's top 100 ASX-listed companies within the Association of Corporate Counsel (Australia). She is also a member of the UWA Law School's Advisory Board, Director for the Committee for Perth and joined the Board of the Bell Shakespeare Company in May 2021.



Naomi Flutter

EXECUTIVE GENERAL MANAGER
CORPORATE AFFAIRS
WESFARMERS

Naomi joined Wesfarmers as Executive General Manager, Corporate Affairs in August 2018.

Prior to this, Naomi worked for Deutsche Bank for 20 years, in roles including head of the Global Transaction Banking division for Australia and New Zealand and head of the Trust and Agency business across Asia.

Naomi has honours degrees in Economic History and Law from the Australian National University and a Masters of Public Policy from Harvard University's John F Kennedy School of Government. Naomi currently serves on the Council of the Australian National University where she is the Pro Chancellor.



Jenny Bryant

CHIEF HUMAN RESOURCES OFFICER
WESFARMERS

Jenny was appointed Chief Human Resources Officer of Wesfarmers in October 2016 and in addition to her human resources responsibilities leads the Wesfarmers Advanced Analytics team. Jenny joined Wesfarmers in 2011 as the Human Resources Director for Coles and held this role until 2015 when she took on the role of Business Development Director, Coles.

Her previous work experience encompasses Mars, Vodafone and EMI Music in a number of global roles across operations, sales and marketing and human resources.

Jenny holds a Masters of Arts (MA) with honours from Cambridge University. In March 2020, Jenny was appointed as a Director of the Flybuys joint venture with Coles Group Limited.



Ed Bostock

MANAGING DIRECTOR
BUSINESS DEVELOPMENT
WESFARMERS

Ed joined Wesfarmers as Managing Director, Business Development in October 2017.

Before joining Wesfarmers, Ed worked in the private equity industry for more than 16 years, including the last 10 years with global investment firm Kohlberg, Kravis & Roberts. Ed has managed investments across a broad range of industries including healthcare, financial services, technology and media.

Ed holds a Bachelor of Science degree from the University of Melbourne and a Graduate Diploma in Applied Finance and Investment.



Michael Schneider

MANAGING DIRECTOR
BUNNINGS GROUP

Michael was appointed Managing Director, Bunnings Australia and New Zealand in March 2016 and Managing Director, Bunnings Group in May 2017.

Michael joined Bunnings in 2005, and prior to this he held a range of senior operational, commercial and human resource roles across regional and national markets, both in retail and financial services.

Michael holds a Bachelor of Arts degree from the University of New South Wales and has completed the Advanced Management Program at INSEAD, and the Advanced Strategic Management Programme at IMD.



Ian Bailey

MANAGING DIRECTOR
KMART GROUP

Ian was appointed Managing Director, Kmart in February 2016 and assumed the responsibility for leading the Kmart Group division (encompassing the Kmart, Target and Catch businesses) in November 2018. Prior to this, Ian was Kmart's Chief Operating Officer where he was instrumental in Kmart's turnaround.

Ian's experience, both national and international, covers a number of industries including retail, professional services, consulting, technology and healthcare in positions that include general management, sales, business development and project management.

Ian holds a Bachelor of Science degree in Civil Engineering and has completed the Advanced Management Program at Harvard Business School.



Vicki Robinson

EXECUTIVE GENERAL MANAGER
COMPANY SECRETARIAT
WESFARMERS

Vicki was appointed Executive General Manager, Company Secretariat in March 2020 and is the Company Secretary of Wesfarmers.

Prior to this, Vicki was General Manager, Legal (Corporate) and has played a key role in many of Wesfarmers' key mergers and acquisitions over the years. Vicki joined Wesfarmers in July 2003 as a Legal Counsel with the Corporate Solicitors Office. In 2007, Vicki moved to the role of General Manager for enGen, and returned to the Corporate Solicitors Office in 2009.

Vicki holds Bachelor of Laws (Honours) and Bachelor of Commerce degrees from The University of Western Australia and was admitted to practise as a barrister and solicitor in 1999. She currently chairs the Advisory Board of Curtin University Law School.



Sarah Hunter

MANAGING DIRECTOR
OFFICEWORKS

Sarah was appointed Managing Director, Officeworks in January 2019. Prior to this, Sarah was Demerger Program Director at Coles, overseeing the successful implementation of the demerger of the business from Wesfarmers in November 2018. Sarah joined Coles in 2010, and held various senior positions across finance, strategy, convenience, liquor and supermarket operations.

Before joining Coles, Sarah worked in the United Kingdom for more than 10 years, holding a number of senior commercial positions in banking and airports.

Sarah holds a Bachelor of Commerce degree from Bond University, a Graduate Diploma in Applied Finance and Investment from the Financial Services Institute of Australasia and a Masters of Commerce from the University of New South Wales. She is a Fellow of the Association of Chartered Certified Accountants, a Fellow of the Financial Services Institute of Australasia, a member of the Australian Institute of Company Directors and a member of Chief Executive Women.



Tim Bult

MANAGING DIRECTOR
WESFARMERS INDUSTRIAL AND SAFETY

Tim was appointed Managing Director of Wesfarmers Industrial and Safety in April 2020.

Having joined Wesfarmers in 1999, Tim worked in commercial and business development roles within the Wesfarmers Energy division, before his appointment as General Manager of Wesfarmers Kleenheat Gas in 2005. In 2006, he was appointed Managing Director of Wesfarmers Energy, and was Executive General Manager, Business Development from July 2009 to August 2015. Tim was appointed Director, Associate Businesses and International Development of Wesfarmers in August 2015 and in 2018 was appointed Project Director for the demerger of Coles. In 2019, he was appointed Director, Associate Businesses and Corporate Projects at Wesfarmers.

Tim holds a Bachelor of Engineering (Mech, Hons) degree and a Master of Business Administration from The University of Western Australia and has completed the Advanced Management Program at Harvard Business School.



Ian Hansen

MANAGING DIRECTOR
WESFARMERS CHEMICALS,
ENERGY & FERTILISERS

Ian has led the Wesfarmers Chemicals, Energy & Fertilisers division since July 2016. Prior to this, Ian was the Chief Operating Officer of that business. From October 2007 to July 2010 he was the Managing Director of the Chemicals and Fertilisers division.

During Ian's almost 40 years with Wesfarmers, he has held a wide range of executive, operational and commercial management roles primarily within the chemical, energy and fertiliser areas.

In addition to being a director of a number of Wesfarmers joint ventures, Ian is involved in a wide range of industry bodies including the International Fertilizer Association, Chemistry Australia, the Australian Latin American Business Council and previously the Kwinana Industries Council and Australian Institute of Management.

Ian holds a Bachelor of Science (double chemistry major) degree and has undertaken postgraduate business studies. He is also a graduate of the INSEAD Advanced Management Programme.

Operating and financial review



At Wesfarmers, our primary objective is to deliver satisfactory returns to shareholders over the long term through financial discipline and quality management of a diversified portfolio of businesses.

A key focus of the Group is ensuring that each of our 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 that includes the Wesfarmers Managing Director and Chief Financial Officer, and is guided by our Group-wide operating cycle and governance framework.

This operating and financial review sets out the Group's objective, strategies and values. It also provides a review of our operational performance for the 2021 financial year, as well as summarising the Group's risks and prospects. The 2021 financial performance is also outlined for each

division, together with a summary of its competitive environment, strategies, risks and prospects.

The 2021 financial year was one of uncertainty and volatility, with COVID-19 continuing to cause changes in customer behaviour, periods of government-mandated trading restrictions and disruptions to global supply chains. The Group's strong financial results for the year reflect the ability of our businesses to meet changing customer preferences, while managing COVID-related risks and providing a safe and trusted environment for customers, team members and our broader stakeholders.

The integration of the Group's sustainability reporting and financial reporting throughout this review reflects the significance of the Group's sustainability strategies in driving long-term shareholder value. Our efforts in the areas of decarbonisation, waste management, ethical sourcing, workplace safety, diversity and wellbeing help build more resilient businesses for the benefit of all stakeholders. This year is the fourth year Wesfarmers is reporting under the Taskforce on Climate-related Financial Disclosures (TCFD) standards, and further TCFD information is included from page 68.

The review should be read in conjunction with the financial statements, which are presented on pages 123 to 171 of this annual report.

A handwritten signature in black ink, appearing to read 'AG', written over a white background.

ANTHONY GIANOTTI
Chief Financial Officer

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 approximately 114,000 team members, including more than 2,900 Indigenous team members, and more than 483,000 shareholders.

Wesfarmers' diverse businesses in this year's review cover: home improvement, outdoor living and building materials; general merchandise and apparel; office and technology products; manufacturing and distribution of chemicals and fertilisers; industrial and safety product distribution; and gas processing and distribution. Wesfarmers' businesses predominantly operate in Australia and New Zealand with the portfolio including some of these countries' leading brands.

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

THE WESFARMERS WAY

OUR 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 initiative

Renew the portfolio through value-adding transactions

Ensure sustainability through responsible long-term management

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 the long term. We measure our performance by comparing Wesfarmers' TSR against that achieved by the broader Australian market.

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 business unit 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 targets, which are reviewed annually with reference to the performance of the broader market.

¹ ROC is calculated as earnings before tax / rolling 12 months capital employed, where capital employed excludes right-of-use assets and lease liabilities.



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 estimated to increase long-term shareholder value; 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
- Maintain 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 growth.

The Group maintains a strong focus on effective working capital management of all of its businesses. In addition, the Group ensures strong discipline in relation to capital 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 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 by growing earnings and improving returns on invested capital.

Recognising the value of franking credits to shareholders, Wesfarmers also seeks to distribute these to shareholders.

Depending upon circumstances, 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 build businesses with unique capabilities and platforms in expanding 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 and partnerships

Importantly, in assessing these opportunities, the Group applies a long-term horizon to investment decisions, incorporates a detailed assessment of sustainability considerations and risks, and remains very disciplined in its approach to evaluating opportunities with the most important criteria 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.



OPERATING EXCELLENCE

Strengthening existing businesses through operating excellence and satisfying customer needs.

Our achievements

- Continued improvements in our customer offers, including reinvesting in value to drive business growth and improving merchandise ranges
- Provided even greater value for customers by lowering prices following productivity gains
- Further investment in our digital offer across all divisions and significant expansion of the Group's online presence with \$3.3 billion in online sales, including the Catch marketplace, and more than 100 million digital interactions with customers each month¹
- Focused on production plant efficiency and maintaining and growing customer relationships in our industrial businesses
- Continued investment in technology enhancements to deliver operating efficiencies across supply chain and fulfilment
- Further investment in initiatives to drive improvements in the customer offer with a focus on instore experience, range expansion, technology enhancement and customer personalisation

Our focus for the coming years

- **Bunnings** will maintain its focus on driving long-term value creation by strengthening the customer offer, creating better experiences for customers and the wider community, expanding data and digital capabilities, growing the store network, accelerating trade growth and broadening commercial markets while maintaining cost discipline
- **Kmart** will focus on investing for future growth by progressing the development of technology capabilities throughout its operating model, improving the online offer and personalising the customer offer to better anticipate customer needs and improve the customer experience

¹ Represents monthly average over the last twelve months to 30 June 2021. Includes retail businesses only.



ENTREPRENEURIAL INITIATIVE

Securing growth opportunities through entrepreneurial initiative.

Our achievements

- Establishment of the Group data platform to enable customer data insights across the Group
- Continued to better leverage Group data, supported by ongoing investment in the Advanced Analytics Centre
- Investment in the Group's digital capabilities including the re-platforming of Bunnings' website and investments in technology to improve and strengthen Kmart's lowest cost position
- Continued to leverage Kmart Group's assets to support growth in Catch, including through offering click and collect for Catch products at over 430 Kmart, K hub and Target locations
- Expanded use of data analytics to optimise chemical plant performance
- Continued format innovation across the retail businesses, including the opening of the new format Adelaide Tools store in Parafield, South Australia
- Strategic investment and collaboration with Square Peg

Our focus for the coming years

- Continue to reinforce entrepreneurial initiative
- Leverage assets and digital expertise across the Wesfarmers Group to broaden multi-channel offerings across the retail businesses
- Develop a market-leading data and digital ecosystem that leverages a shared data asset spanning across the retail businesses
- Accelerate investment in the Advanced Analytics Centre
- Invest in a multi-year digitally enabled store operating model and supply chain at Kmart to transform the instore customer experience and deliver operational efficiencies
- Align future growth opportunities with our target of net zero for Scope 1 and 2 emissions for our retail businesses by 2030
- Explore climate-related technologies and opportunities across the Group
- Continue to investigate opportunities to leverage existing infrastructure and expand production capacity in Chemicals and Energy businesses, including assessment of new technologies



RENEWING THE PORTFOLIO

Renewing the portfolio through value-adding transactions.

Our achievements

- Completed the store conversion and closure program in Kmart Group to accelerate the growth of Kmart and improve the commercial viability of Target
- Announced the joint approval, together with SQM, of the Final Investment Decision for the Mt Holland lithium project to construct a mine, concentrator and lithium hydroxide refinery, leveraging WesCEF's deep expertise in chemicals processing
- Proposal to acquire Beaumont Tiles, subject to regulatory approval, to deliver more choice and convenience for Bunnings' specialist trade customers

Our focus for the coming years

- 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
- Maintain a patient, disciplined and broad-scanning approach to investment opportunities
- 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

Ensuring sustainability through responsible long-term management.

Our achievements

- Maintained an appropriately strong and flexible balance sheet to support increased investment in strategic initiatives across the Group including the issuance of \$1.0 billion in sustainability-linked bonds, the first of its kind in the Australian market
- Continued to improve our safety performance, with an eight per cent reduction in the Group's total recordable injury frequency rate (TRIFR)
- Maintained a strong focus on the development of leaders and the broader team
- Continued to promote diversity in our workplaces, including employing 1,100 more self-identified Indigenous team members compared to the prior year
- Managed talent development and succession in collaboration with our businesses to identify and develop succession options, focusing on critical roles and talent
- Continued to pay team members during prolonged COVID-related lockdowns, even in the event there was no meaningful work for them
- Continued to support the communities in which we operate, with indirect and direct contributions of more than \$55 million made in the 2021 financial year
- Delivered progress against the Group's Climate Change Policy, with a nine per cent reduction in Scope 1 and 2 emissions across the Group, and the target announced by the retail businesses to source 100 per cent of electricity volume from renewable sources by 2025
- Maintained strong focus on our divisional ethical sourcing programs to increase supply chain transparency and to identify, report, and remediate instances of unethical behaviour in our supply chains

Our focus for the coming years

- Maintaining balance sheet flexibility to allow the Group to withstand a range of economic conditions while continuing to support its operating activities and pursuit of investment opportunities
- Continue to provide appropriate governance structures to safeguard future value creation
- Continue to foster a more inclusive work environment, which reflects the diversity in our community, including gender identity, race, ethnicity, indigeneity, thought, experience, religious beliefs, education, age, disability, family responsibilities and sexual orientation
- Seek to achieve greater gender balance of all teams throughout the Group, with gender balance defined as a minimum of 40 per cent of female and male genders
- Continue to look after the physical and mental health, safety and development of our people
- Continue to focus on minimising our environmental footprint, implementing our climate change strategy and progressing towards meeting our net zero emission targets and aspirations
- Contribute positively to the communities in which we operate
- Continue to focus on ethical sourcing and modern slavery risk in supply chains, striving to eradicate the exploitation of vulnerable people
- Build further awareness of the circular economy into all businesses
- Increase focus on reconciliation and engagement with Indigenous people, including progress towards employment parity

Our value-creating strategies

Each strategy is underpinned by the Group's well-established strategic planning framework. The key attributes of this approach are maintaining a long-term focus and acting sustainably in the creation of value and management of our 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 26.

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 aims to ensure that the following seven 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. Striving to attract a diverse group of outstanding people and utilising their individual talents is one of the most essential elements in achieving sustainable success. Wesfarmers recognises that while great assets and strategies are important, it is people who drive outcomes.

EMPOWERING CULTURE

Wesfarmers recognises that an empowering culture is essential 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 value creation in their businesses.

COMMERCIAL EXCELLENCE

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

INNOVATION

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

ROBUST FINANCIAL CAPACITY

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

SOCIAL RESPONSIBILITY

Respect for team members, 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, human rights and community contribution.

SUSTAINABILITY

Wesfarmers seeks to operate its businesses sustainably. This includes a focus on using natural resources responsibly, managing businesses with deep carbon awareness and reducing the Group's impacts on the environment.



Core values

Underpinning all of the Group's strategies and ways of working.

Integrity

Acting honestly and ethically in all dealings

Reinforcing a culture of doing what is right

Accountability

Decision-making to divisions

Accountability for performance

Protecting and enhancing our reputation

Openness

Openness and honesty in reporting, feedback and ideas

Accepting that people make mistakes and seeking to learn from them

Entrepreneurial Spirit

Adopt an owner mindset

Encourage our teams to identify opportunities and apply commercial and financial acumen to support calculated risk-taking

Encourage our teams to take the initiative and pursue new and innovative ways of delivering value

Year in review

OVERVIEW

The Group reported a statutory net profit after tax (NPAT) of \$2,380 million for the full-year ended 30 June 2021. NPAT from continuing operations, excluding significant items, increased 16.2 per cent to \$2,421 million.

The strong financial result for the 2021 financial year was a testament to the dedication of team members and leaders across the Group, who continued to find new and valuable ways to meet customers' needs and support the community during a period of significant disruption.

Wesfarmers continued to prioritise providing a safe environment for customers and team members, and a continued strong focus on workplace safety supported an almost eight per cent improvement in the Group's TRIFR to 9.6 for the year.

The Group extended additional support measures to team members impacted by COVID-19, including paid pandemic leave and commitments to pay all permanent and many casual team members during prolonged lockdowns when there was no

meaningful work for them. To support community vaccination efforts, the Group also committed to provide paid vaccination leave for permanent team members.

While COVID-19 had a significant impact on operations during the year, the Group's businesses maintained their focus on building deeper customer relationships and trust. In line with Wesfarmers' objective of delivering superior and sustainable long-term returns, the businesses continued to invest in providing greater value, quality and convenience for customers, including through strengthened data and digital capabilities.

Bunnings, Kmart Group and Officeworks delivered strong sales and earnings growth for the year. While customer demand remained resilient, sales growth in Bunnings, Officeworks and Catch moderated from mid-March as the businesses began to cycle elevated demand following the onset of COVID-19 in the prior year. Pleasingly, sales growth from mid-March remained strong on a two-year basis across all of the Group's retail businesses.

The result in WesCEF reflected a continued solid operating performance, and the performance of all business units in the Industrial and Safety division improved during the year.

Investment in data and digital capabilities accelerated during the year, and the Group also commenced the development of a data and digital ecosystem that will enable a more seamless and personalised customer experience across all businesses. Digital engagement across all businesses continued to increase and total online sales across the Group, including the Catch marketplace, increased to \$3.3 billion.

Further detail on divisional financial performances is outlined in pages 26 to 58.

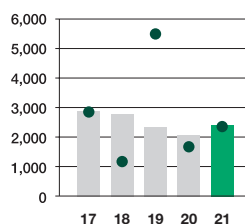
OPERATING CASH FLOW

The Group recorded a solid operating cash flow result for the year despite cycling one-off working capital benefits in the prior year. Operating cash flows of \$3,383 million were 25.6 per cent lower than the prior year, with strong earnings growth offset by the normalisation in

Net profit after tax

(excluding significant items)

\$2,421m

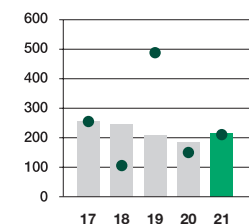


FY21	2,421
Post-AASB 16	
FY20	2,075
Pre-AASB 16	
FY20	2,091
FY19	2,339
FY18	2,772
FY17	2,873

Earnings per share

(excluding significant items)

214.1 cents



FY21	214.1
Post-AASB 16	
FY20	183.4
Pre-AASB 16	
FY20	184.9
FY19	206.8
FY18	245.1
FY17	254.7

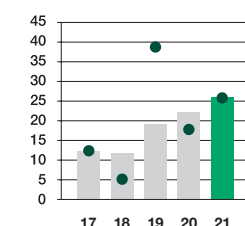
REPORTED (INCLUDING SIGNIFICANT ITEMS)

- 2021 excludes post-tax \$41 million of restructuring costs in Kmart Group.
- 2020 excludes post-tax significant items including: \$520 million of non-cash impairments, write-offs and provisions in Kmart Group, \$298 million non-cash impairment of Industrial and Safety, \$203 million gain on sale of the 10.1 per cent interest in Coles and \$154 million revaluation of the retained interest, and includes a benefit of \$83 million from the finalisation of tax positions on prior year disposals.
- 2019 excludes post-tax significant items including: \$2,264 million gain on demerger of Coles, \$645 million gain on sale of Bengalla, \$244 million gain on sale of KTAS, \$120 million gain on sale of Quadrant Energy and \$102 million provision for Coles supply chain automation.
- 2018 excludes post-tax significant items including: \$300 million non-cash impairment of Target, \$1,275 million relating to discontinued operations which includes the \$953 million (£544 million) non-cash impairment of BUKI, \$70 million (£40 million) store closure provision in BUKI, \$375 million (£210 million) loss on sale relating to BUKI and \$123 million gain on sale of the Curragh Coal Mine.

Return on equity (R12)

(excluding significant items)

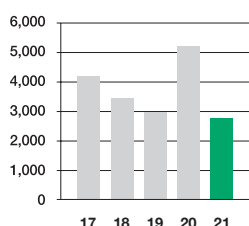
26.1%



FY21	26.1
Post-AASB 16	
FY20	22.1
Pre-AASB 16	
FY20	21.1
FY19	19.2
FY18	11.7
FY17	12.4

Free cash flow

\$2,741m



FY21	2,741
Post-AASB 16	
FY20	5,188
Pre-AASB 16	
FY20	4,239
FY19	2,963
FY18	3,422
FY17	4,173

working capital positions across the retail businesses following the lower inventory and higher payables balances recorded at the end of the 2020 financial year as a result of elevated demand. The Group recorded a working capital outflow of \$695 million for the year.

CAPITAL EXPENDITURE

Gross capital expenditure of \$896 million was 3.3 per cent higher than the prior year due to increased investment in data and digital initiatives across all divisions, the conversion of Target stores to Kmart stores, as well as the ongoing development of the Mt Holland lithium project. Proceeds from the sale of property, plant and equipment of \$264 million were \$35 million below the prior year, driven by lower proceeds from property sales in Bunnings. The resulting net capital expenditure of \$632 million was \$64 million, or 11.3 per cent, higher than the prior year.

FREE CASH FLOW

Free cash flows of \$2,741 million were 47.2 per cent lower than the prior year, reflecting the lower operating cash flows from the normalisation of working capital positions. Free cash flows in the prior period also included the \$2.1 billion in net proceeds from the partial sale of the Group's investment in Coles, partially offset by the acquisition consideration associated with Kidman Resources and Catch of \$1.0 billion.

BALANCE SHEET

The Group maintained significant balance sheet flexibility and recorded a net cash position of \$109 million as at 30 June 2021, comprising interest-bearing liabilities, excluding lease liabilities, net of cross-currency swap assets and cash at bank and on deposit. This compares to a net cash position of \$471 million as at 30 June 2020. The reduction in net cash reflects the ongoing normalisation in working capital positions across the retail businesses during the second half.

DEBT MANAGEMENT AND FINANCING

In June 2021, Wesfarmers issued Australia's inaugural sustainability-linked bonds. The \$1.0 billion issuance comprised a \$650 million seven-year bond and a \$350 million ten-year bond,

with interest rates that are linked to the achievement of agreed targets in relation to use of renewable energy in the Group's retail divisions and the CO₂e emissions intensity of ammonium nitrate production in WesCEF.

In addition to the new sustainability-linked bonds, the Group has two higher-cost Euro bonds with maturities in October 2021 (\$866 million) and August 2022 (\$764 million).

Other finance costs decreased 11.3 per cent to \$118 million for the year, reflecting lower average debt balances.

The Group's strong credit ratings remained unchanged during the year with a rating from Moody's Investors Services of A3 (stable) and rating of A- (stable) from Standard & Poor's.

Group capital employed

Year ended 30 June ¹	2021 \$m	2020 \$m
Inventory	4,502	3,844
Receivables and prepayments	1,434	1,261
Trade and other payables	(4,234)	(4,008)
Other	228	172
Net working capital	1,930	1,269
Property, plant and equipment	3,496	3,623
Goodwill and intangibles	3,902	3,814
Mineral rights	1	813
Mine properties	865	-
Other assets	1,962	1,804
Provisions and other liabilities	(1,744)	(1,698)
Total capital employed	10,412	9,625
Net financial debt ²	109	471
Net tax balances	264	278
Net right-of-use asset/(lease liability)	(1,070)	(1,030)
Total net assets	9,715	9,344

Cash capital expenditure

Year ended 30 June	2021 \$m	2020 \$m
Bunnings	445	511
Kmart Group	185	142
Officeworks	65	40
WesCEF	137	110
Industrial and Safety	62	59
Other	2	5
Gross capital expenditure	896	867
Sale of PP&E	(264)	(299)
Net capital expenditure	632	568

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 and interest rate swap contracts. Excludes lease liabilities.

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 determined to pay a fully-franked ordinary final dividend of 90 cents per share, taking the full-year ordinary dividend to 178 cents per share. The final dividend will be paid on 7 October 2021.

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 dates.

The last date for receipt of applications to participate in, or to cease or vary participation in, the Plan, is 3 September 2021. 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 7 October 2021. Given the Group's strong credit metrics, it is intended that any shares to be issued under the Plan will be acquired on-market and transferred to participants.

The directors have also recommended a return of capital to shareholders of 200 cents per share, which will ensure

a more efficient capital structure while maintaining balance sheet capacity to be able to take advantage of value-accretive opportunities should they arise. The recommended return of capital is subject to shareholder approval at the Annual General Meeting (AGM) on 21 October 2021. If approved, the total amount of the distribution will be approximately \$2,268 million and will be paid on 2 December 2021. The form of the distribution is dependent on a final ruling by the ATO, but is likely to be entirely capital in nature, with no dividend component. Shareholders will be unable to elect to participate in the Plan in relation to the capital return.

Together, the capital return and final dividend would bring the total distribution to shareholders for the year to 378 cents per share.

RISK

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 macro-economic conditions affecting business and households in Australia, which would affect all companies with a large domestic presence and which could have a material effect on the future performance of the Group.

Since the 2020 financial year, the world has been confronted with the impacts

of COVID-19. The Wesfarmers Group is actively managing the continued impact and uncertainty of COVID-19 by understanding and managing the effects it has on the key risks set out below. Wesfarmers also recognises pandemic risk in its own right and is focused on the ongoing preparedness and the continued effectiveness of the Group's response activities. In line with the prior year, increased information on climate-related risks is provided on pages 68 to 80 of this annual report.

Strategic

- Competition
- Strategy execution
- Damage or dilution to Wesfarmers' reputation or brands
- Digital disruption
- Changing customer expectations
- Portfolio management

Operational

- Technology, cyber security and data-related risks, inclusive of privacy
- Business disruption, loss of major infrastructure and physical security
- Risks inherent in distribution and sale of products
- Conduct risk
- Human rights risks, including modern slavery
- Climate-related risks and emissions management
- Risks to the health, safety or wellbeing of team members
- Environmental and sustainability risks
- Talent attraction, retention and engagement
- Supply chain and inventory management

Significant balance sheet flexibility with net cash of \$109 million

Fixed financial obligations

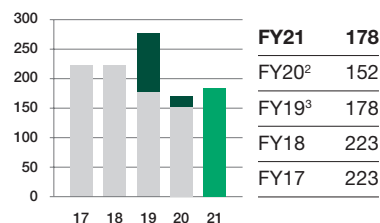


- Lease liabilities¹ \$7.1b
- Bank facilities & bonds \$2.7b

Dividends per share

● ORDINARY DIVIDENDS ● SPECIAL DIVIDENDS

178cents



¹ Represents total discounted lease liabilities as at 30 June 2021.

² Excludes a fully-franked special dividend of 18 cents per share, relating to the distribution of the after-tax profit on the sale of the Group's 10.1 per cent interest in Coles during the period.

³ Excludes a fully-franked special dividend of 100 cents per share.

Regulatory

- Compliance with applicable laws, regulations and standards
- Regulatory or legislative change

Financial

- Currency and commodity price movements
- Liquidity and access to funding

Further information on risk management, including policies, responsibility and certification, can be found on page 88 of this annual report and in the corporate governance section of the company's website at www.wesfarmers.com.au/cg

PROSPECTS

The Group's strong balance sheet and portfolio of cash-generative businesses with market-leading positions are well-positioned to withstand a range of economic conditions and deliver satisfactory shareholder returns over the long term.

Wesfarmers will continue to focus on supporting its team, customers and the community, while maintaining a flexible balance sheet to invest in value-accretive opportunities across its existing business and new opportunities to support long-term growth.

The Group remains committed to investment in key strategic initiatives, notwithstanding the likelihood of near-term disruptions to operating conditions as a result of COVID-19. This relates to investment in developing a market-leading data and digital ecosystem, building platforms for long-term growth and accelerating the pace of continuous improvement.

Progress has accelerated on the development of a data and digital ecosystem, which will provide customers a more seamless and personalised digital experience across the Wesfarmers retail businesses. A new Managing Director has been appointed to lead these efforts from November 2021. To support this initiative, operating expenditure of approximately \$100 million is expected to be incurred over the next 12 months.

The Group's retail businesses will maintain their focus on meeting the changing needs of customers, including accelerated investment in data and digital capabilities to deliver even greater value, quality and convenience.

Ongoing disruptions to supply chains as well as global supply constraints for some products and inputs are expected to create additional costs and impact stock availability in some categories.

The performance of the Group's industrial businesses will continue to be subject to international commodity prices, foreign exchange rates, competitive factors and seasonal outcomes. WesCEF will focus on continuing its strong operational performance, developing the Mt Holland lithium project and investigating capacity expansion opportunities. Industrial and Safety will maintain its focus on delivering improvements in performance and profitability.

Subsequent to the end of the financial year, Wesfarmers made a non-binding indicative offer to acquire Australian Pharmaceutical Industries Limited (API), a leading Australian distributor of pharmaceutical goods that operates a portfolio of complementary wholesale

and retail businesses in the growing health, wellbeing and beauty sector. There is no certainty as to whether the proposed transaction will proceed.

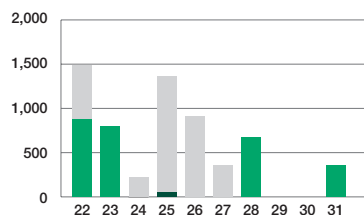
Wesfarmers will continue to actively consider climate change risk in the context of key business decisions and manage the portfolio with deep carbon awareness. The Group will maintain its focus on delivering progress against its net zero emissions targets and aspirations and will make disciplined investments to ensure appropriate climate change resilience in each of its businesses.

Wesfarmers will also maintain its focus on providing safe and inclusive environments for team members and customers, achieving progress towards employment parity for Aboriginal and Torres Strait Islanders and working alongside global peers, non-government organisations and others to mitigate risks and enhance human rights in our supply chains.

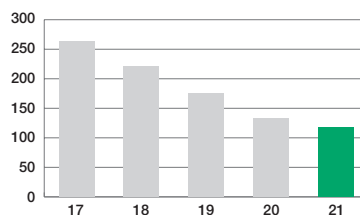
The Group will continue to develop and enhance its portfolio, building on its unique capabilities and platforms to take advantage of growth opportunities within existing businesses and to pursue investments and transactions that create value for shareholders over the long term.

Debt maturity profile (\$m)¹

● DRAWN BANK FACILITIES ● CAPITAL MARKET DEBT
 ● UNDRAWN BANK FACILITIES



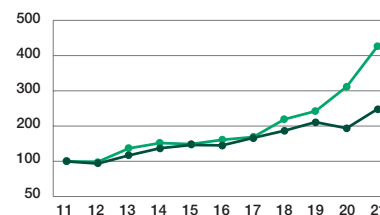
Other finance costs (\$m)



TSR²: Wesfarmers and ASX 100

(last 10 years)

● WESFARMERS LIMITED TSR INDEX
 ● ASX 100 ACCUMULATION INDEX



¹ As at 30 June 2020. Excludes \$1.95 billion in additional COVID-19 related bank debt facilities maturing in FY2022.

² Assumes 100 per cent dividend reinvestment on the ex-dividend date. Source: Bloomberg.

Bunnings

Founded in 1886 in Western Australia, Bunnings opened its first warehouse in Sunshine, Melbourne in 1994. Bunnings is the leading retailer of home improvement and lifestyle products in Australia and New Zealand, and a major supplier to project builders, commercial tradespeople and the housing industry.



YEAR IN REVIEW

Revenue

\$16,871_m

2021	16,871	
2020	14,999	
2019	13,166	
2018	12,544	
2017	11,514	

EBT

\$2,185_m

2021	2,185	
2020	1,826	
2019	1,626	
2018	1,504	
2017	1,334	

Key financial indicators

For the year ended 30 June	Post-AASB 16		Pre-AASB 16			
	2021	2020	2020	2019	2018	2017
Revenue (\$m)	16,871	14,999	14,999	13,166	12,544	11,514
Earnings before tax (\$m)	2,185	1,826	1,852	1,626	1,504	1,334
Capital employed R12 (\$m)	2,651	3,146	2,997	3,220	3,045	3,192
Return on capital employed R12 (%)	82.4	58.0	61.8	50.5	49.4	41.8
Cash capital expenditure (\$m)	445	511	511	470	497	367

OUR PERFORMANCE

Revenue for Bunnings increased 12.5 per cent to \$16,871 million. Total store sales growth of 12.4 per cent was achieved during the year, and store-on-store sales also increased 11.9 per cent. Bunnings recorded earnings of \$2,185 million, an increase of 19.7 per cent on last year.

COVID-19 continued to impact Bunnings' operations and the communities it serves, with Bunnings responding to changes in the external environment by adjusting its operations and working with suppliers to limit impacts on product availability during the year.

Bunnings' strong sales and earnings growth reflects the execution of its strategic agenda and the increased value and relevance of its offer for consumer and commercial customers.

During the year, Bunnings refreshed thousands of products, introduced new showroom experiences, delivered a new retail website in Australia and New Zealand to improve the look, feel and navigation for customers, and continued to invest in enhancements to its digital offer, including improvements

to click and collect and drive and collect services. Bunnings also deepened its relationships with commercial customers through a new trade service desk format providing a dedicated service area that improves the customer experience, opening its first new Adelaide Tools store and rolling out further enhancements to its PowerPass app, which attracted record engagement with over two million transactions completed through the app over the last twelve months.

While disciplined cost control remained a focus throughout the year, approximately \$27 million was invested in additional cleaning, security and protective equipment to operate safely in the COVID-19 environment. Return on capital increased from 58.0 per cent to 82.4 per cent, reflecting strong earnings growth and disciplined capital management, and a temporary benefit from lower average inventory balances due to strong customer demand.

At the end of the year, there were 278 warehouses, 70 smaller format stores, 30 trade centres, as well as five Adelaide Tools stores in the Bunnings network.

OUTLOOK



Across Australia and New Zealand, Bunnings remains focused on driving growth through its strategic pillars of price, range and experience. Bunnings remains focused on evolving its home and lifestyle offer in store and online, deepening relationships with commercial customers, optimising inventory and supply chain management, delivering an even better service experience across every customer touchpoint and maintaining strong cost discipline.

While the operating environment remains uncertain, Bunnings' trading performance in the 2022 financial year is expected to moderate following the extraordinary growth recorded in the 2021 financial year, which saw Australians and New Zealanders required to spend more time at home due to COVID-related restrictions.

Bunnings will continue to accelerate the development of its digital offer, building on its new e-commerce platform in Australia and New Zealand, by providing retail customers a more personalised digital experience. This step up in digital investment will also enable us to better understand and serve our customers and includes a new e-commerce platform for trade customers that will make it easier for customers to transact.

Our strong commitment to cost control will continue, ensuring we can offer customers the best value in the market while our disciplined approach to reducing unnecessary tasks for our team will mean we can spend more time serving our customers.

As always, the community remains at the heart of who we are and what we do, and Bunnings will continue to support the communities where our stores operate. I would like to thank our team and our suppliers for their tireless work over the past year and for delivering for our customers every day in a really challenging environment.

Michael Schneider

MANAGING DIRECTOR
BUNNINGS GROUP

OUR BUSINESS

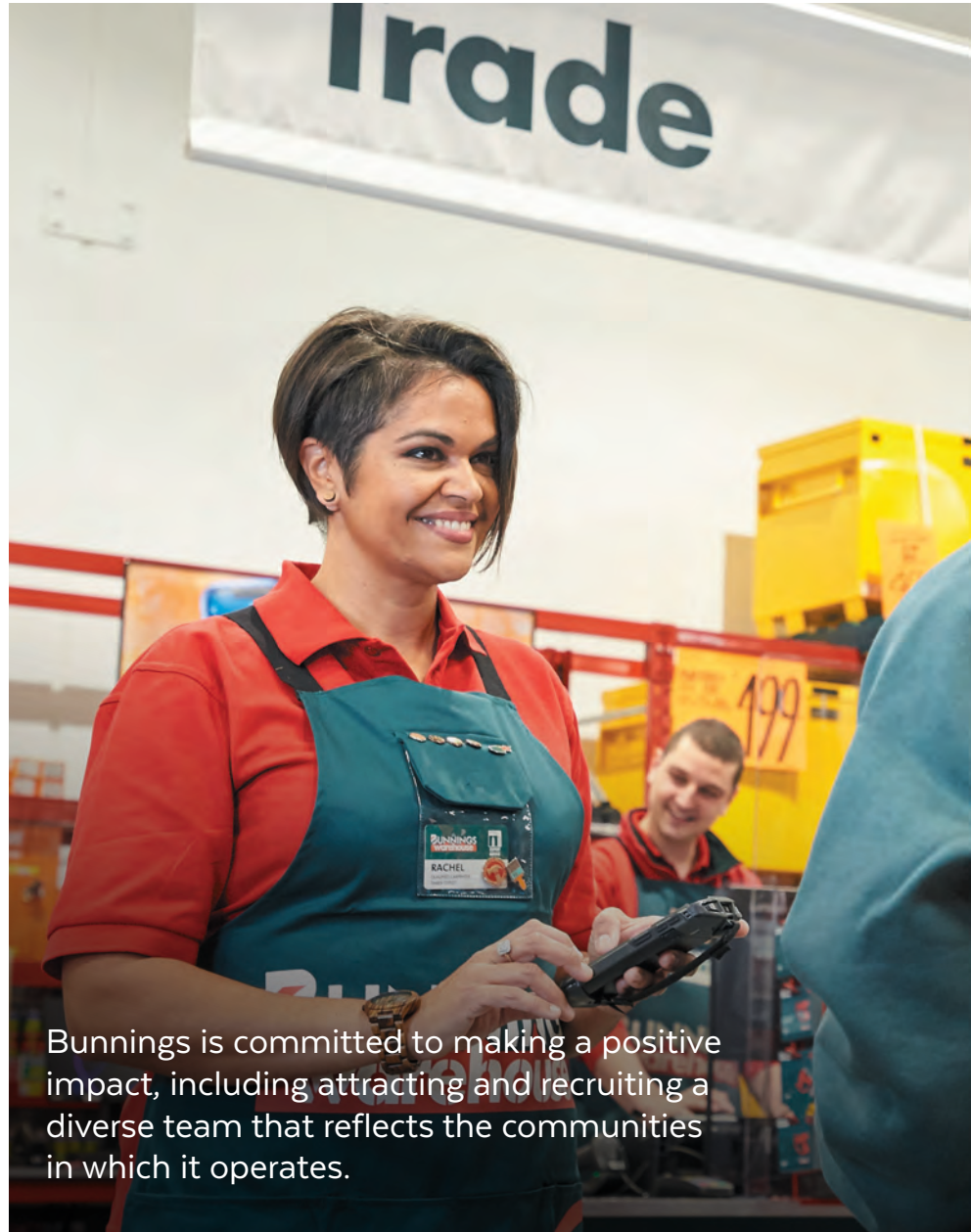
Bunnings is the leading retailer of home improvement and lifestyle products in Australia and New Zealand, and a major supplier to project builders, commercial tradespeople and the housing industry. Bunnings operates a network of 383 locations, including large warehouse stores, smaller format stores, trade centres as well as online.

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

Bunnings employs approximately 50,000 team members across Australia and New Zealand. During the 2021 financial year, more than 10,000 new team members were recruited to service increased demand, including online demand, for a net increase of around 1,000 team members over the year. Its stores stock more than 45,000 products, which are regularly reviewed and refreshed. Bunnings also offers a wider range of products through a special-order range both online and in-store, as well as through third-party trusted sellers as part of Bunnings' online offer, Bunnings Marketplace.

Bunnings is expanding its brand reach across its market through the opening of new stores, flexible formats, digital innovation and commercial relationships. The focus is on creating value for customers and delivering the best experience across every channel, be that digital, in-home, in-store or on-site, while ensuring products are sourced ethically and sustainably.

During the year, Bunnings continued to strengthen its ethical sourcing program with modern slavery and human rights training provided to more than 1,300 team members and 320 suppliers.



Bunnings is committed to making a positive impact, including attracting and recruiting a diverse team that reflects the communities in which it operates.

PEOPLE

Team members are the most important part of the Bunnings business and their safety and wellbeing remain the highest priority.

In the financial year, there was a 9.7 per cent increase in the TRIFR and the number of team member injuries recorded increased by 24.6 per cent.

These results are attributed to sharp changes in Bunnings' operational model and increased demand for products. This resulted in recruitment of new team members, higher levels of activity and performing operational tasks that were different from their regular roles. This involved increased manual handling to move higher volumes of stock and

facilitate customer order collections from stores, including large and bulky products, during periods of restricted trading, primarily during the Victorian and New Zealand COVID-19 lockdowns.

Removing the impact of these unique COVID-19 related activities, Bunnings' safety measurements tracked well throughout the year.

To mitigate team member injuries in the future, Bunnings has implemented a number of solutions including moving high volume stock to the front of the store, team task rotation, extra breaks to provide rest and recovery from additional manual handling, reminders on safe lifting

Safety performance

11.3 TOTAL RECORDABLE INJURY FREQUENCY RATE¹

Year	TRIFR
2021	11.3
2020	10.3
2019	11.2
2018	11.6
2017 ²	18.9

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

² Prior to 2018, Bunnings reported an all injury frequency rate (AIFR) which is the number of 'all' injuries per million hours worked.



techniques, security guards to assist with challenging situations, designated areas of the car park for drive and collect, and proactive counselling calls for leaders.

Notwithstanding the challenges that COVID-19 presented during the year, Bunnings' safety and wellness agenda continued to be driven around reducing risks and preventing injuries, improving wellbeing, and helping team members with injuries get back to life and work.

With ongoing challenges presented due to COVID-19, increased support was provided for the Bunnings team, including an assistance program to proactively conduct check-in calls with leaders. Four online learning modules were launched to further develop leaders' capability to support the team's mental health, with a new mental wellbeing course piloted during the year.

During the year, Bunnings became a founding member of the newly launched Corporate Mental Health Alliance Australia, established to share best practice in corporate mental health and wellbeing.

COMMUNITY

Bunnings has a longstanding commitment to supporting the communities in which it operates.

During the year, COVID-19 continued to have a significant impact on Bunnings' ability to deliver grassroots community activities as planned. Notwithstanding this, Bunnings helped raise and contribute over \$27.4 million through more than 51,000 community activities.

While traditional areas of community support such as the community sausage sizzles were temporarily unavailable, Bunnings adapted quickly to find innovative ways to connect with the community. To ensure groups who had planned sausage sizzles could find other

ways to fundraise, donations of \$500 gift cards were made to more than 1,300 community groups, representing over \$650,000 in total.

In commemoration of National Police Remembrance Day, Bunnings donated over \$300,000 to Police Legacy charities across Australia and New Zealand. Charities supported included the Victoria Police Blue Ribbon Foundation, the New Zealand Police Association Police Families Charitable Trust, and other Police Legacy charities in every state and territory across Australia.

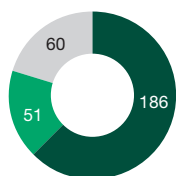
The Australian team supported Share the Dignity's 'It's in the Bag' campaign for the fourth consecutive year. Over two weeks, more than 127,000 bags of personal hygiene products were collected for women and girls experiencing homelessness and domestic violence.

In New Zealand, Bunnings supported the 'I Got Your Back Pack' campaign with customers and team members invited to donate toiletries and gifts to support families in refuges as a result of domestic violence.

In May and June 2021, Bunnings supported the FightMND 'Big Freeze' campaign for the third consecutive year, with beanies for sale in all Australian stores and trade centres. In total, Bunnings raised and contributed over \$1.1 million to FightMND to support efforts to find a cure for motor neurone disease.

In line with COVID-19 restrictions easing throughout the year, Bunnings brought back a number of community activities, such as the community sausage sizzles, hands-on community projects and instore workshops. Returning to local grassroots community support will continue to be a focus in the coming financial year.

Ethical sourcing audit program findings



297

NUMBER OF SUPPLIERS COVERED BY THE AUDIT PROGRAM¹

● Suppliers part of the audit program but not audited during the financial year ²	186
● Suppliers audited during the financial year with no critical breaches	51
● Suppliers audited during the financial year with critical breaches identified ³	60

¹ There were 297 suppliers covered by the audit program as at 30 June 2021.

² The supplier may be audited every two years if it had no previous findings.

³ This financial year, there were 197 critical breaches across approximately 60 suppliers.

Community contributions

● DIRECT ● INDIRECT

\$27.4m

Year	Direct	Indirect
2021	7.6	19.8
2020	9.4	33.5
2019	5.4	44.6
2018	5.0	41.7
2017	4.4	38.8

ENERGY EFFICIENCY

In October 2020, Bunnings announced plans to source 100 per cent renewable electricity by 2025 to help achieve its target of net zero Scope 1 and 2 emissions by 2030.

During the financial year, Bunnings delivered continued progress against its emission reduction targets, with emissions reducing by 11 per cent.

The reduction is attributed to energy efficiency initiatives and expanded generation of renewable energy. In addition, Bunnings purchased 30 per cent GreenPower for most large sites in Australia from 1 July 2020.

Bunnings continued to expand the network of solar photovoltaic (PV) systems. During the year, 21 sites had solar PV systems installed with 85 sites in total completed as at 30 June 2021.

To accelerate energy efficiency across the store network, LED lighting is being gradually retrofitted across the existing network. During the year, LED upgrades were completed at 43 warehouses and 12 smaller format stores. At the end of the financial year, 191 warehouses, 25 smaller format stores and five trade centres were using LED lighting.

In February 2021, Bunnings launched a trial store design at the new Bunnings Melton East in Victoria. Design features include a highly-insulated roof, insulated walls rather than concrete panels to improve thermal efficiency, and an insulated wall between the warehouse and timber yard to maintain greater levels of energy efficiency. The store also has a 300 kilowatt solar PV system. The relative energy performance from these initiatives will be monitored to inform future store designs.

The focus for the next financial year will be to develop new pathways to reduce reliance on traditional energy by transitioning to renewable sources.



Bunnings introduces Indigenous Transition to Work program

Bunnings is committed to making a positive impact, including attracting and recruiting a diverse team that reflects the communities in which it operates.

Encouraging Indigenous people to obtain fulfilling jobs with leadership development and career progression is a priority for Bunnings, and 2.3 per cent of team members in Australia self-identify as an Aboriginal and/or Torres Strait Islander.

Bunnings set a target of employment parity for Indigenous people as part of Wesfarmers' Employment Parity Initiative, which is three per cent of its Australian team by the end of 2022.

To help achieve this, during the financial year Bunnings began the Transition to Work program, an initiative to help Aboriginal and Torres Strait Islander people to transition into permanent and rewarding work at Bunnings.

The program provides three months of paid work experience for participants with the aim to progress to ongoing employment after the three-month period, subject to successful completion of the program. To date, 40 people have completed the program, with 31 offered ongoing employment in Bunnings stores and distribution centres across Australia.

In the coming year, Bunnings will continue the Transition to Work program and its focus on recruiting more team members who will add to the diversity and success of the business.

Aboriginal and Torres Strait Islander employment¹

1,026

Year	2021	1,026
2020	853	
2019	687	
2018	637	
2017	516	

¹ The criterion for removing casuals from the calculation of ATSI team members differs across divisions from 2017 to 2018.

Greenhouse gas emissions

(from continuing operations)

SCOPE 1 & 2¹

234.5ktCO₂e

Market-based

Year	2021 ²	110.3
2021	234.5	
2020	262.6	
2019	269.5	
2018	259.7	
2017	250.1	

¹ Scope 1 and 2 data includes emissions for businesses where we have operational control under the NGER Act, and emissions in New Zealand.

² Emissions based on GHG Protocol Scope 2 market-based reporting standard.

Waste

RECOVERED DISPOSED

66.9kt

Year	2021	35.2	31.7
2020	32.8	29.0	
2019	31.0	27.8	
2018	25.7	34.1	
2017	27.9	28.4	

STRATEGY

Bunnings provides its customers with the widest range of home and lifestyle products and is committed to delivering the best experience, supported by a policy of lowest prices every day. For its commercial customers, Bunnings seeks to provide value, service and convenience and turns products and services into solutions that help businesses grow and run better. Bunnings sets out to attract high-quality team members and to provide them with a safe and rewarding working environment.

STRATEGIES	ACHIEVEMENTS	FOCUS FOR THE COMING YEARS
More customer value	<ul style="list-style-type: none"> Strong investment in maintaining price leadership More products at lower prices 365 days – not just as promotional buys Created more value for customers on products that matter most to them 	<ul style="list-style-type: none"> Reinvest in price by simplifying processes and systems to lower costs Improve customer order fulfilment efficiency Deliver low prices by lowering the cost of goods
Better customer experiences	<ul style="list-style-type: none"> Accelerated digital offer with newly re-platformed retail website Delivered solutions that made it easier for the team to serve customers Further enhancements to PowerPass app Evolved and improved click and collect, and drive and collect services 	<ul style="list-style-type: none"> Better customer experiences and deeper engagement: digital, in-store, in-home and on-site Innovate and simplify to improve efficiency and reinvest in service Use data more effectively to improve the customer experience Make in-store service even easier and more convenient for customers Build on range of services available in-store and online
Greater brand reach	<ul style="list-style-type: none"> Opened eight new trading locations Opened nine replacement stores with wider ranges, including one Adelaide Tools store Significantly expanded Bunnings' digital ecosystem Reinvestment in store network 	<ul style="list-style-type: none"> Network expansion opportunities Targeted store reinvestment More personalised digital communications
Deeper commercial engagement	<ul style="list-style-type: none"> Improved in-store experience with new trade desk design, self-checkouts and Load'N'Go program Implemented new Customer Relationship Management (CRM) solution Opened new Adelaide Tools store in Parafield, South Australia to test new concepts, layouts and products Evolved PowerPass app to make it easier to use Agreement to acquire Beaumont Tiles, subject to regulatory approval 	<ul style="list-style-type: none"> Continue to leverage core strengths of a total market capability: stores, trade centres, in-field and digital Leverage CRM and analytics to improve service offer through greater customer insights Launch new solutions for trades, builders and organisations Grow Adelaide Tools store network across Australia and New Zealand Evolve PowerPass app further to provide a better experience across commercial brands
More merchandise innovation	<ul style="list-style-type: none"> Expanded ranges across many product categories Further product and project innovation with new products and more in-store displays Expanded online offer Provided more inspiration, innovation and information to customers 	<ul style="list-style-type: none"> Respond to lifestyle and technology trends to improve both in-store and online offers Use space better to accommodate new ranges, layouts and product adjacencies Invest in technology to optimise inventory and supply chain management to improve in-stock position

RISK MITIGATION

Bunnings recognises that taking appropriate business risks is a critical aspect of generating acceptable business returns. In doing so, it seeks to appropriately manage risks to minimise losses and maximise opportunities.

Risks deemed unacceptable in terms of the business' risk appetite are subject to appropriate control and mitigation measures to reduce the negative impact on the business. The level of controls implemented are commensurate with the impact on the business from the risk occurring (likelihood and consequence).

Bunnings continues to actively manage the impact of COVID-19 by understanding the effect it has across all key risk areas as well as by managing the direct implications identified below.

RISK	MITIGATION
COVID-19	<ul style="list-style-type: none"> Continued focus on providing a COVID-safe environment for team members, customers and suppliers Active monitoring of changing consumer behaviour to ensure that customer expectations continue to be met, including development of alternative contactless trading formats such as drive and collect
Safety	<ul style="list-style-type: none"> Proactive management of inventory position to accommodate increased volatility in demand and disruptions to global supply chains Continued focus on critical risks and targeted in-store awareness campaigns
Talent recruitment and retention	<ul style="list-style-type: none"> Strategies directed at creating and maintaining status as an employer of choice Succession planning, retention and development plans
New and existing competitors	<ul style="list-style-type: none"> Relentless focus on strategic pillars of lowest price, widest range and best experience Ongoing strategies to increase customer centricity and deepen customer engagement
Reputation	<ul style="list-style-type: none"> Strong culture of 'doing the right thing' Focus on ethical sourcing and product standards Ongoing regulatory compliance training
Supply chain disruptions	<ul style="list-style-type: none"> Structured range review processes incorporating alternative sources of supply and extended lead times on orders where necessary Continued development of domestic supply chain capabilities
Data and IT security	<ul style="list-style-type: none"> Strategy built around protection, detection and responding to threats Market-leading technology to protect against cyber incidents Strong internal processes to protect and control data access

Kmart Group

Kmart Group comprises Kmart, Target and Catch, with operations across 462 stores in Australia and New Zealand, with more than 50,000 team members. Kmart Group is committed to providing enjoyable and seamless shopping experiences for customers both in stores and online.



YEAR IN REVIEW

Revenue

\$9,982m

2021	9,982	
2020	9,217	
2019	8,713	
2018	8,837	
2017	8,528	

EBT

\$693m

2021 ¹	693	
2020 ²	410	
2019	550	
2018 ³	660	
2017	543	

Key financial indicators

For the year ended 30 June	Post-AASB 16		Pre-AASB 16			
	2021 ¹	2020 ²	2020 ²	2019	2018 ³	2017
Revenue (\$m)	9,982	9,217	9,217	8,713	8,837	8,528
Earnings before tax (\$m)	693	410	413	550	660	543
Capital employed R12 (\$m)	1,329	2,011	1,978	1,872	2,013	2,253
Return on capital employed R12 (%)	52.1	20.4	20.9	29.4	32.8	24.1
Cash capital expenditure (\$m)	185	142	142	207	293	225

¹ The 2021 earnings before tax for Kmart Group excludes pre-tax restructuring costs of \$59 million.

² The 2020 earnings before tax for Kmart Group excludes pre-tax impairment of the Target brand name and other assets of \$525 million and restructuring costs and provisions of \$110 million, and includes \$9 million of payroll remediation costs relating to Target.

³ The 2018 earnings before tax for Kmart Group excludes the pre-tax non-cash impairment of \$306 million for Target.

OUR PERFORMANCE

Kmart Group's revenue increased 8.3 per cent to \$9,982 million for the year. Excluding significant items, earnings of \$693 million were 69 per cent above the prior year. Significant items incurred during the year relate to Target's store closure and conversion program and include \$59 million of pre-tax Target store closure and conversion costs that could not be provided for in the prior year. The earnings result was underpinned by strong growth in Kmart and Target, partially offset by ongoing investment in Catch.

Kmart and Target revenue increased by \$603 million or 6.8 per cent for the year, while earnings before significant items increased 80.7 per cent to \$739 million. Both businesses experienced solid sales growth in home, active and kids categories, which was partially offset by lower demand for some apparel products.

During the year, Kmart and Target successfully completed the planned changes to the Kmart and Target store networks, with 31 large format Target stores converted to Kmart stores and 55 Target Country stores converted to the K hub small format. In addition, there were 10 large format Target store closures along with 48 Target Country closures.

Kmart's total sales increased 12.0 per cent for the year, with comparable sales increasing 7.8 per cent, driven by a continued focus on lowest price positioning and an enhanced

product range. Target's total sales decreased 3.7 per cent for the year despite the store closure and conversion program, a strong result with comparable sales increasing 13.3 per cent, driven by increased demand for full-price items and improvements in the product range. Following strong growth, online sales penetration for Kmart and Target increased to 7.8 per cent and 15.1 per cent respectively.

Kmart and Target earnings growth for the year was driven by higher sales, lower clearance costs, and an improvement in the cost of doing business as a result of planned network changes. This was partially offset by higher operational costs associated with online fulfilment and ongoing investment in technology in Kmart. Kmart continued to invest in key strategic initiatives to enhance its customer offer and the development of data and digital assets and capabilities.

Catch's gross transaction value increased 41.0 per cent on the prior year to \$973 million, driven by strong growth in both the retail and marketplace offerings. Following significant growth in the first half, Catch's performance moderated in the second half as the business cycled the significant shift to online channels that occurred in the prior corresponding period. Since acquisition, Catch has invested in marketing and capabilities, expanded its range, and implemented a number of customer-driven initiatives to leverage the Wesfarmers Group assets.

OUTLOOK



The trading environment is expected to remain uncertain and volatile during the 2022 financial year. Kmart Group will remain focused on being there for customers, keeping customers and team members safe and ensuring the continued focus on building for the future.

Kmart will remain focused on delivering growth through leveraging its scale and product development capabilities. This will be supported by the delivery of strategic initiatives including the migration of all online transactions to the new Kmart website, building a flexible and resilient supply chain and completing the rollout of RFID infrastructure to Australian stores.

Following the substantive completion of the restructuring of Target and changes to its store network, the business will focus on establishing a simplified operating model in a competitive and dynamic market. Target will continue to improve the product offer in destination categories while accelerating online growth. Target is expected to be a smaller but profitable business following the annualisation of the store closure and conversion program.

Catch will continue to invest significantly in driving gross transaction value growth and building a scalable operating model and infrastructure. Customer acquisition will be underpinned by acceleration of the Club Catch subscription program as well as continued investment in the customer value proposition. Catch will continue to invest in its fulfilment network to improve delivery speed to customers. The business will continue to broaden its product offering and brand proposition, and leverage the Wesfarmers Group assets.

Ian Bailey

MANAGING DIRECTOR
K MART GROUP

Kmart

OUR BUSINESS

Kmart was established in 1969, with the opening of its first store in Burwood, Victoria. Kmart is a leading product development company and trusted brand that operates 323 stores throughout Australia and New Zealand, offering customers a wide range of everyday products at the lowest prices.

Kmart employs around 37,000 team members, who are focused on the Kmart vision of making everyday living brighter for Australian and New Zealand families. Kmart executes this vision by being a great place to shop that is simple to run and providing customers with better products at even lower prices.



Target

OUR BUSINESS

Target began as a drapery store in Geelong, Victoria, and has since grown to become a destination for apparel and soft home products. Target operates 139 stores across Australia, with a vision to inspire families to live better by making it easy to afford quality and style. Target employs more than 12,000 team members – all focused on delivering affordable quality products.



Catch

OUR BUSINESS

Catch is an e-commerce marketplace which commenced operations in 2006 and was acquired by Wesfarmers in August 2019, bringing highly complementary skills in digital retail and fulfilment to both Wesfarmers and the Kmart Group. Catch's vision is to be the trusted place where Australians start their shopping journey.

Catch operates an online business model offering branded products on a first-party basis and a third-party online marketplace. Its online operations are supported by a leading technology platform and data capabilities, and one fulfilment centre located in Victoria.



HUMAN RIGHTS AND ETHICAL SOURCING

Kmart Group acknowledges its responsibility to respect human rights and promote environmental sustainability within its supply chain. Stakeholders rightfully expect that the retail products sold across the Kmart Group retail network are not produced in a way that compromises the rights of workers or adversely impacts the environment of sourcing countries.

The complexity and depth of supply chains remains a key challenge for Kmart Group in its ethical sourcing and wider sustainability efforts. The Kmart Group Ethical Sourcing Program includes a detailed compliance framework designed to support suppliers to meet our ethical sourcing standards. Factory disclosures and third-party factory audits are central to the program. Where critical, major and other non-conformances are identified, corrective actions are implemented and improvements are monitored through follow-up audit.

During the 2021 financial year, Kmart and Target continued their efforts to strengthen the Kmart Group Ethical Sourcing Program with a focus on improving modern slavery risk mitigation controls and improving transparency beyond finished goods manufacturers, further down the supply chain into processing facilities, component manufacturers and suppliers of raw materials. This year, Kmart Group undertook supply chain mapping to identify Tier 2 and 3 facilities used by Kmart Group Asia Tier 1 Suppliers, which confirmed 544 Tier 2 and 3 facilities involved in the process of yarn (spinner), weaving, knitting, dyeing, printing, finishing or washing.

Processes were also put in place at Catch to ensure suppliers of Catch own-brand products are integrated into the wider Kmart Group Ethical Sourcing Program.

The impact of COVID-19 continued to create challenges for suppliers this financial year, with flow on impacts for the Kmart Group Ethical Sourcing Program. In response to the second wave of COVID-19 in India, Bangladesh and Indonesia, the Kmart Group Ethical Sourcing team provided support to suppliers in those countries, via training webinars and sharing best practices, to assist in their efforts to comply with government COVID-safe workplace safety guidelines and to pay worker wages fully and on time.

HEALTH, SAFETY AND WELLBEING

Kmart Group is committed to improving the health, safety and wellbeing of team members and providing a safe shopping experience for its customers.

Kmart finished the 2021 financial year with a 21.8 per cent reduction in its



TRIFR to 10.6. Target achieved an eighth consecutive year of improved safety performance with a 50.4 per cent TRIFR reduction to 6.1, while Catch achieved a TRIFR of 1.9. Kmart Group recorded a combined TRIFR of 9.2.

Kmart Group implemented a comprehensive COVID-19 risk control strategy in response to the COVID-19 public health emergency that has enabled all Kmart Group sites to provide a safe working and shopping environment, and comply with evolving government restrictions.

DIVERSITY AND INCLUSION

Kmart Group recognises a diverse and inclusive place to work and shop will

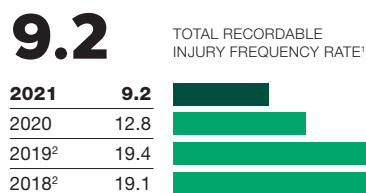
enable its businesses to build strong connections with team members and customers, while promoting innovation and better business decisions.

Gender balance

At Kmart, gender balance in leadership falls within the 40:40:20 range (40 per cent women, 40 per cent men and 20 per cent either gender or gender diverse). Women represent 44 per cent of all leadership roles, an increase of four per cent from last year. At the end of the 2021 financial year, women represented 46 per cent of store leadership roles and 48 per cent of corporate leadership roles.

Target falls within the 40:40:20 range with 54 per cent women in leadership,

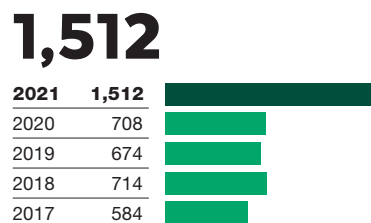
Safety performance



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

² Does not include Catch injuries and hours.

Aboriginal and Torres Strait Islander employment¹



¹ The criterion for removing casuals from the calculation of ATSI team members differs across divisions from 2017 to 2018.

an increase of three per cent from last year. By year end, women represented 54 per cent of store leadership roles and 54 per cent of corporate leadership roles.

In the 2021 financial year, Catch experienced an increase from 16 per cent to 26 per cent of women in leadership roles.

Indigenous employment

In the 2021 financial year, Kmart Group continued its participation within the Employment Parity Initiative and appointed an Indigenous Reporting Officer, who now forms part of the Indigenous Employment Team.

By the end of the 2021 financial year, there were 1,215 Indigenous people engaged in active employment at Kmart, representing 3.5 per cent of Kmart’s Australian workforce, an increase from 530 team members at the end of last year.

At Target, there were 297 Indigenous people engaged in active employment, representing 2.4 per cent of its workforce, an increase from 178 team members in the previous year.

COMMUNITY

Kmart Group continued to work with local communities and charity partners to meet a diverse range of needs of young people, families and team members. Kmart Group recognises the importance of its connection with communities and supported organisations helping communities to thrive, recover and rebuild from both floods and bushfires.

Kmart contributed \$6.7 million, Target \$386,000 and Catch \$245,000 to charities and community groups during the year.

This was a significant achievement in a year in which Kmart Group customer support of charity partners was disrupted by customers not being able to access traditional fundraising tools in stores, such as collecting spare change, throughout prolonged COVID-19 lockdowns when shopping was predominantly online.

ENVIRONMENT

As a large retailer of products that consume natural resources in many steps of the production process, Kmart Group has a responsibility to use natural resources responsibly and source materials in a way that minimises environmental impact.

Major achievements this year included:

- 26.5 per cent year-on-year reduction in electricity use per square-metre of Kmart Group stores’ gross footprint.
- Developing a Scope 3 playbook, which sets the direction through to 2030 to manage greenhouse gas emissions in Kmart Group supply chains.



Community contributions

● DIRECT ● INDIRECT

\$7.4m

Year	Direct	Indirect
2021 ¹	1.2	6.2
2020 ¹	1.9	6.5
2019	1.4	6.0
2018 ²	1.5	8.4
2017 ²	2.2	10.5

¹ Includes Catch contributions.
² Includes discontinued operations.

Greenhouse gas emissions

(from continuing operations)

SCOPE 1 & 2¹

292.6ktCO₂e

Year	Market-based
2021 ²	262.5
2021	292.6
2020	303.7
2019	318.6
2018	330.8
2017	360.2

¹ Scope 1 and 2 data includes emissions for businesses where we have operational control under the NGER Act, other known non-reportable Australian-based emissions over which we have control, and emissions in New Zealand and Asia.

² Emissions based on GHG Protocol Scope 2 market-based reporting standard.



- Waste diversion from stores and distribution centres across Kmart Group decreased from 81 per cent last financial year to 79 per cent this financial year during a period challenged by volatile markets for recycled materials, COVID-19 and some sites being impacted by changes to the Target property portfolio. The impact of one-off construction and demolition waste at Target store closures and Target Country conversions to Kmart or K hub stores has resulted in the waste diversion rate at these sites dropping to 42 per cent. By contrast, all other stores achieved a slight increase in their waste diversion to 79 per cent.
- Kmart and Target reached significant milestones in meeting their 100 per cent sustainably sourced cotton commitments. From 1 July 2020 onwards, all of the cotton sourced for Kmart own-brand clothing, bedding and towels, has been ordered as Better Cotton, organic or recycled. Target is on track to sourcing 100 per cent of the cotton for its own-brand clothing, bedding and towels as Better Cotton, organic or recycled to meet its cotton commitment from the 2022 financial year.
- Registered approximately 76 per cent of the wet processing facilities (e.g. mills, laundries) used by strategic suppliers onto the Zero Discharge of Hazardous Chemicals Gateway platform.
- The appointment of a Sustainable Packaging Manager in Shanghai who leads the engagement of suppliers in the delivery of Kmart Group's Sustainable Packaging Principles and Standards.
- The completion of 2,000 Packaging Recyclability Evaluation Portal assessments.



Kmart launches new range of dolls with disabilities

In the 2021 financial year, Kmart continued its journey to create products that have a broader social impact within the community by celebrating the things that make people different.

In September 2020, Kmart launched an assortment of new fashion dolls, which included people living with hearing, vision and mobility disabilities. Kmart launched the dolls with disabilities as part of a broader fashion range to assist with normalising disability and minimising stigma associated with disability. In December 2020, Kmart also launched a range of dolls with Down syndrome. The new range of dolls with disabilities make up part of the growing diversity which is represented within Kmart's products, including same-sex parent family sets and dolls of diverse ethnicities and backgrounds.

To support the creation of Kmart's dolls with disabilities, Kmart connected with multiple community advocacy organisations to better understand how to meaningfully represent people living with a disability and ensure that the products Kmart created were a true representation of people with disability.

Kmart believes that by creating doll ranges with disability it is providing children with an opportunity to find products that they can truly relate to, while assisting other children to learn more about people that might be different to themselves.

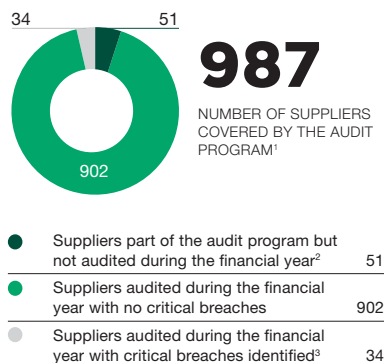
Waste

● RECOVERED ● DISPOSED

83.1kt

Year	Recovered (kt)	Disposed (kt)
2021	65.5	17.6
2020	61.3	14.8
2019	58.6	16.0
2018	70.9	24.0
2017	63.6	25.3

Ethical sourcing audit program findings



¹ There were 987 suppliers covered by the audit program as at 30 June 2021.

² The supplier may be audited every two years if it had no previous findings.

³ This financial year, there were 48 critical breaches across 34 suppliers.

KMART - STRATEGY

Kmart provides families with everyday products at the lowest prices and will continue to drive sustainable growth through a focus on making Kmart a great place to shop that is simple to run and delivering better products at even lower prices. The business is focused on continuously improving the customer offer while developing a digitally-enabled operating model to provide customers with a shopping experience that is seamless between channels. Kmart will continue to leverage its market-leading size and scale to offer more everyday products, maintain its price leadership position and pursue its sustainability commitments.

STRATEGIES	ACHIEVEMENTS	FOCUS FOR THE COMING YEARS
A great place to shop that is simple to run	<ul style="list-style-type: none"> Continued to leverage the store network to support online growth Converted 86 Target and Target Country stores to Kmart stores, including the new K hub small format stores Successfully completed the trial of instore RFID technology to enable real-time inventory tracking in three stores 	<ul style="list-style-type: none"> Providing a satisfying and streamlined customer shopping experience across all channels Increase the level of personalisation of the customer offer and better anticipate customer needs Build a digitally-enabled supply chain to enable faster product development, greater demand sensing and flexibility Delivery of instore RFID technology across store network
Better products at even lower prices	<ul style="list-style-type: none"> Continued market leadership in perception of lowest price Increased proportion of products sourced through strategic relationships with factories Implementation of productivity and cost-improvement initiatives Launch of Kmart Online Exclusives 100 per cent of cotton now sourced as Better Cotton, organic or recycled for own-brand clothing, bedding and towels 	<ul style="list-style-type: none"> Leading the lowest price in a highly competitive market Maintaining strong brand perception for on-trend everyday items Elevating product desirability in the apparel category Profitable growth through increased volumes and improved product offering Utilising product development capabilities to opportunistically enter new product categories, reduce lead times and reduce wastage Leveraging data insights to drive better decisions Continue to leverage scale and expertise to meet sustainability commitments and ambitions

TARGET - STRATEGY

Target's vision is to inspire families to live better by making it easy to afford quality and style. Target has accelerated its strategy to be a destination for apparel and soft home, with 'affordable quality' the key differentiator, supported by strong digital capabilities to make the end-to-end customer journey easy and personalised. Target is also focused on embedding and stabilising a simplified operating model following the recent business restructure.

STRATEGIES	ACHIEVEMENTS	FOCUS FOR THE COMING YEARS
Simplify the operating model and stabilise performance following the restructure	<ul style="list-style-type: none"> Commercial model reset complete with significant reduction in cost base achieved Single large format network of 139 stores and rationalised supply chain network Target's lease liability reduced by approximately one-third 	<ul style="list-style-type: none"> Stabilise performance and achieve consistent and sustainable profitability Further simplification of end-to-end operating model and business processes, supported by technology investment Continue to improve operational efficiency
Destination for apparel and soft home, with 'affordable quality' the key differentiator	<ul style="list-style-type: none"> Established clear customer value proposition Identified womenswear as category of primary importance, supported by strong offers in mens, kids and home Reset of range architecture across key product lines Continued focus on fabric mix and sustainability 	<ul style="list-style-type: none"> Continue to improve product quality, style and range architecture while progressively reweighting towards apparel and soft home Relentless focus on execution and customer experience to increase customer transactions Continue to provide customers with products that are sustainably and ethically sourced
Accelerate digital capability and online growth	<ul style="list-style-type: none"> Improved availability in store ranges and expansion of exclusive ranges Commenced build of customer data asset Launched on Catch marketplace as a third-party seller Continued to improve the website and app customer experience through improved search, navigation, product display content and customer communications 	<ul style="list-style-type: none"> Accelerate online growth through new customer acquisition, and improved app and website experience Enhance online fulfilment and leverage distribution centre capacity, including automation Leverage and enhance data and digital capabilities to improve the customer experience and deliver personalised experiences

KMART AND TARGET RISK MITIGATION

Kmart and Target's risks include foreign exchange rate fluctuations, new market entrants and the expansion of existing competitors, and ensuring that products are sustainably and ethically sourced. There is also risk in maintaining the stabilisation of Target's performance in an uncertain and competitive market. Kmart and Target are actively managing the impact of COVID-19 by understanding the effect it has across all key risk areas as well as by managing the direct implications identified below.

RISK	MITIGATION
COVID-19	<ul style="list-style-type: none"> Continued focus on providing a COVID-safe environment for team members, customers and suppliers Increased use of digital technologies to reduce supply chain length and increase flexibility Increased stock weights in some product categories to accommodate volatility in customer demand and global supply chain disruptions

KMART AND TARGET RISK MITIGATION CONT.

RISK	MITIGATION
Competitor activity	<ul style="list-style-type: none"> Monitoring of competitor activity and consumer trends Maintaining price leadership position in the market by making use of extensive overseas sourced ranges, in-house design capabilities and volume-driven efficiencies Continuing to innovate the store format to improve the customer experience through new layouts and leveraging technology Continuing to improve consistency of product quality Analysis of business performance to identify future opportunity and clarify business proposition and purpose Online proposition advancement to enhance customer experience, support instore traffic and leverage the store network
Exchange rate volatility	<ul style="list-style-type: none"> Hedging and product and pricing frameworks will be used to effectively manage foreign exchange movements
Sustainability, ethical sourcing, and human rights	<ul style="list-style-type: none"> Ongoing improvements to environmental compliance across all factories Committed to upholding Ethical Sourcing Code standards, which include protecting and respecting human rights Further expansion of the sustainable development program focused on making a positive difference for people and the planet The development of a circular economy strategy
Data and IT security	<ul style="list-style-type: none"> Threat intelligence partnerships in place to monitor evolving cyber threats Dedicated team responsible for operational management and oversight of cyber security Regular oversight provided to executive management to govern cyber security

CATCH - STRATEGY

Catch's vision is to be the trusted destination where Australians start their shopping journey. The business leverages its unique Australian brand identity to engage its customers with an emphasis on range, value and the shopping experience. Catch will continue to invest in accelerating the improvement of its customer value proposition. Catch will continue to broaden the range of categories and brands available in both its retail and marketplace offerings, and leverage assets across the Wesfarmers Group.

STRATEGIES	ACHIEVEMENTS	FOCUS FOR THE COMING YEARS
Invest in technology platform and fulfilment capability	<ul style="list-style-type: none"> Continued focus on providing a market-leading, trusted and secure online shopping experience Increased fulfilment centre automation to enhance capacity and productivity, including through the deployment of autonomous mobile robots Improved Catch's fulfilment capabilities to meet evolving customer preferences, by offering click and collect at over 430 Kmart, K hub and Target stores Increased proportion of sales via the Catch app 	<ul style="list-style-type: none"> Maintain customer-centric focus with an emphasis on providing an engaging and rewarding shopping experience Accelerated investment in marketing the Catch website, mobile apps and customer loyalty programs Continued development of Catch's data capabilities to provide better customer insights Continued enhancement of customer fulfilment capabilities, including through a new 30,000 sqm NSW fulfilment centre
Expand product range	<ul style="list-style-type: none"> Broadened range of categories and market-leading brands available for both the retail and marketplace offerings Introduced Anko products to the retail range Onboarded Target as a marketplace seller 	<ul style="list-style-type: none"> Continued expansion of product offer, including expansion of Anko product selection Leveraging data insights to drive merchandising and marketing activities
Accelerate growth in Club Catch subscription program	<ul style="list-style-type: none"> Grew Club Catch subscriber base Introduced free shipping for Club Catch members 	<ul style="list-style-type: none"> Enhance Club Catch value proposition through more exclusive offers and special discounts Increased brand marketing to improve awareness Maintain growth discipline through focus on customer lifetime value versus customer acquisition cost

CATCH - RISK MITIGATION

Catch's key risks include new market entrants and the expansion of existing competitors and scaling at a sustainable pace to meet growing demand. The sector in which Catch operates is becoming more competitive as traditional bricks and mortar retailers increase e-commerce investment and existing online competitors invest in growth. Catch is actively managing the impact of COVID-19 by understanding the effect it has across all key risk areas as well as by managing the direct implications identified below.

RISK	MITIGATION
COVID-19	<ul style="list-style-type: none"> Continued focus on providing a COVID-safe environment for team members Increased capacity to accommodate significant growth in demand
Competitor activity	<ul style="list-style-type: none"> Monitoring of competitor activity and consumer trends Expanding retail and marketplace offerings by utilising Catch's extensive domestic and international supply chains Accelerating advertising investment leveraging Catch's extensive in-house digital marketing expertise Continuing to innovate Catch's technology platform to enhance customer engagement and promote repeat purchasing behaviour Continuing to maintain high standards of product quality and safety Leveraging Wesfarmers' retail assets to provide a differentiated customer experience
Scaling the Catch team	<ul style="list-style-type: none"> Investing in the development of Catch's people capability to deliver on its strategic objectives while maintaining high standards of customer care and service Recruiting top-tier talent across a range of functions including product sourcing, marketing and technology
Data and IT security	<ul style="list-style-type: none"> Threat intelligence partnerships in place to monitor evolving cyber threats Dedicated team responsible for operational management and oversight of cyber security Regular oversight provided to executive management to govern cyber security

Officeworks

Officeworks is committed to helping make bigger things happen for its customers, team members, the community and stakeholders. It operates 167 stores across Australia, a website that is home to more than 40,000 products, a national call centre, a team that helps businesses start, run and grow, and Geeks2U.



YEAR IN REVIEW

Revenue

\$3,029_m

2021	3,029	
2020	2,787	
2019	2,314	
2018	2,142	
2017	1,964	

EBT

\$212_m

2021	212	
2020	197	
2019	167	
2018	156	
2017	144	

Key financial indicators

For the year ended 30 June	Post-AASB 16		Pre-AASB 16			
	2021	2020	2020	2019	2018	2017
Revenue (\$m)	3,029	2,787	2,787	2,314	2,142	1,964
Earnings before tax (\$m)	212	197	190	167	156	144
Capital employed R12 (\$m)	949	976	969	980	939	980
Return on capital employed R12 (%)	22.3	20.2	19.6	17.0	16.6	14.7
Cash capital expenditure (\$m)	65	40	40	42	45	36

OUR PERFORMANCE

Officeworks delivered revenue of \$3,029 million for the year, an increase of 8.7 per cent on the prior year. Earnings increased 7.6 per cent to \$212 million.

The safety, health and wellbeing of team members and customers remains a priority for Officeworks, and a focus on best practice COVID-19 safety measures was maintained during the year. Officeworks' focus on manual handling improvement supported a reduction in TRIFR to 6.1.

Revenue growth was underpinned by the continued evolution of Officeworks' product offering, as well as strong demand for products to support Australians working and learning from home. Awareness of the Geeks2U offer also continued to grow, with improved instore execution and new services resonating strongly with customers.

Earnings growth was supported by strong sales growth, partially offset by margin pressure from continued investment in price, changes in sales mix and higher supply chain costs.

The solid earnings result combined with disciplined capital management supported an increase in return on capital to 22.3 per cent.

During the year, Officeworks continued to invest in providing an easy and engaging customer experience across every channel through a new Print and Create website, improved click and collect and delivery capabilities, trial of the Classroom Essentials service for schools, launch of the Geeks2U subscription offer and enhancements to the Officeworks mobile app and website.

Officeworks continued to leverage its data and digital capabilities to improve the customer experience and enhance operating efficiency. Development and rollout of the data and analytics platform progressed during the year, providing more timely, personalised and engaging communication to customers. Online sales penetration, including click and collect, increased to 35.2 per cent for the year.

During the year, Officeworks upgraded 68 stores and opened new stores in Queensland, South Australia and Western Australia. At 30 June 2021, there were 167 stores operating across Australia.

OUTLOOK



Officeworks will continue to build on the positive progress achieved over the past year, during which we improved team member safety, updated store layouts, and expanded and evolved our product and services offer.

We will continue to play a pivotal role in providing essential products and important services to Australians as they adjust and adapt to new ways of working, learning, connecting and creating.

Officeworks remains focused on executing its strategy and investing in initiatives that will deliver satisfactory returns for shareholders over the long term.

The near-term outlook remains uncertain, with changing customer shopping patterns and any future COVID-19 measures expected to impact trading conditions. Ongoing global supply shortages of some products as well as international shipping disruptions will impact stock availability in some categories. Officeworks remains focused on managing stock availability, and improving processes across supply chain and stores to ensure customers' needs are fulfilled.

Despite this uncertain environment, Officeworks is focused on building on the momentum of 2021 and remaining adaptable to changes.

There are many opportunities, as well as challenges, in front of us as we accelerate our strategy in the year ahead. Our team is passionate about helping our customers and our communities to make bigger things happen in the 2022 financial year and beyond.

Sarah Hunter

MANAGING DIRECTOR
OFFICEWORKS

OUR BUSINESS

Since opening in 1994, Officeworks has grown to a network of 167 stores across Australia, a website and digital app as well as operating the Geeks2U business, generating over \$3 billion in annual sales. Officeworks is passionate about helping customers make bigger things happen at home, at school and at work. As part of the Wesfarmers Group, Officeworks is focused on continuing to deliver satisfactory returns to shareholders over the long term.

Officeworks is Australia's leading retailer of stationery, technology, furniture, art supplies, and learning and development resources as well as an array of services like Print and Create and technical support through Geeks2U.

Its customers include small- and medium-sized businesses, students, schools, households and those working from home. With more than 40,000 products available on the website, business specialists and a national call centre, Officeworks is committed to providing great service to customers and making the experience easy and engaging, irrespective of how they choose to shop.

Officeworks is focused on the safety, health, wellbeing, and career progression of more than 8,500 team members. Pleasingly, Aboriginal and Torres Strait Islander employment in Officeworks exceeded employment parity of three per cent of our Australian workforce.

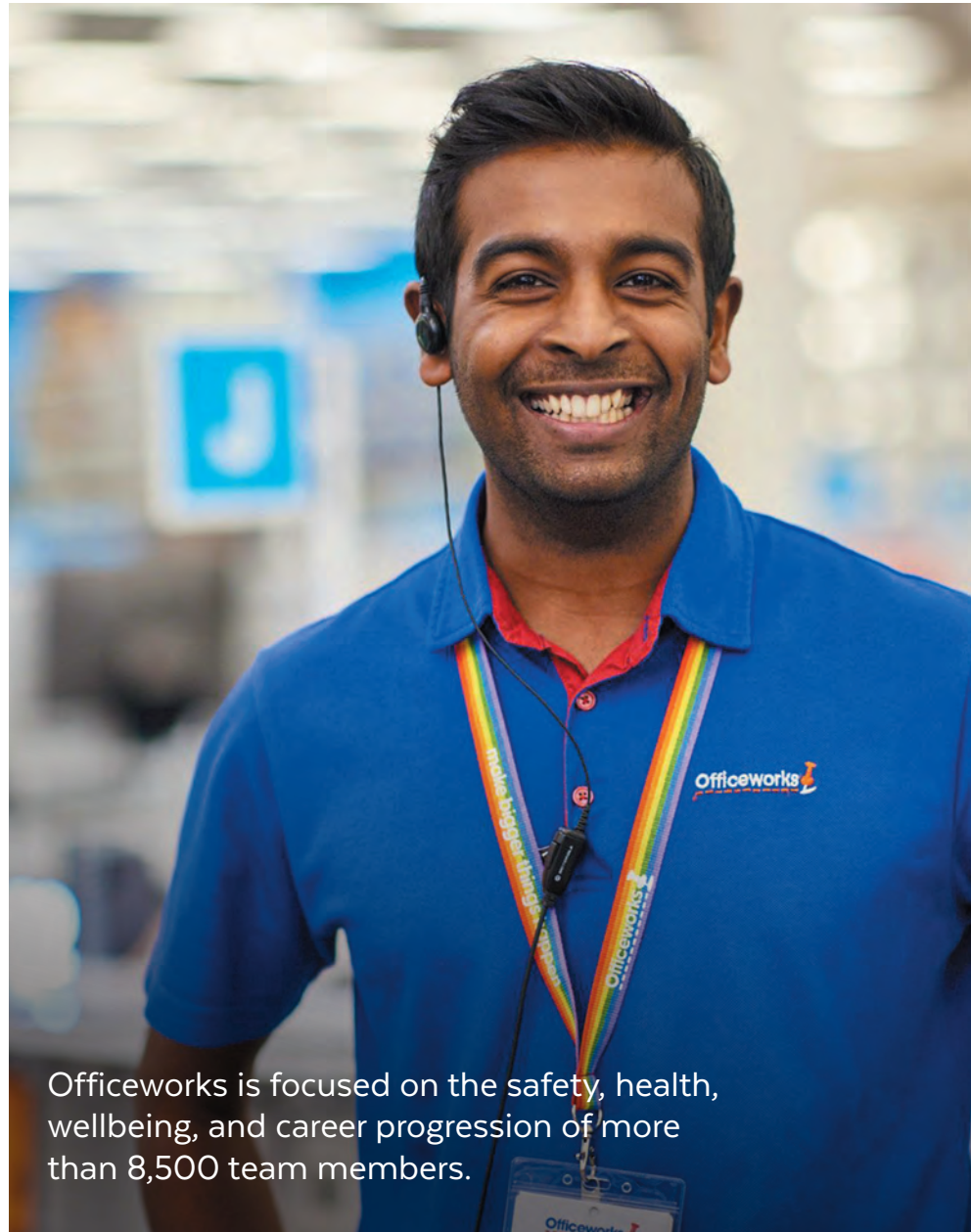
Officeworks is committed to ensuring the long-term sustainability of the business through building and maintaining meaningful connections with the communities in which it operates, fundraising for national partners and local community groups, reducing its impact on the environment, and sourcing products and services responsibly.

HEALTH, SAFETY AND WELLBEING

The safety, health and wellbeing of team members and customers is Officeworks' number one priority. Officeworks' goal is to ensure that everyone arrives home after working, shopping or visiting the business free from any kind of harm or injury.

Officeworks recognises that the health and safety of its team is not just about physical wellbeing, but also about supporting them to achieve positive mental health and wellbeing outcomes. In doing so, Officeworks is enabling team members to bring their best selves to work every day.

During the 2021 financial year, Officeworks continued to see improvement in its safety performance, with TRIFR reducing to 6.1. In real terms, this means during the past 12 months, 57 team members have lost



Officeworks is focused on the safety, health, wellbeing, and career progression of more than 8,500 team members.

one or more shifts due to an injury at work. While one injury is one too many, a TRIFR of 6.1 represents a 22.8 per cent reduction when compared to the previous financial year.

Beyond physical safety, Officeworks is giving its team access to tools and programs that support their mental health. Officeworks' mental health and wellbeing program, Your Best Life, is a holistic program that provides team members with tools, resources and investment to improve wellbeing, supporting team members to live their best life.

Officeworks is committed to creating an environment where team members are comfortable talking about mental health

Safety performance

6.1

TOTAL RECORDABLE INJURY FREQUENCY RATE¹

2021	6.1	<div style="width: 6.1%;"></div>
2020	7.9	<div style="width: 7.9%;"></div>
2019	8.5	<div style="width: 8.5%;"></div>
2018	10.2	<div style="width: 10.2%;"></div>
2017	11.9	<div style="width: 11.9%;"></div>

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



and reducing stigma, which included promoting conversations and sharing stories around mental health, and by recognising events such as RUOK? Day.

Officeworks' focus in the coming year continues to be empowering its team to live their best life through investment in mental health and wellbeing programs and embedding a safety mindset into everything they do.

ENVIRONMENT

Officeworks is committed to doing its part to lead positive change by taking a more holistic approach to reduce carbon emissions and waste generation across the entire supply chain, influencing those activities both within Officeworks' direct and indirect control.

Officeworks has reinforced its commitment to taking meaningful climate action, which includes using 100 per cent renewable energy by 2025 as part of the roadmap to achieving net zero Scope 1 and 2 emissions by 2030, planting two million trees as part of the Restoring Australia initiative and reducing supply chain emissions caused by the raw materials and products sold at Officeworks.

Officeworks' circular economy commitments include becoming a zero-waste business by designing out waste and maximising recycling, ensuring the packaging from all products it sells is reusable or recyclable, and helping customers dispose responsibly of products at the end of their life cycle. Since establishing the Bring it Back program in 2015, Officeworks has helped customers divert over 5,600 tonnes of unwanted products from landfill for recycling, with a goal to repair, repurpose or recycle at least 17,000 tonnes of unwanted products by 2025.

Key achievements during the year include reducing operational emissions by 7.2 per cent, and recycling 91 per cent of all operational waste, while reducing waste sent to landfill by 32 per cent.

COMMUNITIES

Officeworks is committed to supporting the local communities where it operates and doing what it can to help build strong connections that help others overcome challenging circumstances and thrive.

To help achieve this goal, this year, Officeworks established a local community engagement team, with dedicated team members across the country working to support their teams to better connect with and support their local communities.

During the Round Up to Make a Difference campaign in June 2020, Officeworks saw its customers and team members work together to raise more than \$1 million to support 17 organisations across Australia working to improve health and education outcomes.

These much-needed funds enabled the organisations to continue to achieve positive outcomes, such as Backpacks 4 Vic Kids providing 650 children with a Me Bag that contained essentials like soap, toothbrushes and two sets of clothes.

Officeworks is a leader in providing educational products and has a clear growth strategy in the education sector. Therefore, promoting strong educational outcomes for all Australians, no matter what their circumstances, is one of Officeworks' strategic priorities.

Through sponsorships and community support for the Wall of Hands and Back to School appeal held during the 2021 financial year, a total of 7,525 Australian students will be supported through sponsorships and educational resources through a \$3.2 million financial contribution. Officeworks team members and customers have shown passion and generosity throughout the year, greatly contributing to the goal to support 30,000 students across Australia who need it most by 2025.

Greenhouse gas emissions

(from continuing operations)

SCOPE 1 & 2¹

40.1ktCO₂e

Market-based

Year	2021 ²	2021	2020	2019	2018	2017
2021 ²	34.4	40.1	43.2	45.8	49.1	51.2

¹ Scope 1 and 2 data includes emissions from continuing operations for businesses where we have operational control under the NGER Act.

² Emissions based on GHG Protocol Scope 2 market-based reporting standard.

Waste

● RECOVERED ● DISPOSED

6.4kt

Year	2021	5.8	0.6	2020	5.1	0.8	2019	5.2	1.1	2018	4.4	1.4	2017	4.5	2.5
2021	5.8	0.6	5.1	0.8	5.2	1.1	4.4	1.4	4.5	2.5					

Community contributions

● DIRECT ● INDIRECT

\$6.4m

Year	2021	2.1	4.3	2020	2.4	3.1	2019	2.6	1.5	2018	2.4	1.3	2017	1.7	0.8
2021	2.1	4.3	2.4	3.1	2.6	1.5	2.4	1.3	1.7	0.8					

ETHICAL SOURCING

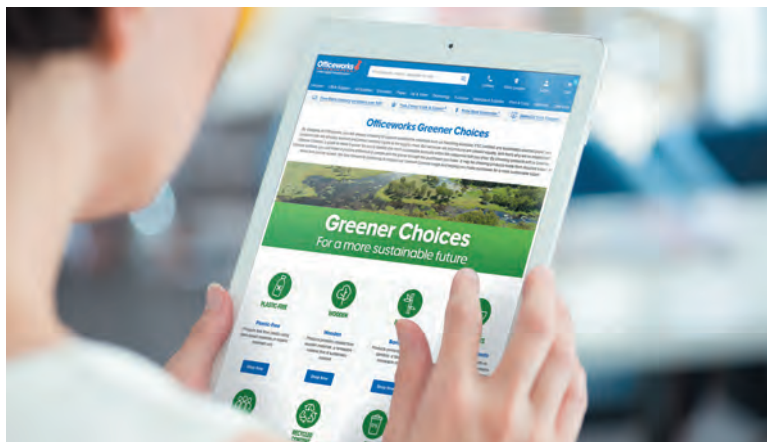
Officeworks believes all workers have the right to a safe and healthy work environment, and that taking care of employees is better for people, and the businesses they work for.

Officeworks has a well-established ethical sourcing program that all suppliers of goods and services are required to comply with. This program is designed to protect and uphold workers' rights and reassure Officeworks' customers those products are sourced ethically. This year, Officeworks audited 423 factories and worked with suppliers to resolve 33 critical breaches.

This year, Officeworks reviewed results from worker voice surveys arranged to enable employee voices to be better heard and more often. This involved 949 workers at six factories completing surveys to share their concerns.

Through this process, Officeworks identified issues such as deficient internal grievance channels, poor relationships with supervisors, workers not understanding their pay and workers wanting to work less or more hours. Using this information, Officeworks was able to work with the management teams so they could take appropriate action to embed positive change. In many cases, this involved additional training or investing in new machinery to reduce excessive working hours.

Following the initial surveys, and the initiatives implemented, Officeworks conducted follow-up surveys and was pleased to see an improvement in worker satisfaction of 18 per cent. Through this program, Officeworks has enabled positive change for the 1,876 workers that work at the six factories involved in these surveys throughout the 2021 financial year.



Providing a wider range of greener choices

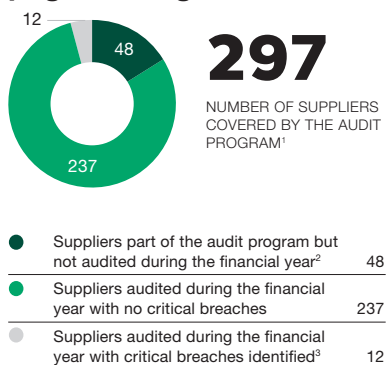
Officeworks is working to source and design more products which are both sustainable and cost-effective, while maintaining the quality and functionality that Officeworks customers expect.

In November 2020, Officeworks launched the Greener Choices range of products online, introducing enhanced website navigation to make it easier for customers to find sustainable products. The program now includes almost 2,000 products across eleven greener choice categories, including:

- Plastic-free – products using plant-based materials or organic materials only, including paper-based packaging filler and plastic-free glitter.
- Bamboo – a fast-growing renewable resource, used in products such as desk accessories and a growing range of technology accessories.
- Natural ingredients – products formulated with ingredients that will not be harmful to humans or animals, such as natural cleaning supplies.
- Supporting communities – products designed by a local partner with a focus on giving back to the community, including our range of Cultural Choice Indigenous office supplies, in which proceeds contribute to programs to prevent Aboriginal youth suicide.
- Recycled content – products created using recycled materials, such as copy paper, notebooks and pens.
- Zero waste – products to help reduce household or business waste, such as reusable drink bottles and recycling bins.

Officeworks is committed to ensuring any environmental claims are appropriately substantiated. This year, it continued its partnership with Good Environmental Choice Australia to have them conduct an independent third-party assessment of environmental claims on selected products.

Ethical sourcing audit program findings

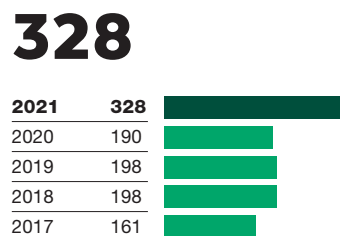


¹ There were 297 suppliers covered by the audit program as at 30 June 2021.

² The supplier may be audited every two years if it had no previous findings.

³ This financial year, there were 33 critical breaches across approximately 12 suppliers.

Aboriginal and Torres Strait Islander employment¹



¹ The criterion for removing casuals from the calculation of ATSI team members differs across divisions from 2017 to 2018.

STRATEGY

Officeworks is committed to helping make bigger things happen for its customers, team members, the community, and stakeholders to continue to deliver a satisfactory return to shareholders over the long term. Officeworks will continue to drive growth and productivity by executing its strategy centred around five key areas.

STRATEGIES	ACHIEVEMENTS	FOCUS FOR THE COMING YEARS
Our team We are skilled, committed and healthy	<ul style="list-style-type: none"> – Improved safety performance, with a TRIFR of 6.1 – Investment in the physical and mental wellbeing of the team – Participation rate of Aboriginal and Torres Strait Islander team members at 3.8 per cent 	<ul style="list-style-type: none"> – Continue to invest in team member safety, health and wellbeing – Strengthen position as an employer of choice – Continue to invest in our diversity and belonging programs
Customer experience We make things easy and engaging	<ul style="list-style-type: none"> – Enhanced online shopping experience through improvements to website and mobile app – Invested in data and digital capabilities to provide more timely, personalised and engaging communications to customers – Improved customer delivery options 	<ul style="list-style-type: none"> – Continue investment in-store and online to improve the every-channel customer experience – Create more personalised and relevant customer experiences and offers – Invest in better knowing and understanding our customers
Growing our business We are ambitious in driving growth	<ul style="list-style-type: none"> – Expanded ranges, for example art, education, technology and cleaning and hygiene – Launched new Print and Create website – Introduced Geeks2U subscription and remote service capability – Trial of Classroom Essentials offer for schools 	<ul style="list-style-type: none"> – Continued investment in expanding and improving the store network and enhance digital channels – Continue to improve the range to meet changing customer needs – Further growth in the education and business-to-business segments – Extend offer to support the work-from-home segment
Operational excellence We strive to do things better	<ul style="list-style-type: none"> – Continued improvement in stock loss delivered through improved processes – Increased capacity and productivity in customer fulfilment centres – Investment in new fill process in stores 	<ul style="list-style-type: none"> – Transition to new customer fulfilment centre in Victoria – Continued investment in modernising supply chain – Rollout Print and Create self-service offer in stores
Connecting with our communities We are a part of where we live	<ul style="list-style-type: none"> – Recycled 91 per cent of all operational waste – Reduced Scope 1 and 2 emissions by 7.2 per cent and installed PV solar on 8 stores – Continued to support disadvantaged Australian students 	<ul style="list-style-type: none"> – Continue to invest in renewable energy – Work with our suppliers to address modern slavery in our supply chains – Deepen connections in the communities where we live and work through local and national programs

RISK MITIGATION

Officeworks recognises that taking appropriate business risks is a critical aspect of generating acceptable business returns. We encourage our team to understand risk as it relates to their role, and in doing so we maximise their ability to identify and seize opportunities.

Officeworks continues to actively manage the impact of COVID-19 by understanding the effect it has across all key risk areas as well as by managing the direct implications identified below.

RISK	MITIGATION
COVID-19	<ul style="list-style-type: none"> – Continued focus on providing a COVID-safe environment for team members, customers and suppliers – Initiatives for team members to support their financial and mental wellbeing – Enhanced communication with customers – Proactive management of inventory to anticipate volatility in demand
Supply chain disruptions	<ul style="list-style-type: none"> – Established project to modernise supply chain facilities
Changing customer behaviours	<ul style="list-style-type: none"> – Regular reviews of range to ensure it meets the evolving preferences of Officeworks' customers – Continued investment in data analytics capability to better understand customer needs, identify emerging trends and monitor the competitive landscape – Ongoing investment in the every-channel business model to deliver easy and engaging experiences for customers
Data and systems security	<ul style="list-style-type: none"> – Dedicated internal capability focused on IT systems and data security – Cyber risk controls embedded and regularly tested – Security awareness training program to keep all team members educated and informed
Ethical sourcing and sustainability	<ul style="list-style-type: none"> – Five-year sustainability strategy (People and Planet Positive Plan 2025) to identify and mitigate sustainability risks and opportunities – Responsible sourcing policies supported by investment in detailed compliance programs

Chemicals, Energy and Fertilisers

WesCEF manages a portfolio of leading, sustainable businesses that operate in domestic, national and international markets. Our businesses are recognised as safe, reliable and innovative industry leaders driven by over 1,300 diverse and talented team members who are committed to meeting customer needs.



YEAR IN REVIEW

Revenue

\$2,146m

2021	2,146	
2020	2,085	
2019	2,078	
2018	1,830	
2017	1,639	

EBT

\$384m

2021	384	
2020	394	
2019	438	
2018	390	
2017 ¹	395	

Key financial indicators

For the year ended 30 June	Post-AASB 16		Pre-AASB 16			
	2021	2020	2020	2019	2018	2017 ¹
Revenue (\$m)	2,146	2,085	2,085	2,078	1,830	1,639
Earnings before tax (\$m)	384	394	393	438	390	395
Capital employed R12 (\$m)	2,171	1,942	1,941	1,358	1,407	1,443
Return on capital employed R12 (%)	17.7	20.3	20.2	32.6	27.7	27.4
Cash capital expenditure (\$m)	137	110	110	58	60	44

¹ 2017 includes \$33 million relating to WesCEF's share of revaluation gains in Quadrant Energy and profit on sale of land of \$22 million.

OUR PERFORMANCE

Revenue of \$2,146 million was up 2.9 per cent on the prior year. Chemicals revenue was broadly in line with the prior year. Energy revenue decreased 4.2 per cent due to lower wholesale electricity sales volumes. Fertilisers revenue increased 13.0 per cent due to favourable growing conditions resulting in increased sales volumes as well as stronger international pricing.

Earnings of \$384 million decreased 2.5 per cent for the year. Excluding one-off insurance proceeds of \$18 million in the prior year, earnings increased by 2.1 per cent as a result of higher fertiliser sales volumes, increased domestic LPG sales volumes and a higher Saudi Contract Price (CP), the international benchmark indicator for LPG. These factors were partially offset by an increase in the cost of ammonia imports and lower volumes of ammonium nitrate (AN) spot sales to the Western Australian mining sector. The result also includes WesCEF's 50 per cent investment in Covalent Lithium.

Chemicals delivered a solid result, with continued strong plant availability and production volumes. Ammonia earnings were impacted by an increase in the global ammonia price, which was unfavourable in the fourth quarter due to timing differences between increased import costs and the cost pass-through

mechanism in customer contracts. The AN business recorded lower volumes of spot sales to the Western Australian mining sector, as expected, and experienced higher logistics and precious metal catalyst costs. Earnings in the Sodium Cyanide business were marginally down due to ongoing COVID-19 disruptions impacting demand from international gold mining customers.

Lower earnings in Chemicals were partially offset by strong results in Energy and Fertilisers. Energy business earnings grew on the prior year following increased domestic LPG sales as a result of the closure of BP's Kwinana Refinery in February 2021 and a higher Saudi CP, which offset the impact of lower wholesale electricity volumes. The natural gas retailing business continued to grow its residential customer base in Western Australia, resulting in higher residential volumes.

Fertilisers earnings increased significantly on the prior year, driven by higher sales volumes following favourable growing conditions. Recent investment in storage infrastructure allowed the business to meet increased market demand. The business has also continued to invest in data and digital capabilities to enhance and expand its service offering to customers.

OUTLOOK



Market conditions in WesCEF's key customer segments in the Chemicals business remain strong with favourable commodity prices and strong demand in the iron ore and gold mining sectors in particular.

The Chemicals business is likely to benefit from a higher global ammonia price as the increasing index price is passed through in customer contracts. Manufacturing volumes of ammonia will be impacted by the plant's five-yearly maintenance shutdown in the 2022 financial year, with production and demand for ammonium nitrate from the WA mining sector expected to remain robust. Earnings in the Sodium Cyanide business may be impacted by reduced demand from international gold mine customers due to COVID-19 and modest feedstock cost pressures. The Chemicals businesses will continue evaluating opportunities to expand production capacity.

The Energy business is expected to be adversely impacted by higher Western Australian contracted domestic gas pricing, partially offset by the annualised increase in domestic LPG sales volumes following the closure of BP's Kwinana Refinery.

A favourable 2021 growing season is expected to support positive grower sentiment, but Fertilisers earnings remain contingent upon seasonal outcomes in Western Australia and the impact of increasing competitive pressures.

Wesfarmers, together with joint venture partner SQM, announced joint approval of the Final Investment Decision of the Mt Holland lithium project in February 2021. Covalent Lithium is continuing project development and commencing construction of the Mt Holland lithium mine, concentrator and Kwinana refinery following the receipt of critical regulatory approvals in July 2021. First production from the refinery is expected in the second half of calendar year 2024.

WesCEF will continue to work on opportunities to better utilise or expand its existing operations through targeted investments and the use of data and analytics.

Ian Hansen

MANAGING DIRECTOR,
WESFARMERS CHEMICALS,
ENERGY & FERTILISERS

OUR BUSINESS

WesCEF operates nine businesses in Australia across the chemicals, energy and fertiliser sectors with a shared services model that supports the production and distribution assets across the portfolio.

Chemicals includes:

- CSBP, which manufactures and supplies ammonia, AN and industrial chemicals primarily to the Western Australian resources and industrial sectors.
- Australian Gold Reagents (AGR), CSBP's 75 per cent owned joint venture with Coogee Chemicals, which manufactures and supplies sodium cyanide to the Western Australian and international gold mining sectors.
- 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.
- Australian Vinyls, which supplies PVC resin and specialty chemicals to the Australian industrial sector.
- ModWood, which manufactures wood-plastic composite decking and screening products.

Energy includes:

- Kleenheat, which extracts LPG from natural gas and distributes bulk and bottled LPG to the residential and commercial markets in Western Australia and the Northern Territory, and is a retailer of natural gas to residential and commercial markets, and electricity to businesses in Western Australia.
- EVOL LNG, which distributes bulk LNG primarily to the remote power generation market in Western Australia.

Fertilisers manufactures, imports and distributes nitrogen, phosphate and potassium-based fertilisers for the Western Australian agricultural sector through CSBP. It also provides technical support for growers through a network of employees and accredited partners in regional Western Australia.

Covalent Lithium, Wesfarmers' 50 per cent joint venture with SQM, received a successful Final Investment Decision in February 2021 to proceed with the Mt Holland lithium project. Construction of the mine, concentrator and refinery has commenced following the receipt of all critical approvals, with first production expected in the second half of calendar year 2024.

EMPLOYEE WELLBEING AND OPERATING SAFELY

Mental health and employee wellbeing remain critically important for WesCEF.



Keeping team members physically safe at all times remains a priority for WesCEF.

The existing health and safety support services were expanded to develop a new online resource hub offering information, courses, and tips about staying connected with others when working remotely.

Keeping team members physically safe at all times remains a priority for WesCEF, with a particular focus on situations or events that have the potential to cause serious harm. These are known as high potential (HiPo) hazards and incidents.

The HiPo risk management program is continually reviewed and enhancements during the 2021 financial year included embedding the use of critical checklists into the assessment process undertaken before a task commences.

Safety performance

3.0

TOTAL RECORDABLE INJURY FREQUENCY RATE¹

Year	TRIFR
2021	3.0
2020	3.3
2019	4.2
2018	5.4
2017	2.2

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



WesCEF continued to focus on hazard reporting throughout the year, and pleasingly achieved a 40 per cent increase, or 1,507 separate reports, compared to the previous year. Identifying and implementing additional controls to address these hazards leads to an overall reduction in risk and ultimately a safer workplace.

SUPPORTING COMMUNITIES

WesCEF continues to support the local communities in which it operates. The focus in the 2021 financial year was on environment and youth education. The inaugural CSBP Coastal Connections Challenge was initiated in March 2021, which was a youth-led event focused on solutions to real environmental issues affecting the coastal environment that culminated in June. Kleenheat partnered with Scitech to support local primary school teachers to develop their understanding of the science, technology, engineering, mathematics (STEM) curriculum and produce practical STEM lesson plans.

Kleenheat and CSBP Fertilisers supported Kalbarri residents and nearby communities in Western Australia that were devastated by Cyclone Seroja in April, with the donation of gas cylinders to evacuation centre residents, as well as organising team member volunteers to help rebuild fences on farms.

CSBP Fertilisers continued its long-running community grants and group sponsorships in regional Western Australia awarding more than \$194,000 in the 2021 financial year and sponsored an innovative study guide to attract and inspire a new generation into the Agriculture industry. The Visible Farmer Study Guide is based on 15 episodes of the award-winning Visible Farmer film project.

ENVIRONMENTAL STEWARDSHIP

Protecting the natural environment remains one of WesCEF's priorities and

ensures the future sustainability of its operations.

A continuing focus area in the 2021 financial year was legacy waste contamination investigations and remediation activities, including at CSBP sites in Albany, Bunbury, Esperance, Geraldton and Kwinana. An integrity strategy was developed for the inspection and repair of bund, sump and drain assets to reduce the risk of future groundwater contamination.

These investigations and strategies are important in mitigating future risks.

WesCEF developed its Climate Change Policy this year, as part of its aspiration to achieve net zero Scope 1 and 2 emissions by 2050. WesCEF is committed to investment in research and technology, renewable energy opportunities and ongoing energy efficiency improvements. The value of partnerships with research institutions and industry is acknowledged, and WesCEF is a founding member of the Australian Energy Transition Initiative.

Continued investment occurs at CSBP Kwinana to optimise the abatement effectiveness of existing catalysts in its nitric acid plants. This technology reduces nitrous oxide emissions (which have a global warming potential 265 times higher than carbon dioxide) by up to 85 per cent.

DEVELOPMENT, DIVERSITY AND INCLUSION

Building the diversity of WesCEF's workforce, in particular gender balance and Indigenous team member representation, contributes to the inclusiveness of the business' culture and success.

Compared to last financial year, gender balance overall has increased through the continuation of initiatives such as gender balanced shortlisting during recruitment, a focus on developing an inclusive culture including the implementation of a working from home policy and on achieving

Waste

● RECOVERED ● DISPOSED

12.7kt

Year	Recovered (kt)	Disposed (kt)
2021	9.1	3.6
2020 ¹	17.9	2.1
2019	8.2	2.8
2018	8.0	4.4
2017	4.6	2.0

¹ Increase in recovered waste was due to one-off excavation and concrete disposal projects undertaken at CSBP Kwinana.

Community contributions

● DIRECT ● INDIRECT

\$0.5m

Year	Direct (\$m)	Indirect (\$m)
2021	0.5	0.0
2020	0.6	0.0
2019	0.4	0.0
2018	0.4	0.0
2017	0.4	0.0

Aboriginal and Torres Strait Islander employment¹

43

Year	Count
2021	43
2020	33
2019	28
2018	27
2017	29

¹ The criterion for removing casuals from the calculation of ATSI team members differs across divisions from 2017 to 2018.

gender balance in development roles such as vacation students, cadets, graduates and apprentices.

This year, 16 new Aboriginal team members commenced employment with WesCEF, bringing the total ATSI representation to 43 team members or 3.2 per cent of the workforce.

WesCEF was proud to hold its first Aboriginal Employee Network event across its businesses, providing the opportunity for Aboriginal team members to get to know each other, develop friendships, and support each other. WesCEF also developed an Aboriginal Expressions of Interest candidate pool, which managers can draw upon when a job opportunity arises. As of June 2021, there were 58 candidates.

Focus areas for next year include developing new partnerships with Indigenous organisations and the development of an employee cultural awareness video.

HUMAN RIGHTS AND ETHICAL SOURCING

WesCEF is committed to taking actions in line with the primary objectives of the *Australian Modern Slavery Act 2018*, to minimise the risk of modern slavery occurring in the division's businesses and its supply chains.

WesCEF's focus on ethical sourcing and human rights in the 2021 financial year has led to further insight and the development of a clear operating framework. WesCEF takes a risk-based approach to this by reviewing its suppliers and the type of goods and services purchased.

This year, WesCEF established an ongoing relationship with a reputable external ethical sourcing and modern slavery consultancy. This has involved the review and update of WesCEF's Self-Assessment Questionnaire (SAQ) and the creation of desktop and physical audit templates to better assess ethical sourcing and modern slavery risks. The revised SAQ was sent to 20 key suppliers to facilitate the first tier of the audit program. All their completed SAQs were reviewed by the consultant utilising standard methodology to evaluate the risk, with a full evaluation of findings and recommendations for improvements, including next steps, through the SAQ review letter.

The initial results of the first tier of the audit program highlighted gaps in key suppliers' understanding of the Modern Slavery legislation and WesCEF's audit requirements. Addressing this will be a focus area for next year, to drive improvement, increase transparency, and ultimately eradicate modern slavery.



Reducing WesCEF's carbon footprint

WesCEF has always been an early adopter of emissions reduction technology. The installation of catalysts in its nitric acid plants from 2011 has resulted in a significant reduction in emissions. In the 2021 financial year, 742,000 tonnes of greenhouse gas emissions were avoided using this technology.

As the largest emitter of carbon dioxide in the Wesfarmers Group, WesCEF currently emits approximately 880,000 tonnes a year of Scope 1 and 2 emissions, primarily from its Chemicals businesses. WesCEF aspires to net zero Scope 1 and 2 emissions by 2050, which it aims to achieve through investment in research and technology, energy and transport efficiency, and process optimisation.

To ensure climate change is coordinated and managed across WesCEF, a Climate Change Policy was introduced this year, along with the formation of a dedicated Climate Opportunities team to lead the development of a roadmap to achieve emissions reduction.

At present, no known cost-effective technologies exist for WesCEF to attain net zero emissions while maintaining Wesfarmers' objective of providing a satisfactory return to shareholders. However, WesCEF also recognises there is considerable investment and innovation with respect to climate change and it expects rapid technology development in the coming years. As a result, the roadmap will be a living document that will evolve as technology develops.

A range of climate change initiatives are also either underway or being investigated, including:

- Becoming a founding member of the Australian Energy Transition Initiative, which involves other industrial giants as well as banks, superannuation companies and not-for-profit organisations, aiming to develop pathways and actions that can accelerate emissions reductions across whole supply chains.
- Sponsoring CSIRO research into carbon capture and utilisation options.
- Continuing to improve the abatement catalysts in our nitric acid plants which convert greenhouse gases into passive, inactive gases that are safe for the environment to limit nitrous oxide emissions.

To further understand its complete carbon footprint, WesCEF is expanding its analysis and reporting around Scope 3 emissions.

Greenhouse gas emissions

(from continuing operations)

SCOPE 1 & 2¹

¹ Scope 1 and 2 data includes emissions from continuing operations for businesses where we have operational control under the NGER Act, and other known non-reportable Australian-based emissions over which we have control.

² Emissions based on GHG Protocol Scope 2 market-based reporting standard.

³ Restated for a correction to NGER submission.

880.5ktCO₂e

Market-based

2021² 873.9

2021 880.5

2020³ 983.3

2019 897.3

2018 769.8

2017 798.2



STRATEGY

WesCEF's vision is to grow a portfolio of leading, sustainable businesses. WesCEF has a high-quality portfolio of assets and seeks to grow these assets through incremental investment and innovation to meet the needs of its customers. WesCEF also focuses on investment in adjacent opportunities where it can add value through utilising its infrastructure, manufacturing and processing expertise and the capabilities of its people.

STRATEGIES	ACHIEVEMENTS	FOCUS FOR THE COMING YEARS
Safe person, safe process, safe place	<ul style="list-style-type: none"> Continued multi-year trend of reduction in TRIFR Major maintenance shutdown of LPG and LNG plants successfully delivered with no safety incidents occurring HiPo risk management program enhanced 	<ul style="list-style-type: none"> Complete major maintenance program of chemicals plants with no safety incidents occurring Ongoing commitment to improve safety performance, maintenance planning and corrosion control across assets
Investing for growth	<ul style="list-style-type: none"> Final Investment Decision in February 2021 to proceed with the Mt Holland lithium project Successful rollout of new AN emulsion offering Commenced feasibility studies for potential expansion of ammonia, AN and sodium cyanide production capacity Successful execution of long-term natural gas offtake agreement with domestic gas explorer to enable potential production expansion 	<ul style="list-style-type: none"> Develop the Mt Holland lithium project and consider expansion opportunities for the project Consider opportunities to leverage existing infrastructure and expand capacity across chemicals and energy plants Continue to investigate investment opportunities in existing or adjacent markets
Deliver progress against net zero Scope 1 and 2 emissions 2050 aspiration	<ul style="list-style-type: none"> Utilised data and analytics to increase plant availability and efficiency Creation of a new Climate Opportunities team to investigate climate change technologies Continued use of abatement catalysts in chemicals manufacturing processes to reduce emissions 	<ul style="list-style-type: none"> Continue to investigate technologies and opportunities to build a roadmap to achieve net zero Scope 1 and 2 emissions 2050 aspiration Collaborate and invest in relationships with key research institutions and industry participants to gain insights on climate-related technology opportunities Explore a range of climate change related opportunities Continue progress in reducing emissions intensity and meeting commitments made as part of the recent sustainability-linked financing projects
Enhance our reputation	<ul style="list-style-type: none"> Improved payment terms for small business suppliers Ethical sourcing framework extended to include all suppliers, with a risk-based approach Provided assistance to communities impacted by Cyclone Seroja in the WA Mid West region Ongoing community partnerships and grants that focus on Indigenous, youth and environmental initiatives 	<ul style="list-style-type: none"> Ongoing focus on regulatory compliance Continued investment in cyber security Continued investment in sustainable water sources and wastewater management Continue to deliver on local community investment strategies with a focus on STEM education and environmental responsibility
Maintain world-class performance	<ul style="list-style-type: none"> Continued strong plant availability following investment in data and analytics in prior years Strong operational performance and customer service resulting in increased customer demand Implemented a business-wide system to enable data-informed prioritisation of strategic portfolio objectives 	<ul style="list-style-type: none"> Continued focus on operational excellence, including through improving legacy systems Maintain market-leading customer service and investigate expanding service offerings

RISK MITIGATION

The business units manage risk as an intrinsic part of their daily operations and are committed to conducting activities in a way that generates sustainable growth while enhancing the reputation of WesCEF. Risks deemed unacceptable are transferred (through contractual arrangements or insurance), mitigated or avoided.

WesCEF continues to actively manage the impact of COVID-19 by understanding the effect it has across all key risk areas as well as by managing the direct implications identified below.

RISK	MITIGATION
COVID-19	<ul style="list-style-type: none"> Continued focus on providing a safe environment for team members Active monitoring of impact on international supply chains
Serious injury, safety or environmental incident	<ul style="list-style-type: none"> Continue to invest in improving safety culture and performance for the safe operation of facilities and distribution of products in a way that minimises any adverse effect on team members, contractors, local communities or the environment
Sustained intense competition	<ul style="list-style-type: none"> Focus on consistently satisfying the needs of customers and continued investment in initiatives that further improve customer experience Effective allocation of resources to optimise existing operations and capitalise on growth opportunities
Sustainability and meeting community expectations	<ul style="list-style-type: none"> Investigating technologies and opportunities to provide a roadmap to achieve aspiration of net zero Scope 1 and 2 emissions by 2050 Minimise the risk of modern slavery occurring in our businesses or supply chains through a risk-based ethical sourcing framework Grow workplace diversity with focus on improving gender balance and growing the number of Indigenous team members to reflect the communities in which we operate Positive contributions to the communities in which we operate
Data and IT security	<ul style="list-style-type: none"> Continue to focus on enhancing cyber and information security risk controls Continue to invest in systems and processes to ensure responsible use of data and security of information

Industrial and Safety

Industrial and Safety is a leading supplier of industrial, safety and workwear products, and services to a wide range of customers, including Australia and New Zealand's largest corporate and government entities, through four main businesses: Blackwoods, Workwear Group, Coregas and Greencap.



YEAR IN REVIEW

Revenue

\$1,855_m

Year	Revenue (\$m)
2021	1,855
2020	1,745
2019	1,752
2018	1,750
2017	1,776

EBT

\$70_m

Year	EBT (\$m)
2021	70
2020 ¹	39
2019	86
2018	118
2017	115

Key financial indicators

For the year ended 30 June	Post-AASB 16		Pre-AASB 16			
	2021	2020 ¹	2020 ¹	2019	2018	2017
Revenue (\$m)	1,855	1,745	1,745	1,752	1,750	1,776
Earnings before tax (\$m)	70	39	40	86	118	115
Capital employed R12 (\$m)	1,126	1,448	1,447	1,475	1,409	1,363
Return on capital employed R12 (%)	6.2	2.7	2.8	5.8	8.4	8.4
Cash capital expenditure (\$m)	62	59	59	83	50	34

¹ The 2020 earnings before tax for Industrial and Safety excludes pre-tax impairments of \$310 million, and includes \$15 million of payroll remediation costs.

OUR PERFORMANCE

Industrial and Safety revenue of \$1,855 million was 6.3 per cent above the prior year. Excluding significant items and payroll remediation costs, earnings of \$70 million were 29.6 per cent above the prior year, underpinned by earnings growth across all businesses. The Industrial and Safety businesses continued the reliable supply of critical products to customers during the year despite global supply chain disruptions due to COVID-19.

Blackwoods' revenue increased on the prior year, underpinned by growth from strategic customers, and in Western Australia and New Zealand, as well as strong demand for critical products in the first quarter, including respiratory, cleaning and hygiene products. This was partially offset by weakness in the coal mining and oil and gas sectors, and the cycling of elevated demand for critical products in the prior year from mid-March due to COVID-19. Earnings growth in Blackwoods was supported by higher sales and increased operating efficiencies through scale across the cost base. The business continued to invest in customer service and digital capabilities including the enterprise resource planning (ERP) system.

Workwear Group's revenue and earnings increased on the prior year, primarily driven by strong growth across the industrial workwear brands,

KingGee and Hard Yakka, partially offset by the sale of its UK business, Incorporatewear, and the impact of COVID-19 on the uniforms business where some customer segments including airlines, retail and hospitality were adversely impacted. The business continued to invest in strengthening brand desirability, simplifying its operating model and improving operational efficiency.

Coregas' earnings increased on the prior year due to higher demand from industrial customers, particularly in the Trade'N'Go and specialty gas offers, and from healthcare customers, reflecting investment in these product offerings in recent years. The business also benefited from its involvement in the Hydrogen Energy Supply Chain project, a world-first pilot project to ship liquefied hydrogen to Japan. Earnings were partially offset by higher material and delivery costs.

Greencap's earnings increased on the prior year due to the improved performance of the consulting services business and growth in the Online Solutions business, partially offset by higher investment in digital capability.

Safety and injury management remains a core focus and, pleasingly, the total recordable injury frequency rate declined to 4.3 for the year.

OUTLOOK



Market conditions are expected to remain uncertain in the 2022 financial year and the Industrial and Safety businesses will continue to manage COVID-19 related global supply chain disruptions while maintaining their focus on delivering continued improvements in performance and profitability.

Blackwoods' demand outlook is dependent on economic conditions, business confidence, commodity prices and investment in the resources, manufacturing and construction sectors. Blackwoods will continue to focus on improvements to its customer value proposition and core operational capabilities, including data and digital, as well as completion of the implementation of the ERP system.

Workwear Group remains focused on driving growth in its industrial brands and uniforms business, improving operational excellence, and strengthening its digital offering.

Customer demand in Coregas is expected to remain stable with continued strength in healthcare and industrial segments offset by ongoing competitive pressures. The business will continue to focus on growth opportunities in healthcare, hydrogen-related projects and other specialty gas adjacencies.

Tim Bult

MANAGING DIRECTOR,
WESFARMERS INDUSTRIAL
AND SAFETY

OUR BUSINESS

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

Industrial and Safety operates four main businesses: Blackwoods, Workwear Group, Coregas and Greencap. Blackwoods is the largest business in terms of revenue and is a distributor of tools, workplace safety and personal protective equipment, workwear, electrical and industrial supplies. It services a wide variety of customers of different sizes across Australia and New Zealand through an extensive supply chain, branch network and online platforms.

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 its NNT brand, as well as specialised garments to defence and emergency services customers in Australia and New Zealand. The UK operations, trading under the Incorporatewear brand, were sold during the year.

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.

Greencap is a risk management services business which has a market-leading contractor management digital platform called Cm3.

HEALTH, SAFETY AND WELLBEING

Industrial and Safety recognises its team members are central to the success of the division with each business maintaining a relentless focus on providing safe workplaces. This includes measuring safety performance and driving initiatives to mitigate fatal risk, prevent injuries, and ensure team members' physical and psychological wellbeing.

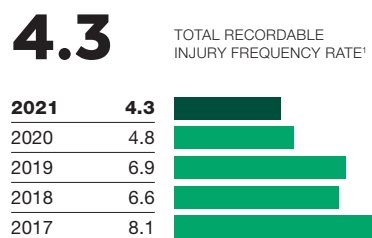
Throughout the year, the division prioritised team member health, safety and wellbeing during the pandemic by developing and implementing comprehensive protocols to reduce transmission risk and keep team members and customers safe.

Industrial and Safety business units prioritised team member psychological wellbeing and this will remain high on the agenda. Blackwoods launched its Health



and Happiness community for team members to share helpful resources with each other, such as building mental resilience, guided meditation sessions, and nutrition and physical health ideas. Coregas established its Work from Home initiative, which offers flexible working arrangements and support for its team members, while ensuring the team remains connected. Greencap facilitated an internal psychological health and wellbeing workshop with 82 per cent participation and commenced training mental health first aiders. Workwear Group developed a risk matrix to assess psychological risk associated with roles and piloted a psychosocial survey with New Zealand office-based team members.

Safety performance



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



The division's TRIFR is 4.3, a 10.4 per cent decrease from the previous year.

DIVERSITY AND INCLUSION

The Industrial and Safety division strives to create inclusive work environments, with particular attention to gender balance, the engagement and employment of Indigenous Australians, and the principles of *Te Tiriti O Waitangi* in New Zealand. This includes achieving effective gender balance and promoting inclusion of Indigenous peoples as suppliers and team members. A diverse workplace enables better business decisions and allows each business to better serve its customers.

Gender balance within the division is tracking within target, with 44 per cent female team members. Indigenous team members account for 2.7 per cent of the division's Australian workforce and Indigenous supplier spend totalled over \$3.5 million for the year — an almost \$2.0 million increase from the previous year.

During the year, Blackwoods Australia, Coregas and Workwear Group hosted an intern from CareerTrackers, a national non-profit organisation with the goal of creating pathways and support systems for Indigenous tertiary students. Blackwoods has long been a supporter and partner of the organisation and was awarded the prestigious CareerTrackers Corporate Plus Award. The award is presented to an employment partner who strives to create best practice in the implementation of the CareerTrackers program, and who goes above and beyond in embedding the program in their business.

ETHICAL SOURCING AND MODERN SLAVERY

The Industrial and Safety division is committed to establishing strong and respectful relationships with suppliers and ensuring confidence in its product offering by focusing on the ethical sourcing

practices for direct suppliers, own-brand and customer-branded product manufacturers. This includes sourcing products in a responsible manner while working with suppliers to improve their social and environmental practices.

Each business manages its own risk-based ethical sourcing strategy and rolled out training throughout the year to support its team members and suppliers with better managing and identifying ethical sourcing risks.

Blackwoods became a signatory to the United Nations Global Compact Network Australia and active participants in the Modern Slavery Community of Practice sessions.

Greencap conducted a modern slavery supplier risk assessment for service provision and supply of consumables, equipment and goods not for resale, using its recently launched Cm3 Modern Slavery module.

Workwear Group achieved an 'ALL' rating from the Baptist World Aid 2020 COVID Fashion Report, which recognises the immediate actions and initiatives implemented by organisations to support their supply chains during the COVID-19 pandemic.

NZ Safety Blackwoods has joined the Collaborative Advantage and is also one of many New Zealand companies to sign the first Open Letter to the New Zealand Government requesting an inquiry into a Modern Slavery Act for New Zealand.

PRODUCT SAFETY

The Industrial and Safety division is committed to providing customers with safe products by continuing to improve standards, controls and processes in high-risk product safety areas, especially own-brand products.

The business units continually work closely with suppliers to ensure product testing, quality and compliance due diligence is well embedded. A proactive approach is taken towards training and education of suppliers and risk

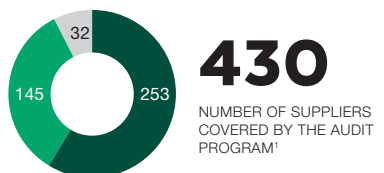
Aboriginal and Torres Strait Islander employment¹

83

2021	83
2020	72
2019	77
2018	69
2017	50

¹ The criterion for removing casuals from the calculation of ATSI team members differs across divisions from 2017 to 2018.

Ethical sourcing audit program findings



Suppliers part of the audit program but not audited during the financial year ²	253
Suppliers audited during the financial year with no critical breaches	145
Suppliers audited during the financial year with critical breaches identified ³	32

¹ There were 430 suppliers covered by the audit program as at 30 June 2021.

² The supplier may be audited every two years if it had no previous findings.

³ This financial year, there were 108 critical breaches across approximately 32 suppliers.

management. Investigations on product safety and quality matters are completed in collaboration with suppliers to ensure product quality is reliable, and the businesses partner with suppliers to ensure improvement initiatives are continually being implemented.

Coregas, NZ Safety Blackwoods and Workwear Group once again maintained zero own-brand recalls, supported by critical paths within the sourcing and new product development workflow for factory and product compliance. Blackwoods has identified improvement initiatives which have been incorporated into factory quality inspection and testing regimes to further strengthen assurance and quality of goods.

WASTE AND PACKAGING

Industrial and Safety strives to reduce waste to landfill where possible and during the year, improvements were made to waste measurement which resulted in more accurate reporting. This year, 586 tonnes of waste were diverted from landfill.

Blackwoods and Workwear Group are members of the Australian Packaging Covenant (APCO) and have established 2025 national packaging targets. Blackwoods is establishing targeted workgroups tasked with achieving packaging targets and delivering on improved waste-streams management. Workwear Group's main packaging initiative has been setting up a working group to identify packaging reduction opportunities and reviewing remaining packaging to determine recycled content or recyclability.

Workwear Group is exploring the magnitude of garment waste at end-of-life, reviewing previous activity to address the problem and determine a future process.



Blackwoods opens doors for humanitarian entrants seeking professional careers

Building on the long and successful partnership with CareerTrackers and the engagement of Indigenous university interns and graduates, Blackwoods took the first steps in developing a sustainable and valuable pipeline of diverse talent through the CareerSeekers program.

CareerSeekers is a not-for-profit sister organisation to CareerTrackers, assisting humanitarian entrants to Australia into professional careers. The program provides in-depth preparation and support to refugees and people seeking asylum who are currently studying at university and seeking a pathway to graduate employment, as well as those who have professional experience in their country of origin and are wanting to restart their careers in Australia.

During the 2021 financial year, Blackwoods was privileged to access the diverse talent available through CareerSeekers. Blackwoods hosted Grece, a recently arrived refugee from Syria who is now studying Marketing full-time at university. Grece acquired practical and relevant paid work experience at Blackwoods before returning to her studies. Blackwoods also employed two alumni of the university student stream of the CareerSeekers program, Yaser and Shakila. Both were successful in a competitive recruitment process, showing how effective the preparation and support provided by CareerSeekers can be.

Lynn Anderson, Program Director of CareerSeekers stated, "Blackwoods' mission is to help more people build a better Australia and our mission is to help new Australians who have arrived through our humanitarian program to settle better, faster. It's a great alignment of values."

Creating a diverse, effective and respectful workplace and team is crucial for Blackwoods' continued success. By supporting committed and dedicated CareerSeeker university students, graduates and mid-career professionals, Blackwoods is enhancing and contributing to the future of its business and the community as a whole.

Community contributions

● DIRECT ● INDIRECT

\$1.1m

Year	Direct	Indirect
2021	0.9	0.2
2020	1.0	0.0
2019	1.2	0.0
2018	0.6	0.1
2017	0.0	0.0

Waste

● RECOVERED ● DISPOSED

1.5kt

Year	Recovered	Disposed
2021 ¹	0.6	0.9

Includes the Australian operations of Blackwoods, Workwear Group and Coregas.

¹ Due to improved methodology the prior year numbers are not comparable. 2021 now includes a significant portion of actual weight versus industry-standard estimates used in prior years.

Greenhouse gas emissions

(from continuing operations)

SCOPE 1 & 2¹

27.4ktCO₂e

Year	Market-based
2021 ²	27.4
2021	27.4
2020	27.1
2019	25.9
2018	26.0
2017	29.2

¹ Scope 1 and 2 data includes emissions from continuing operations for businesses where we have operational control under the NGER Act, and emissions in New Zealand.

² Emissions based on GHG Protocol Scope 2 market-based reporting standard.

STRATEGY

Industrial and Safety continues to focus on performance improvement activities to enhance growth initiatives including investment in digital capabilities. Across Blackwoods, Workwear Group and Greencap, this includes focusing on data, ERP systems, e-commerce, product and service capabilities and cost improvement initiatives aimed at deepening customer relationships while improving operating efficiencies. Coregas is focused on expanding in key sectors including mining and healthcare, enhancing its product offer and renewable opportunities.

STRATEGIES	ACHIEVEMENTS	FOCUS FOR THE COMING YEARS
Implementation of a market-leading offer in the Australian and New Zealand industrial distribution market	<ul style="list-style-type: none"> Localised customer facing teams, delivering improved customer experience Integrated end-to-end supply program with major customer Improved operating efficiency while maintaining supply and service levels Strengthened technical specialist capability Implementation of the new ERP system for operations in Victoria and Tasmania, and nationally across the finance function 	<ul style="list-style-type: none"> Continued deepening of customer relationships and building sales force effectiveness Product range enhancement Leveraging scale from operations Expansion of technical capabilities and service solutions Completing the implementation of the ERP system and streamlining operating processes through data and digital initiatives
Digital transformation of Workwear Group and targeting growth from uniforms and industrial brands	<ul style="list-style-type: none"> Strong growth from industrial brands due to product innovation and brand desirability Execution of cost improvement initiatives and simplification of the uniforms business model, including the divestment of UK operations (Incorporatewear) Increased supply chain visibility through adoption of data and analytics tools 	<ul style="list-style-type: none"> Investment in digital transformation including online re-platforming and advancing enterprise applications and data use Targeted uniform growth and new business opportunities Accelerating growth from industrial brands Enhancing service levels through inventory optimisation and further supply chain visibility
Grow Coregas market share	<ul style="list-style-type: none"> Continued revenue growth, including medical gas offer, Blackwoods and Bunnings distribution channels Geographic expansion within Australia and New Zealand Increasing activity in hydrogen projects, including the Hydrogen Energy Supply Chain (HESC) project 	<ul style="list-style-type: none"> Further expanding product offers such as specialty gases Key customer growth Continue to explore renewable opportunities and leverage expertise in hydrogen
Expand the online capabilities of Greencap	<ul style="list-style-type: none"> Strong growth in online sales Continued investment in Cm3 to improve the offer, including the release of the ethical sourcing module 	<ul style="list-style-type: none"> Position Cm3 as the leading contractor management platform in Australia and New Zealand

RISK MITIGATION

As a supplier of industrial, safety and workwear products, the business is exposed to the performance of customers' industry sectors, new and existing competitor activity and trends, as well as macro-economic factors such as capital investment, employment, exchange rates and interest rates.

Industrial and Safety continues to actively manage the impact of COVID-19 by understanding the effect it has across all key risk areas as well as by managing the direct implications identified below.

RISK	MITIGATION
COVID-19	<ul style="list-style-type: none"> Continued focus on providing a COVID-safe environment for team members, customers and suppliers Implementation of strategies to mitigate supply chain disruption, such as supplier engagement and sourcing visibility, enhanced customer engagement and exploration of alternative sourcing options
Subdued growth and margin pressure	<ul style="list-style-type: none"> Building sales force effectiveness in Blackwoods and focus on product range enhancement Target new growth opportunities, strengthen brand positioning and enhance service level excellence in Workwear Group Continue to develop new distribution channels for Coregas, expand large customer segments by leveraging Blackwoods' relationships and diversify product offering, including online Grow Greencap's digital offer
Growth of new and existing competitors, including digital market entrants	<ul style="list-style-type: none"> Build data and digital capabilities to deepen customer relationships and improve operating efficiencies Continue to optimise range, price and supply chains
Safety or environmental incident	<ul style="list-style-type: none"> Continue to focus on quality control systems and ensuring compliance with standards Fully operational safety program including regular monitoring and the continuation of the safety culture Active safety engagement by senior management Regular review of appropriate emergency response and crisis management plans, including in the event of environmental incidents
Data and IT security	<ul style="list-style-type: none"> Developing cyber-resilient workforce through increased training Continue to focus on enhancing security monitoring systems

Other activities

Wesfarmers is an investor in Flybuys, the BWP Trust, Gresham Partners and Wespine Industries, and retains a minority interest in Coles.

FLYBUYS

Wesfarmers owns a 50 per cent shareholding in leading loyalty and data company Flybuys, with Coles holding the other 50 per cent. Formerly part of Coles, following the demerger in November 2018 the Flybuys business was set up as an independent, stand-alone business.

As at 30 June 2021, there were 6.4 million active households in the Flybuys loyalty scheme. For more information on Flybuys, please visit www.flybuys.com.au

BWP TRUST

Wesfarmers' investment in the BWP Trust (the Trust) contributed earnings of \$65 million, an increase of \$13 million on last year.

The Trust was established in 1998 with a focus on large format retailing properties and, in particular, properties leased to Bunnings. 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 2021.

The Trust's portfolio as at 30 June 2021 consisted of a total of 74 properties. For more information on the Trust, please visit www.bwptrust.com.au

GRESHAM PARTNERS

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

For more information on Gresham Partners, please visit www.gresham.com.au

WESPINE INDUSTRIES

The 50 per cent-owned Wespine Industries (Wespine) operates a plantation softwood sawmill in Dardanup, Western Australia. Wespine manufactures structural timber used in the construction industry along with landscaping, packaging and other timber products.

Wespine experienced the full range of trading conditions over the year. New home building is the primary driver of structural timber demand and the year commenced with WA housing approvals near record lows but finished very strongly. Wespine recorded timber sales of \$111 million, leaving finished goods inventory near zero and production constrained by log supply.

Safety continues to be a focus for management with initiatives relating to both risk identification and reduction including cultural change. Recordable injuries declined significantly during the period.

For more information on Wespine, please visit www.wespine.com.au

COLES

Coles is a leading Australian retailer which sells everyday products including fresh food, groceries, household goods, liquor, fuel and financial services via its national store networks and online platforms.

The Group holds a minority interest in Coles through a wholly-owned subsidiary, Wesfarmers Retail Holdings Pty Ltd.

For more information on Coles' performance during the year, please visit www.colesgroup.com.au

Group sustainability performance

SAFETY

8% reduction

9.6 total recordable injury frequency rate (TRIFR)

ETHICAL SOURCING

2,066

Suppliers participating in mandatory audit programs

DIVERSITY AND INCLUSION

2,994

Team members who self-identify as Aboriginal and/or Torres Strait Islander in Australia




Wesfarmers has a long track record of reporting on our sustainability performance. We believe sustainability is about understanding and responsibly managing the ways in which we impact the communities and environments in which we operate.

We recognise that we can only achieve our objective of providing a satisfactory return to shareholders over the long term if we take a holistic approach to looking after the interests of our stakeholders — including our team members, our customers, our suppliers — acting honestly and ethically in everything we do, looking after the environment and contributing to the communities where we work and operate.

This section of the annual report provides summarised information about our 10 most material sustainability issues, with our climate-related financial disclosures in the following section. Our report is prepared in accordance with the Global Reporting Initiative. If you would like more information, including our Modern Slavery Statement, additional case studies and data on our sustainability performance, visit our website www.wesfarmers.com.au/sustainability



Our approach to sustainability is guided by our 10 material sustainability issues, which underpin our ability to create economic, safe and sustainable outcomes for customers, team members, the community, other stakeholders and our shareholders. Through our annual materiality assessment, we engage with internal and external stakeholders to inform our identification of sustainability risks and opportunities.

MATERIAL SUSTAINABILITY ISSUE	HOW WE DELIVER VALUE	VALUE CREATED
 Anticipating the needs of our customers and delivering competitive goods and services		
<p>Product quality and safety</p> <p>We are committed to providing our customers with safe products</p>	<p>All products sold must be safe and comply with the product safety laws of the countries where they are sold. All divisions regularly share lessons learned through the quarterly Wesfarmers Product Safety Forums.</p>	<p>By ensuring all products comply with mandatory and other relevant standards before they are offered for sale, Wesfarmers instils confidence among its customers, positioning its brands as safe, trustworthy and reliable, and its stores as great places to shop.</p>
<p>Data and cyber security</p> <p>We are committed to protecting our customers privacy</p>	<p>Wesfarmers is committed to complying with the laws governing privacy and data security. Wesfarmers' Code of Conduct and policies apply to all team members across the Group and outline guiding principles on privacy, confidentiality, record keeping and the use of, and access to, the Group's data assets and information systems. Wesfarmers has established quarterly reporting on cyber security matters to divisional and Group Audit and Risk Committees and the Group Data and Digital Steering Committee.</p>	<p>Wesfarmers is committed to acting as a responsible custodian of the data it holds, protecting the privacy of our team members, customers, suppliers and stakeholders, and keeping data secure. Wesfarmers has strengthened cyber threat detection and response capabilities and further developed data protection processes including a Group risk management solution for IT vendors, requiring minimum standards of cyber security from its suppliers and other business partners.</p>
 Looking after our team members and providing a safe, fulfilling work environment		
<p>Safety and wellbeing</p> <p>We maintain a relentless focus on providing safe workplaces</p>	<p>Every team member is entitled to work in a safe environment.</p>	<p>This year, Wesfarmers maintained a relentless focus on the safety of all team members, customers and suppliers, and implemented strategies to support the government and community efforts to limit the spread of COVID-19. Group TRIFR reduced eight per cent to 9.6 for the year and workers' compensation claims reduced seven per cent. Employee engagement also improved, with survey scores across all divisions increasing.</p>
<p>People development, diversity and inclusion</p> <p>We strive to create an inclusive work environment</p>	<p>Wesfarmers' competitive advantage is its people. Wesfarmers is committed to providing opportunities to team members to enhance their performance and experiences at work and to advance their careers. Wesfarmers does this by providing an inclusive workplace where everyone feels respected and safe, based on division-specific diversity and inclusion strategies, and by providing job-specific and career development training programs.</p>	<p>Wesfarmers employs approximately 114,000 team members across the Group, with 2.8 per cent Aboriginal and Torres Strait Islander representation in Australia. During the year, approximately \$37 million procurement spend was paid to Aboriginal and Torres Strait Islander suppliers.</p>
 Acting with integrity and honesty in all of our dealings		
<p>Governance, corporate conduct and ethics</p> <p>Wesfarmers maintains robust corporate governance policies in all its businesses</p>	<p>Wesfarmers is committed to being transparent with all its stakeholders about its sustainability risks and opportunities and welcomes feedback at www.wesfarmers.com.au/sustainability</p>	<p>The 2021 Corporate Governance Statement, which covers key aspects of Wesfarmers' governance framework and practices, is in the corporate governance section of the company website www.wesfarmers.com.au/cg</p>

MATERIAL SUSTAINABILITY ISSUE	HOW WE DELIVER VALUE	VALUE CREATED
 Engaging fairly with our suppliers, and sourcing ethically and sustainably		
<p>Ethical sourcing and human rights</p> <p>We strive to source products in a responsible manner</p>	<p>Ethical sourcing has been a key area of focus and has highlighted the importance of investing in strong, sustainable supply chains. Wesfarmers' supply chains are complex, with multiple tiers of suppliers in various countries involved in the production of many products. Human rights commitments are supported by the Code of Conduct and several Group and divisional policies in addition to collaborating with industry-wide initiatives.</p>	<p>Social compliance audits can encourage positive behaviour among suppliers to safeguard human rights, but Wesfarmers recognises a multifaceted approach is required to tackle this complex issue. Almost 2,100 suppliers are in the divisions' audit program with 386 critical breaches identified in the 2021 financial year. To complement audit programs, Wesfarmers fosters long-term direct supplier relationships. The retail divisions support additional tools for factory workers to voice concerns without fear of retribution and with full confidentiality through whistleblower and complaints lines that operate outside their employer's processes and systems.</p>
 Supporting the communities in which we operate		
<p>Economic and community contribution</p> <p>We make a positive contribution to communities</p>	<p>As one of Australia's largest private sector employers, Wesfarmers' economic contribution is significant, creating jobs in Australia and overseas, and generating a tangible financial contribution to the communities in which Wesfarmers operates.</p>	<p>In the 2021 financial year, Wesfarmers created \$34.1 billion in wealth. Wesfarmers paid \$20.9 billion to suppliers, \$5.3 billion in salaries, wages and other benefits to team members, \$3.5 billion for rent, services and other external costs, \$1.3 billion in taxes and other government charges, and \$2.2 billion to lenders and shareholders. \$0.9 billion was reinvested in the businesses and approximately net 6,000 jobs were created. Wesfarmers also contributed over \$55 million in direct and indirect community contributions.</p>
 Taking care of the environment		
<p>Climate change resilience</p> <p>We strive to reduce the emissions and emissions intensity of our businesses and improve their resilience to climate change</p>	<p>Wesfarmers manages its businesses with deep carbon awareness and takes responsibility for improving the energy efficiency of its operations, transitioning to renewable energy, investing in new technologies and working with its suppliers and customers to help them do the same. As the economy progresses towards net zero, this will also present significant opportunities for Wesfarmers' businesses.</p>	<p>The divisions have either adopted absolute or intensity emissions targets and aspirations. The Wesfarmers Group Managing Director and divisional managing directors' performance goals include an assessment of performance against the Climate Change Policy and divisional emissions targets and aspirations as part of variable remuneration incentives, where relevant. Wesfarmers has achieved a nine per cent year-on-year reduction in CO₂e emissions.</p>
<p>Waste, packaging and plastic</p> <p>We strive to reduce our waste and improve packaging</p>	<p>Managing waste is a significant issue for Wesfarmers and reducing operational and packaging waste will continue to be a major focus. Wesfarmers divisions are striving to divert waste from landfill, reduce environmental impact from product packaging and use water more efficiently. Wesfarmers collaborates with industry associations and other organisations to improve its waste reduction.</p>	<p>This year, Wesfarmers decreased its waste by almost three per cent to approximately 171 thousand tonnes. Wesfarmers also recorded a two per cent decrease in waste disposed to landfill, and a more than five per cent reduction in water use.</p>
<p>Circular economy</p> <p>We embrace a circular economy strategy</p>	<p>Wesfarmers recognises that there are limited natural resources in our world. We can play an important role in using recycled or recyclable raw, natural or virgin materials and minimising waste. Over the last two years, many of Wesfarmers' businesses have worked to develop their circular economy strategies with an aim of reducing the use of raw (natural) material inputs, reducing energy use by making products and materials more efficiently and preventing waste through reuse, recycling or repurposing where possible.</p>	<p>Multiple divisions have embedded circular economy principles into their business models by specifying recycled content to be used in products sourced in their supply chains and packaging.</p> <ul style="list-style-type: none"> – Kmart Group continued to source and incorporate more recycled materials into selected active, outerwear, denim, swimwear, footwear, bedding ranges and packaging, and identified new opportunities to connect suppliers with long-term recycling partners. – Officeworks collected e-waste, including batteries, cables, chargers, hard drives, computers, monitors, printers and stationery from customers through instore recycling collection points.

People development, diversity and inclusion

We provide opportunities for our team members to enhance their job performance and develop their careers. We strive to create a diverse workforce and inclusive work environment, with particular attention on the inclusion of Aboriginal and Torres Strait Islander people, and focus on achieving gender balance.

Wesfarmers is committed to providing an inclusive workplace where everyone feels respected and safe. We believe that through diverse teams and inclusive workplaces we can foster the best talent, harness creativity and problem-solving, and gain insight into our diverse customers, stakeholders and communities. This drives our performance and helps to enable future growth.

We believe attracting a diverse group of outstanding people and utilising their individual talents provides the greatest competitive advantage. Wesfarmers recognises that while great assets and strategies are critical, it is people who drive outcomes. This is why we are committed to providing opportunities to enhance our team members' performance and experiences at work, and to advancing their careers.

TRAINING AND DEVELOPMENT

Wesfarmers' businesses have primary responsibility for training and development of their team members. This includes job-specific and career development training to full-time, part-time and casual team members. Training programs include developing team members' technical skills, product knowledge, customer service, teamwork and leadership capabilities. Data and digital skill building has been an important theme for development over recent years as business models evolve. Our businesses continued to invest in technology to enable working from home and remote training and development. The businesses also increased emphasis on training leaders to provide wellbeing and mental health support.

Wesfarmers partners with each business for the development of its executive leaders and connects all general managers to Wesfarmers' primary objective, values, leadership model, strategic focus areas and to other leaders across the Group.



DIVERSITY AND INCLUSION

Our customers and stakeholders are diverse, and to gain the best insights into their needs and expectations, diverse and inclusive teams are required. A diversity of perspectives and backgrounds also strengthens creativity in teams. Creating an environment that attracts, retains and develops team members with a wide range of strengths and experiences that ensures that Wesfarmers is well-equipped for future growth.

GENDER BALANCE

At Wesfarmers, we believe that gender balanced businesses, which cater to the different strengths, preferences and needs of different team members and customers enable us to deliver on our primary objective of providing satisfactory returns to shareholders. We strive for gender balance on any team, which means there is a minimum of 40 per cent females and 40 per cent males with the remaining 20 per cent being of any gender. The Wesfarmers Board will maintain a composition of no less than 30 per cent females.

There is room to strengthen gender balance in senior executive positions, with men holding 65 per cent of senior executive roles. There is also room to improve the balance among management and professional roles where women continue to hold 37 per cent of positions and men hold 63 per cent.

Female representation across the Group

	2021	2020
TOTAL WORKFORCE	57%	57%
WESFARMERS LIMITED NON-EXECUTIVE DIRECTORS	38%	50%
WESFARMERS LEADERSHIP TEAM	42%	42%
SENIOR EXECUTIVE POSITIONS	35%	30%
ALL MANAGEMENT AND PROFESSIONAL POSITIONS	37%	36%

Product quality and safety

We are committed to providing customers with safe, quality products.

Proactively managing the safety and quality of the products we sell is central to our primary objective of providing a satisfactory return to shareholders as it builds strong relationships with customers, positioning our retail businesses as trusted and committed to customer safety.

All the products we supply must be safe and comply with the product safety laws of the countries where we sell them.

We take compliance with the product safety requirements of the relevant Australian and New Zealand consumer laws seriously. For own-brand products this includes ensuring that:

- the products we supply comply with the product safety standards and relevant Australian and New Zealand consumer law requirements
- we have appropriate policies that describe when and how we recall goods and compensate customers for loss caused by goods with a safety defect
- we promptly withdraw and recall products that may cause injury to any person
- we report product safety incidents as required
- we proactively manage any potential product safety issues and take a leadership role in the retail industry.

Wesfarmers divisions regularly share lessons learned through the Wesfarmers Product Safety Forum, which is held quarterly with more than 20 members from across the Group. During the year, Wesfarmers' retail divisions conducted extensive work to improve their product safety frameworks and risk assessment processes based on AS ISO 10377:2013 Consumer product safety – Guidelines for suppliers.

Our divisions are proud to show leadership in the industry with their representatives closely collaborating with several industry organisations and associations to encourage best practice and remain informed about regulatory updates and emerging issues. Our retail divisions support the product safety community by actively participating in Standards Australia committee work.

During the year, we engaged an independent business and human rights advisory business to undertake an analysis of salient human rights impacts for the Group. Ensuring product safety for our customers was identified as one of the six salient human rights impacts for the Wesfarmers Group. Over the coming year, each division will refine their processes to ensure continuous improvement in managing this issue.

ADVANCING RECONCILIATION IN AUSTRALIA

At Wesfarmers, we are dedicated to advancing reconciliation in Australia and enabling Aboriginal and Torres Strait Islander people, and all people, to feel welcome in our businesses as team members, customers, suppliers and visitors.

We are in a unique position to provide sustainable employment opportunities at scale to Aboriginal and Torres Strait Islander people. Through a renewed focus on recruitment and retention of Indigenous people this year, we have increased the number of Indigenous team members from 1,858 people at 30 June 2020 to 2,994 as at 30 June 2021, increasing from 1.9 per cent to 2.8 per cent of our Australian workforce. We are on track to meet our target of employment parity of three per cent of our Australian workforce well before December 2022.

We recognise by increasing the diversity of our supplier base, we can make a real difference to the economic empowerment of Aboriginal and Torres Strait Islander businesses and communities. We know when Indigenous businesses are successful, they are more likely to employ Indigenous people, with the value flowing back to Aboriginal and Torres Strait Islander communities.

During the year, we paid almost \$37 million to Indigenous suppliers.

Aboriginal and Torres Strait Islander employment¹

2,994

Year	Employment
2021	2,994
2020	1,858
2019	1,666 ²
2018	1,647
2017	1,342

¹ Excludes Coles.

² Restated to account for casual team members who have worked in the last 30 days (previously 90 days).



Ethical sourcing and human rights

Ethical sourcing has been a key area of focus for the Wesfarmers Group for almost a decade.

Our businesses directly source products from nearly 28,000 suppliers in more than 40 countries. Some of the major locations we source from include Australia, Bangladesh, China, India and Indonesia. We do not own the factories where products are made, but engage third-party suppliers to manufacture the majority of these products. Our supply chains are complex with multiple tiers of suppliers, sometimes across various countries, involved in the production of many diverse products. Our aim is to ensure human rights are understood, respected and upheld across our supply chain.

The Wesfarmers Ethical Sourcing and Modern Slavery Policy sets the minimum standards expected of the Group's divisions in managing the risk of modern slavery in their supply chains. Consistent with the principles in the Wesfarmers Code of Conduct, we are committed to complying with the laws and regulations of the countries in which our businesses operate and making positive economic, social and environmental contributions, consistent with the principles of honesty, integrity, fairness and respect. The Group's policies prohibit any activities involving modern slavery and commit to safe and healthy working conditions, including the right to freedom of association and collective bargaining.

Each year, as part of their ethical sourcing programs, the divisions undertake supplier and factory audits and report critical findings. Where a division identifies an audit finding, it seeks to work in partnership with the supplier to remediate non-conformance, improving conditions for workers. Remediation can also include an investment in training or collaboration with industry-based initiatives.

Wesfarmers is supportive of the establishment of a Modern Slavery Act in New Zealand. In March 2021, Bunnings, NZ Safety Blackwoods and Workwear Group signed a joint letter alongside over 80 New Zealand companies encouraging the New Zealand Government to instigate an inquiry into a New Zealand Modern Slavery Act.

Where possible, the Group's divisions are mapping beyond their tier one suppliers for high-risk products. Wesfarmers recognises that mapping suppliers beyond tier one is a complex and ongoing process; it will take time for the balance of the Group to complete a tier two and tier three mapping exercise for high-risk products. Increased



transparency among tier two and other suppliers is, however, an important mitigant to modern slavery risks.

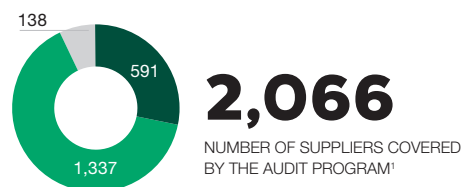
The Group maintains an ongoing focus on training and capacity building of all relevant team members, including the Wesfarmers Board, senior management and other relevant team members. The Group's divisional buying and sourcing teams are kept up to date on ethical sourcing and human rights commitments and how actions may impact workers' rights through training, collaboration, information sharing and capacity building. Cross-functional teams

in the Group's businesses regularly collaborate through human rights forums to share lessons learned and improve their knowledge.

This year, more than 2,800 hours of training was delivered to relevant team members on ethical sourcing risks and mitigation strategies through responsible buying practices.

Our 2021 Modern Slavery Statement is available on our website: www.wesfarmers.com.au/sustainability/our-principles/ethical-sourcing-and-human-rights/2021-modern-slavery-statement-for-wesfarmers

Ethical sourcing audit program findings



- Suppliers part of the audit program, not audited during the financial year² 591
- Suppliers audited during the financial year with no critical breaches 1,337
- Suppliers audited during the financial year with critical breaches identified³ 138

¹ There were 2,066 suppliers covered by the audit program as at 30 June 2021.

² The supplier may be audited every two years if it had no previous findings.

³ This financial year, there were 386 critical breaches across approximately 138 suppliers.

Circular economy

We recognise that in a world with limited natural resources, we can play an important role in extending the supply of resources over the long term.

Over the last two years, our businesses have worked to develop circular economy strategies with an aim of reducing the use of raw (or virgin or natural) material inputs and energy, by making products and using materials more efficiently (including through greater use of recycled or recyclable materials) and by preventing waste through reusing or repurposing where possible. The circular economy requires collaboration across the supply chain, government and industry to achieve systematic change.

While the transition to a circular economy is not something that can be achieved overnight, our divisions are making progress in the way they reuse waste across various stages of the product life cycle:

- Kmart is making changes by sourcing and incorporating more recycled materials into selected active, outerwear, denim, swimwear, footwear and bedding ranges. This helps to reduce reliance on raw material (or virgin fibres) and creates demand for recycled materials that would otherwise go to landfill.
- Kmart Group is also working to find ways to reuse waste generated in the production of garments through

its participation in the Circular Fashion Partnership, a cross-sector project led by the Global Fashion Agenda, with Reverse Resources, Bangladesh Garment Manufacturers and Exporters Association and P4G, to develop long-term scalable solutions for capturing and reusing post-production textile waste.

- Officeworks' circular economy commitments include becoming a zero-waste business by designing out waste and maximising recycling, ensuring the packaging from all products it sells is reusable or recyclable and helping customers dispose responsibly of products at the end of their lifecycle.
- Bunnings began its journey to capture packaging and product data to understand the flow of material and where it can have the greatest impact. Examples include the elimination of expanded polystyrene from packaging of Kaboodle kitchen cabinets and doors, and the expansion of recycling guidance through the Australasian Recycling Label.



Health, safety and wellbeing

We maintain a relentless focus on safety and ensuring every team member is able to work in a physically and psychologically safe environment.

Our focus goes beyond just safe workplaces; our objective for our team is to be at peak performance and thriving, with a focus on having healthy and engaged teams across all businesses.

Good progress has been made with mental health support and initiatives including the involvement of experts to advise on best practice and to support our program.

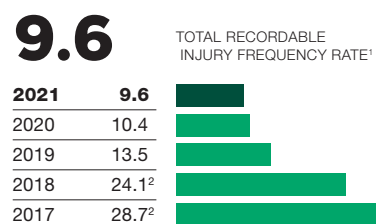
With the evolving COVID-19 restrictions, all our businesses implemented measures to protect the health and safety of team members and customers. Our retail businesses adapted store operations so they could continue to trade and meet customer and team member needs in a COVID-safe manner.

Over the coming year, our focus will be on more nuanced analysis and increased granularity of reporting of actual incidents to inform targeted safety interventions, along with a greater emphasis on safety lead indicators to anticipate and therefore prevent injuries.

To monitor safety performance, we use TRIFR which shows injuries per million hours worked by team members and long-term contractors.

This year, TRIFR decreased by almost eight per cent from 10.4 to 9.6. Workers' compensation claims decreased from 1,632 to 1,514.

Safety performance



¹ TRIFR is the number of lost time and medical treatment injuries per million hours worked.
² Includes discontinued operations, including Coles.

Economic and community contribution

At Wesfarmers, we believe a strong business environment is underpinned by an equally strong, cohesive and inclusive community. Our team members are the driving force behind our approach to community engagement.

Our focus is largely on supporting organisations that deliver strong, positive social outcomes where our teams live and work. This ensures that value is created in ways that best address the needs of our customers and their communities.

During the year, the Group generated more than \$34.1 billion in economic activity through \$20.9 billion paid to suppliers; approximately \$3.5 billion paid in rent, services and external costs; and \$1.3 billion paid in taxes and other government charges. Additionally, our workforce of almost 114,000 team members received \$5.3 billion in salaries, wages and benefits during the year.

This year, the Group contributed over \$55 million to community organisations in Australia, New Zealand and other regions where we operate. That included almost \$25 million in direct social investment to community organisations, as well as more than \$30 million in indirect contributions from customers and team members, facilitated by the Group.

At a corporate level, Wesfarmers supports community organisations and initiatives within the pillars of medical research and wellbeing, education and the arts. Across each of these areas, we endeavour to include support for organisations that are Indigenous led, or that have significant Indigenous programs. Wesfarmers corporate contributed more than \$12 million to around 50 community partners.

WESFARMERS ARTS

Wesfarmers has been a leading supporter of the arts for more than four decades. Our partnerships with a diverse range of premier arts and cultural organisations in Western Australia and nationally reflect our belief in the vital contribution that the arts make to vibrant communities in which creativity, social cohesion and innovation thrive.

This year, we continued to stand by our arts partners during COVID-19, providing significant, targeted support to help keep



artists employed when performances were suspended and galleries were closed. In addition to our ongoing regular support for a wide range of premier arts organisations, more than \$825,000 additional funding was provided over the 2020 and 2021 financial years for those of our arts partners most acutely impacted by COVID-19.

The year also saw Wesfarmers support the building of the new Western Australian Museum Boola Bardip, donating \$5 million over 10 years. Opened to the public on 21 November 2020, it is the largest contemporary museum building project in the Southern Hemisphere in recent history and one million Western Australians and visitors to the state are expected to visit it each year.

In 2020, the onset of COVID-19 necessitated a halt to preparations for the Wesfarmers and National Gallery of Australia Indigenous exhibition Ever Present: First People's Art of Australia.

While the international touring schedule has been impacted by an extended delay, the opportunity has arisen to launch the exhibition in Australia ahead of the international tour.

Community contributions

● DIRECT ● INDIRECT

\$55.3m

	2021	24.8	30.5
2020	25.0	43.1	
2019	19.9	52.2	
2018 ¹	86.6	60.9	
2017 ¹	72.9	59.3	

¹ Includes discontinued operations, including Coles.

Data and cyber security

We are committed to being responsible custodians of the data we hold by protecting the privacy of team members, customers, suppliers and stakeholders, and keeping data secure.

Wesfarmers recognises that the external environment and expectations of key stakeholders in relation to the collection, use and security of data continues to evolve quickly.

As a result, the Group continues to make ongoing investments in data privacy compliance and protection and cyber security resilience. These investments support Wesfarmers' commitment to be a responsible custodian of the data it holds, to comply with the laws governing data privacy and cyber security, and to act ethically with honesty, integrity, fairness and accountability.

During the year, Wesfarmers continued enhancing its data privacy and cyber security teams and processes. This included the appointment of a Group Chief Information Security Officer, who is supported by additional security, data governance and data assurance specialists. Wesfarmers has invested in and improved proactive cyber security controls across the Group, including secure development training, cyber threat intelligence scanning, data breach monitoring, network segmentation and access controls, third-party data governance and assurance processes. Additionally, where customer cardholder data is managed or handled, the businesses continue to demonstrate Payment Card Industry Data Security Standard assurance.

In the coming year, the Group will continue developing the cyber security and privacy information management systems for the Wesfarmers Advanced Analytics Centre and its platform, as well as the Group's data governance frameworks and data classification and protection processes. Wesfarmers expects to continue to increase capabilities and maturity across the Group in the areas of data privacy, ethics and governance, and cyber security, including assessment processes and training.

Waste, packaging and plastic



Managing waste is a significant issue for Wesfarmers and reducing operational and packaging waste will continue to be a major focus.

WASTE

Waste is a key area of focus for all our divisions. Where possible, our businesses strive to divert waste from landfill, recognising this has significant reputational and financial costs.

This year, we decreased our waste by almost three per cent to approximately 171,000 tonnes. We decreased waste disposed to landfill by almost two per cent to approximately 54,000 tonnes.

Bunnings diverted more than 52 per cent, Kmart Group diverted almost 79 per cent and Officeworks diverted more than 91 per cent of their operational waste from landfill. The results have been achieved through initiatives such as changing the terms of current waste and recycling contracts, increasing diversion rates, monitoring waste and recycling performance, increasing reusable packaging and reducing non-recyclable materials in supply chain. This has resulted in an overall improved recycling performance for the Wesfarmers Group, with significant cost savings expected in the future.

During the year, Bunnings, Kmart Group and Officeworks worked with social enterprises, businesses and not-for-profit organisations to provide recycling programs for products including batteries, paint and electrical items such as power tools and e-waste. Since establishing the Bring it Back program in 2015, Officeworks has helped its customers divert over 5,600 tonnes of unwanted products from landfill for recycling.

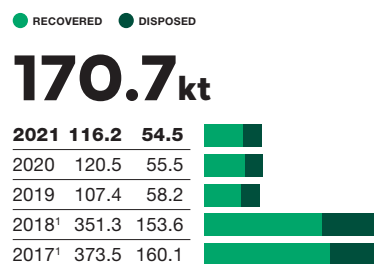
PACKAGING AND PLASTIC

In 2018, the federal and state governments set targets to reduce environmental impacts from product packaging. To be achieved by 2025, the targets include ensuring all packaging is 100 per cent recyclable or reusable, increasing the amount of recycled content used and phasing out single-use plastics.

All our divisions have plans in place to meet the 2025 packaging targets and while good progress has been made, it remains a significant area of focus.

Bunnings, Kmart Group, Officeworks, Blackwoods and Workwear Group are all APCO signatories, and report in line with its targets annually.

Waste



¹ Includes discontinued operations, including Coles.

Climate-related financial disclosures

Across the world, action is being taken to reduce the amount of carbon emitted into the earth’s atmosphere in order to mitigate rising temperatures. We believe that business has an important role to play in this transition. At Wesfarmers, we are acting through ambitious targets within our own operations and by working in partnership with global peers, non-government organisations and others.

Our climate-related disclosures and strategy have evolved significantly in the last four years and the Taskforce on Climate Related Financial Disclosure (TCFD) is an effective tool to assess and report on climate strategy, risk and opportunity across the Group.

2021 HIGHLIGHTS

Reduced greenhouse gas emissions across the Group

↓ 9% reduction in Scope 1 and 2 emissions

Retail renewable electricity targets

Retail businesses commit to 100% renewable electricity by 2025

\$1.0 billion sustainability-linked bonds

Wesfarmers issued Australia’s first sustainability-linked bonds with interest rates linked to renewable energy and emissions performance targets

\$950 million for Mt Holland lithium project

With our partner SQM, the project expects to produce lithium hydroxide for the growing electric vehicle industry by the end of 2024

Chemicals, Energy and Fertilisers

Waste heat recovery systems at the chemical production facilities were optimised resulting in more than 75 per cent of electricity usage from self-generation

Bunnings

↓ 32% reduction in emissions from actions including energy efficiency, solar generation and renewable energy procurement under market-based reporting



GHG EMISSIONS AND ENERGY USE

This year, Wesfarmers emitted a total of 1,476 thousand tonnes of carbon dioxide equivalent (CO₂e) in Scope 1 and 2 emissions. This represents a nine per cent reduction on the prior year.

Bunnings, Officeworks and Kmart Group reduced their emissions through the continued rollout of solar and energy efficiency projects.

This year, total energy use across the Group decreased by three per cent compared to the prior corresponding period, with 20 petajoules of energy consumed.

Further details on the divisional performance can be found in the divisional pages in this annual report.

MARKET-BASED REPORTING

This year, Wesfarmers will also report under the global Greenhouse Gas Protocol Scope 2 Market-Based Emissions Standard (market-based reporting).

Importantly, this standard allows us to accurately capture and disclose increased use of renewable power which is a key strategy to support the Group’s decarbonisation goals. It also captures increased behind-the-meter generation and voluntary renewable energy purchases through various contractual arrangements.

The market-based reporting standard aligns to the reporting requirements under proposed Corporate Emissions Reductions Transparency reporting.

Greenhouse gas emissions

(from continuing operations)

SCOPE 1 & 2¹

1,475.6ktCO₂e

Year	Market-based Emissions (ktCO ₂ e)
2021 ²	1,475.6
2021	1,475.6
2020 ³	1,620.5
2019	1,557.7
2018	1,435.9
2017	1,489.7

¹ Scope 1 and 2 data includes emissions for businesses where we have operational control under the NGER Act and emissions in New Zealand.

² Emissions based on GHG Protocol Scope 2 market-based reporting standard.

³ Data restated after NGER submission correction.

◀ This year, Officeworks was proud to commit to sourcing 100 per cent of its electricity from renewable sources by 2025. This commitment has been embraced by Officeworks team members. Pictured here are team members from the Traralgon, Victoria store.

Our emissions profile

WESFARMERS SCOPE 1, 2 AND 3 EMISSIONS

Our Scope 1 emissions predominantly come from the manufacture of ammonia, ammonium nitrate, sodium cyanide, LNG and LPG at our WesCEF businesses, the manufacturing and transportation of industrial and medical gases by our Coregas business, as well as the use of natural gas and transportation fuels, such as diesel and petrol, in our retail businesses.

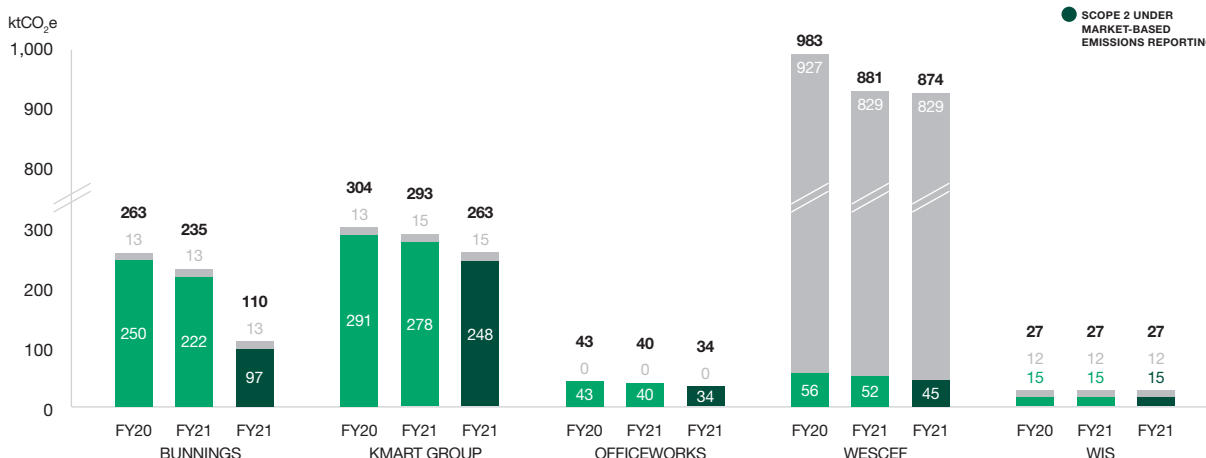
Our Scope 2 emissions come from electricity use, predominantly in our retail businesses.

Our Scope 3 emissions derive largely from the production, transportation, use and disposal of our products and the waste generated across our operations. We continue to focus on understanding and managing our Scope 3 emissions.

More detailed Scope 1, Scope 2 and Scope 3 emissions data is available on our website at www.wesfarmers.com.au/sustainability



Wesfarmers divisional Scope 1 and 2 greenhouse gas emissions¹



¹ Scope 1 and 2 data includes emissions for businesses where we have operational control under the NGER Act, and emissions in New Zealand.

Targets and aspirations

Wesfarmers reports transparently against our targets and aspirations, consistent with the Group’s desire to support the global goal of reducing greenhouse gas emissions, and the Paris Agreement.

With the different emissions profiles of our diverse businesses, targets and aspirations have been set for each division or business, as appropriate.

In the 2021 financial year, all divisions made steady improvements against their targets. These included energy efficiency projects, behind-the-meter generation, renewable energy procurement, chemical production improvements and investing in abatement catalyst technology.

Our journey so far

- Developed and adopted a Group Climate Change Policy
- Adopted divisional emissions targets and aspirations
- Progressed the measurement of some Scope 3 emissions
- Modified performance goals and remuneration of the Wesfarmers Managing Director and the divisional managing directors to include an assessment of their performance against the Climate Change Policy and divisional emissions targets and aspirations

Our journey from here

- Achieve divisional short-term emissions targets and long-term net zero targets and aspirations
- Investigate technologies and opportunities to accelerate progress against targets and aspirations
- Increase our ambitions as necessary
- Develop a better understanding of our Scope 3 emissions and consider strategic responses

BUNNINGS



2021 EMISSIONS

235ktCO₂e

2021 MARKET-BASED EMISSIONS

110ktCO₂e

2025 TARGET

100%
renewable electricity

2030 TARGET

Net zero

ACTIONS TO ACHIEVE

- Install LED lighting across the remaining store network over the next four years
- Install additional solar PV systems across the store network over the next four years
- Introduce networked Building Energy Management Systems (BEMS) to monitor energy use and investigate anomalies
- Upgrade the store construction brief to include additional insulation, more efficient cooling systems and remove skylights to reduce heat gain and loss
- Procure remaining electricity requirements from renewable sources to achieve our target of 100% renewable electricity by 2025
- Continue to access battery usage opportunities

KMART GROUP



2021 EMISSIONS

293ktCO₂e

2021 MARKET-BASED EMISSIONS

263ktCO₂e

2025 TARGET

100%
renewable electricity

2030 TARGET

Net zero

ACTIONS TO ACHIEVE

- Upgrade LED lighting across the remaining store network over the next four years
- Install solar PV systems on stores where the roof is accessible, over the next four years
- Optimise networked BEMS to monitor energy use, reduce heating, ventilation and air-conditioning usage and investigate anomalies
- Procure remaining electricity requirements from renewable sources to achieve our target of 100% renewable electricity by 2025

OFFICEWORKS



2021 EMISSIONS

40ktCO₂e

2021 MARKET-BASED EMISSIONS

34ktCO₂e

2025 TARGET

100%
renewable electricity

2030 TARGET

Net zero

ACTIONS TO ACHIEVE

- Install LED lighting in remaining store areas including receiving docks and carparks over the next three years
- Install solar PV systems on 80 stores over the next three years
- Leverage networked BEMS through integrated software to optimise energy usage and respond more efficiently to anomalies
- Procure remaining electricity requirements from renewable sources to achieve our target of 100% renewable electricity by 2025

WesCEF



2021 EMISSIONS

881ktCO₂e

2021 MARKET-BASED EMISSIONS

874ktCO₂e

2025 TARGET

Emissions per unit below mean of peers

2050 ASPIRATION

Net zero

ACTIONS TO ACHIEVE

- Investigate renewable energy opportunities and ongoing energy efficiency improvements
- Continued investment to optimise the abatement effectiveness of existing catalyst in the nitric acid plants. This technology reduces nitrous oxide emissions by up to 85%
- Explore a portfolio of options across emissions abatement and sequestration of Scope 1 emissions, and develop a transition roadmap to support net zero aspiration
- Partner with the Commonwealth Scientific and Industrial Research Organisation (CSIRO) and the Australian Energy Transition Initiative to collaborate on the CO₂ roadmap and commoditisation research

INDUSTRIAL AND SAFETY



2021 EMISSIONS

11ktCO₂e **16**ktCO₂e
ex-Coregas Coregas

2021 MARKET-BASED EMISSIONS

11ktCO₂e **16**ktCO₂e
ex-Coregas Coregas

2025 TARGET

13ktCO₂e **Emissions per unit below mean of peers**
ex-Coregas Coregas

2050 ASPIRATION

Net zero

ACTIONS TO ACHIEVE

- Review the branch and distribution centre (DC) network to identify new sites suitable for LED lighting, replacement of early generation LED and solar PV installation over the next four years
- Introduce networked BEMS to monitor energy use and investigate anomalies
- Procure additional energy requirements from renewable sources
- Explore projects across clean hydrogen, solar, distribution efficiency and minimising fugitive emissions at Coregas

Governance

Our journey so far

- Developed our Group Climate Change Policy
- All emissions reported regularly internally to better understand trends in our performance
- Integrated climate change with the Group risk and strategy processes

Our journey from here

- Continue to implement and refine our Group Climate Change Policy
- Embed divisional reporting against our Group Climate Change Policy

The Wesfarmers Board has responsibility for managing the Group's response to climate change. Climate change risk management is a permanent item on the Wesfarmers Operating Framework and is discussed by the Board and its Audit and Risk Committee. The Board approves the Group's climate change strategy including the Group Climate Change Policy, targets, strategic climate change-related decisions and climate-related disclosures. The Board also receives regular reporting and oversees climate change risk management. A consolidated Group Risk Report is provided to the Audit and Risk Committee and the Board for review and approval. The Corporate Plan is subject to a similar process and includes emissions forecasts. The Remuneration Committee makes recommendations to the Board regarding executive performance goals linked to performance against the Climate Change Policy and achievement of divisional emissions reduction targets and aspirations.

The Wesfarmers Leadership Team reviews emerging risks and opportunities, leads stakeholder engagement and facilitates the sharing of best practice

throughout the Group. Each divisional board and divisional management team is responsible for identifying and managing any material risks and opportunities and business performance, including against the climate change strategy, in accordance with the Group's Risk Management Framework. Divisional audit and risk and compliance committees also oversee climate change-related risks relevant to the division.

In the 2021 financial year, climate change risk management and opportunity assessments were further embedded into the annual Corporate Plan processes. Since 2014, Wesfarmers has considered an internal shadow carbon price as part of capital allocation decisions for projects likely to result in direct carbon emissions. This carbon price is described on our sustainability website at www.wesfarmers.com.au/sustainability

EMISSIONS TARGETS

Our individual divisional emissions targets and aspirations reflect attributes of the relevant division including the businesses'

emissions profile, expected future growth, recent emissions reductions and opportunities to reduce emissions. Absolute targets are intended to reduce emissions. Intensity targets are intended to reduce emissions per unit of production while not limiting business growth.

Potential for baseline changes

The Group Climate Change Policy provides flexibility to accommodate significant changes to the scale of an existing business. Changes to a baseline must be approved by the Wesfarmers Board.

Mergers and acquisitions

The Group Climate Change Policy recognises the dynamic and evolving nature of the Group and specifically contemplates changes to the portfolio. Where Wesfarmers acquires a business or operation, that business or operation must, within a reasonable timeframe, comply with the Climate Change Policy and establish an appropriate emissions target or aspiration.

WESFARMERS GROUP

- A Group Climate Change Policy sets minimum standards expected of our divisions
- Quarterly Carbon and Energy Forums are held across the Group to share best practice
- A shadow carbon price is built into Wesfarmers' Capital Expenditure Policy
- Risk tools are used to undertake scenario analysis

Wesfarmers Board, Audit and Risk Committee and Remuneration Committee

- Receives regular reporting
- Provides governance over climate change risks
- Sets risk appetite
- Sets performance goals and remuneration

WESFARMERS DIVISIONS

Divisional boards and audit, risk and compliance committees

- Receive regular reporting of emissions and energy use
- Provide governance over climate change risks and support the prioritisation of opportunities

Senior management and the corporate office

- Manage carbon and energy teams
- Set the climate change policy and strategies for the year ahead
- Facilitate training
- Report to their divisional boards, the Wesfarmers Board and Audit and Risk Committee

Carbon and energy teams

- Implement Climate Change Policy
- Have robust processes for recording emissions data
- Implement carbon reduction projects
- Meet regularly to share best practice through Wesfarmers' Carbon and Energy Forum

Strategy

Our journey so far

- Analysed the impact of climate change under different scenarios
- Identified risks, opportunities and strategic responses for our divisions

Our journey from here

- In-depth climate change scenario analysis based on updated scenarios and the latest available scientific information from the Intergovernmental Panel on Climate Change (IPCC) Sixth Assessment Report
- Further analysis of the impact of climate change on our supply chains and product mix
- Portfolio analysis and strategic analysis

SCENARIO ANALYSIS

Scenario analysis is at the centre of our climate change strategy, risk management approach, opportunity identification and emission reduction work. We continue to review the latest scientific insight and implications for the scenarios, our climate change strategy and our risks and opportunities. This year we continued the Group-wide scenario analysis undertaken in recent years. Each division reviewed their detailed risk and opportunity assessments and tested them under three climate scenarios to ensure they continue to reflect their key focus areas. The results are summarised on pages 77 to 80.

The three scenarios reflect, respectively, the limiting of global average temperature increases above pre-industrial levels by 1.5°C, 2°C and 4°C by 2100. Each scenario was assessed over the short term (one to five years), medium term (five to 15 years) and long term (15+ years). The scenarios combine elements of the International Energy Agency's 2017 World Energy Outlook, the Representative Concentration Pathways established by the IPCC's Fifth Assessment Report and the Global

Climate Models available from the Climate Change in Australia Projections for Australia's National Resource Management Regions Report.

The scenarios are not forecasts or predictions, nor are they intended to fully describe possible future outcomes. Rather, the scenarios are intended to draw attention to the key factors that may impact our businesses.

IMPACTS ON ORGANISATIONAL STRATEGY

Wesfarmers recognises climate change risk as a material risk in our risk profile and we include it in our risk appetite statement. This year we have looked at climate change risks and how they interconnect with other risks to our business including through supply chains and to human rights. This analysis shows that our management of climate change risks to our business is highly dependent on strategic decisions and influenced by other risk areas. For example, supply chain and sourcing management, customer expectations and the potential impacts on communities are impacted by our strategic approach to risk mitigation and climate risk assessments.

We expect that climate change will affect all areas of our business and organisational strategies to an extent. In the short term, potential impacts to our business will largely be influenced by stakeholder views and requirements, existing climate conditions and disruption from natural disasters. These short-term changes are unlikely to influence our overall organisational strategies, however they help us understand emerging trends and enhance our existing approach.

The International Labour Organization (ILO) has estimated that action to meet the Paris Agreement will create 24 million jobs in clean energy generation, electric vehicles and energy efficiency. This will likely result in major structural adjustment including job losses which may be focused on certain industries and communities.

Those communities most impacted will need support to ensure the transition is fair and equitable — a just transition. There is potential for our businesses to work with other stakeholders to support those directly impacted by low carbon policies.

1.5°C

- Strong, very fast reduction in emissions driven by government policy, with a focus on minimising climate change
- The energy system rapidly transforms to zero emissions, via the uptake of renewables
- Carbon intensive industries can only continue if they invest in carbon capture and storage technologies and/or are among the most efficient in their industry
- Consumption of non-essential items falls and people reuse and recycle more

2°C

- A market-led transition, enabled by a policy environment which drives rapid reductions in emissions
- A decentralised energy system emerges, dominated by demand management, renewable energy and storage technology
- Global trade flows remain strong, and the focus on circular economies grows with an increase in recycling and a decoupling of resource use and growth

4°C

- No coordinated global action on emissions reduction
- Business does not change significantly to address climate change
- Fossil fuels deliver approximately 50 per cent of the global energy mix
- Acute (extreme) and chronic (long term) physical impacts of climate change are felt, with significant cumulative impact on the economy
- Economic growth continues to 2030 and then declines as ecosystems struggle to support the increased environmental impact
- Resource depletion causes food and water scarcity and increases the risk of conflict

Risks and opportunities

FINANCIAL RISKS

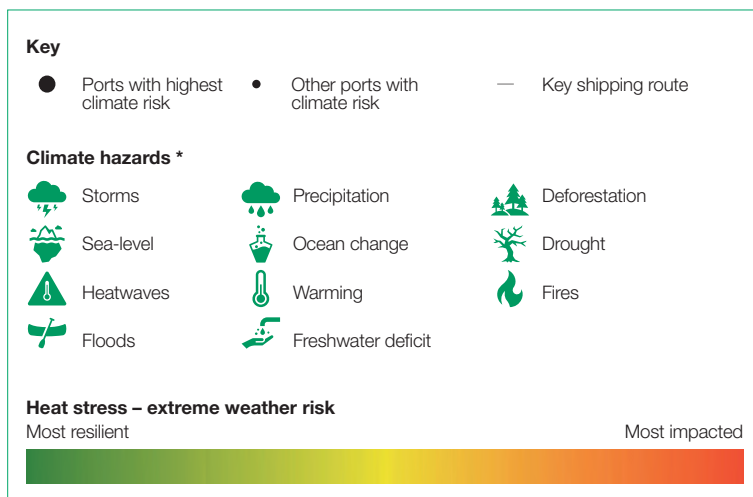
Climate change may have both a negative and positive impact on our financial performance. Negative impacts will be minimised through focus on active risk management, implementation of mitigation strategies and by realising opportunities.

Business critical analysis helps inform our strategies and ensure they are targeted, effective and timely. We are planning for various possible climate scenarios and integrating relevant assumptions into our corporate planning process. In the medium to long term, the extent of financial impacts depends on how well we respond to the various threats and the effectiveness of strategies to capitalise on opportunities. For example, if we identify an increased risk of supply or the cost of a particular product, we will investigate availability of alternative cost-effective products. For investment decisions, we consider potential changes to regulation to inform future expectations for the business and the appropriate weighted average cost of capital.

PHYSICAL CLIMATE CHANGE RISKS

During the year, we undertook macro-level assessment of physical climate change risks across Australia, major sourcing countries, ports and shipping routes. We identified top inherent physical climate change risks in our major sourcing countries and the impact this may have on key products sourced. The map on the following page highlights priority areas requiring further assessment. It is not exhaustive of our entire supply chain and all climate change risks, nor is it intended to be used as a climate model to depict physical impacts. During the 2022 financial year, we will build on this work, using the latest scientific information available to understand climate hazards and impacts for our most critical raw materials and products.

The macro-level assessment undertaken this year shows hazards with the largest increase due to climate change across the supply chain associated with sea-level rise, storm frequency and severity, ocean changes, heatwaves, and areas of water stress caused by changes in precipitation and extreme variability in weather patterns. These climate hazards will have varying impacts and on the map we have included the most material hazards of the 11 identified below.



* Climate hazards as identified by IPCC Climate Change 2014: Impacts, Adaptation, and Vulnerability Report, Journal: Nature Climate Change - Locational climate hazards, University of Hawaii Department of Geography, MoraLab: Applications Prototype Lab

Major sourcing countries

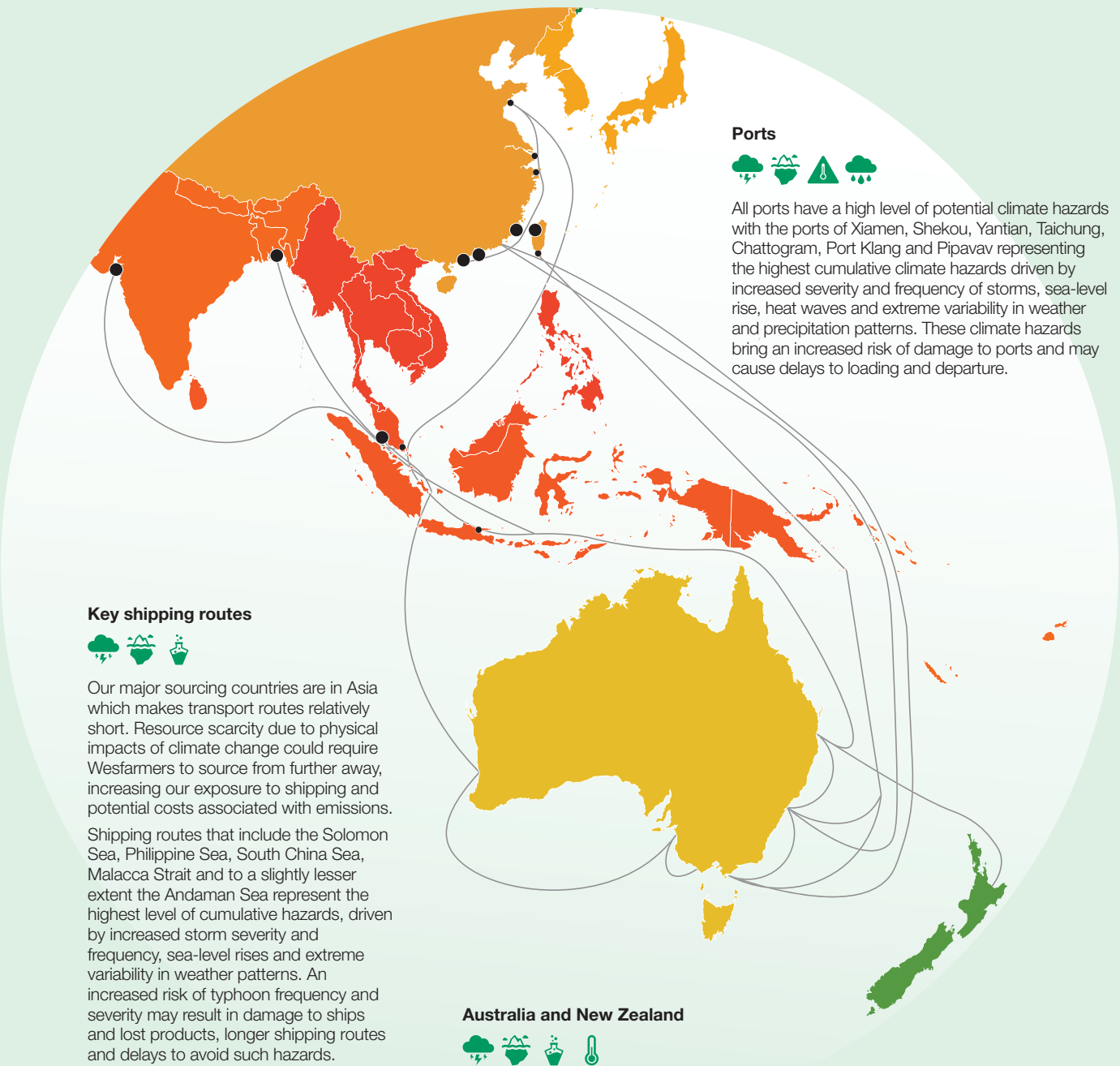


Wesfarmers sources products from a variety of regions across Australia, New Zealand and Asia. Major sourcing regions vary by business, and also by product within each of our businesses. In relation to countries representing at least two per cent of the Group's total product sourcing by purchases, Cambodia, China, Indonesia, Japan, Malaysia, Sri Lanka, and Vietnam represent the highest cumulative climate hazards driven by increased storm frequency and severity, sea-level rise, heatwaves and extreme variability in precipitation and weather patterns.

Each country has unique climate impacts including decreased health outcomes, food and water shortages, infrastructure damage and reduced economic activity. Extreme weather in these countries may:

- Reduce the availability and quality of raw materials such as cotton, linen, rubber, metals and plastics
- Impact availability and price of chemicals used to produce synthetic textiles
- Reduce the availability of timber and pulp
- Increase the incidence of crop damage from pests

COUNTRY	KEY PRODUCTS SOURCED
Australia	Horticulture products, garden care, paint, chemicals, paper
Bangladesh	Apparel
Cambodia	General merchandise, apparel
China	Electronics, general merchandise, apparel, footwear, paper, furniture
India	Apparel, garden care, general merchandise, landscaping materials, hand tools
Indonesia	Apparel, timber, hand tools, plastics
Japan	Power tools, writing and messaging, printers and consumables, panels, networking, cutting tools
Malaysia	Electronics, plastics, personal protective equipment
New Zealand	Horticulture products, timber and boards, general merchandise
Pakistan	Apparel, soft homewares
Sri Lanka	Safety products
Vietnam	General merchandise, electronics



Ports



All ports have a high level of potential climate hazards with the ports of Xiamen, Shekou, Yantian, Taichung, Chattogram, Port Klang and Pipavav representing the highest cumulative climate hazards driven by increased severity and frequency of storms, sea-level rise, heat waves and extreme variability in weather and precipitation patterns. These climate hazards bring an increased risk of damage to ports and may cause delays to loading and departure.

Key shipping routes



Our major sourcing countries are in Asia which makes transport routes relatively short. Resource scarcity due to physical impacts of climate change could require Wesfarmers to source from further away, increasing our exposure to shipping and potential costs associated with emissions.

Shipping routes that include the Solomon Sea, Philippine Sea, South China Sea, Malacca Strait and to a slightly lesser extent the Andaman Sea represent the highest level of cumulative hazards, driven by increased storm severity and frequency, sea-level rises and extreme variability in weather patterns. An increased risk of typhoon frequency and severity may result in damage to ships and lost products, longer shipping routes and delays to avoid such hazards.

Australia and New Zealand



Wesfarmers' domestic supply chains and store networks are geographically diverse. Perth, Sydney and Adelaide represent some Australian locations with the highest level of cumulative climate hazards largely driven by increased storm frequency and severity, sea-level rises, ocean acidification, increasing temperatures and increased incidence of fire.

Extreme weather including flooding, rising temperatures and associated water scarcity may:

- Damage agricultural-based inputs, reduce growing yields and impact growing regions of our suppliers and customers
- Damage infrastructure and stock
- Impact transport logistics
- Require changes to our store operations
- Require changes to the way we make products and how customers use them



CSBP uses waste heat to reduce emissions

CSBP has been using a traditional yet modern ‘unsung technology hero’ in its bid to reduce its greenhouse gas emissions. Capturing waste heat from its chemical processes to generate electricity has been part of CSBP’s everyday efforts since its Kwinana site was first established in 1968.

Waste heat recovery systems are an integral part of the design of several of CSBP’s chemical plants in Kwinana, generating more than 75 per cent of the 138-hectare site’s electricity requirements. CSBP is one of the only industrial sites along the Kwinana Industrial Strip that generates the majority of its electricity requirements.

CSBP’s waste heat recovery systems capture heat, which is a by-product from its nitric acid, sodium cyanide and ammonia plants, and uses it to heat water, creating steam that drives a turbine to generate electricity. If the heat was not utilised, it would dissipate into the atmosphere.

This is an effective way for the business to limit its greenhouse gas emissions, generate clean power, increase efficiency and save energy – allowing CSBP to benefit from circular economy strategies which align with its sustainability goals.

CSBP General Manager Ammonia/ Ammonium Nitrate, Ryan Hair, said delivering environmental benefits are part of the team’s responsibilities.

“We are proud of the fact that our reliance on the state power grid is very small. In the past, we have been substantially self-sufficient. The best generation year was 2020 when we generated 144GWh – that’s enough electricity to power 27,700 homes,” said Ryan.



Bunnings, Kmart Group and Officeworks commit to 100 per cent renewable electricity by 2025

Reducing emissions in a growing business with an expanding store network is a challenge which Bunnings, Kmart Group and Officeworks are facing into, with a range of initiatives aimed at reducing energy consumption and transitioning to more renewable electricity. The installation of LED lighting and solar photovoltaic (PV) systems has seen substantial reductions in energy use across their businesses, with the systems generating between 30 and 35 per cent of a store’s energy needs.

Bunnings continued to expand the network of PV systems with 85 sites completed at 30 June 2021, and 15 more per year planned to 2025. The total installed capacity of these systems is over 22 megawatts, equivalent to powering 4,500 households. Bunnings purchased 30 per cent GreenPower for most large sites in Australia from 1 July 2020. In February 2021, it launched a trial energy efficient store design at its Melton East warehouse in Victoria and the performance of the design features will be monitored to inform future store designs.

Since 2015, Kmart Group has successfully reduced its emissions by 36 per cent per square metre of floor space, and since 2018 Officeworks has achieved a 24 per cent reduction in emissions per square metre of floor space. This has been achieved through installing more energy efficient LED lighting and networked BEMS which monitor and regulate energy usage. This year, Officeworks installed seven PV systems with 12 more per year planned to 2025.



Image courtesy of HESC Project Partners.

Coregas focuses on hydrogen pilot

The transition to a hydrogen economy is underway, and Australia is well-positioned to play a significant role thanks to its renewable resources and proximity to energy-hungry economies.

Coregas is involved in Australia’s largest hydrogen project – the Hydrogen Energy Supply Chain gasification plant in the Latrobe Valley, Victoria – which will see Coregas aiming to load the world’s first liquid hydrogen ship in Victoria for transport to Japan. It aims to demonstrate the liquid hydrogen supply chain from production to shipment. If successful, it could lead to the establishment of one of the largest hydrogen hubs in the world.

Coregas has also focused on developing domestic hydrogen mobility solutions. With support from the Port Kembla Community Investment Fund, Coregas aims to commission the first Australian hydrogen refuelling station for trucks. The station will have daily capacity for 10 hydrogen-powered trucks – also known as fuel cell electric vehicles. The first two hydrogen-powered prime movers will operate in the Coregas fleet from early 2022. Their emissions profile is around half that of diesel prime movers. There are more than 100,000 heavy trucks in Australia, so transitioning heavy transport will reduce carbon emissions and also noise, and particle pollution.

Risks and opportunities

The physical and transitional risks of climate change need to be considered in the context of the diversity of Wesfarmers' businesses including in industry, operations, products, supply chain, customers, geography and scale.

While climate change presents risks, there are also opportunities for the Group and its businesses. Consistent with our value-creating strategies, the Group will continue to consider opportunities to invest in existing businesses and take advantage of the flexibility of the Wesfarmers conglomerate model to renew the portfolio through opportunistic and value-accretive acquisitions or divestments. In assessing these opportunities, Wesfarmers considers environmental stewardship essential to evaluate investment decisions over the long term.

Across the Group's existing businesses, our climate-related opportunities are in five broad categories: resource efficiency and cost savings, renewable energy, new products and services, access to new markets and resilience in our supply chain.

TIMEFRAME - SHORT TERM (FROM 1-5 YEARS)			
SCENARIO 1.5°C 2°C 4°C	RISKS	MITIGATION AND OPPORTUNITIES	
✓ ✓	A Extreme weather in localised areas may disrupt our supply chain, damage infrastructure or stores, damage stock and impact heavily on our team members.	RE R	Improved analysis of new store locations to avoid flood plains or ensure the store is built above prior flood levels. We may also hold additional stock to manage this risk. We provide support programs for team members impacted by bushfires and other extreme weather events to assist in recovery and rebuilding efforts.
✓	AC For some of our industrial businesses, increasing ambient temperatures decreases the productivity of certain chemical processes.	RE R	Continue to explore alternate technologies to cool chemical manufacturing processes while also trying to control costs and the emissions intensity of the these processes.
✓ ✓	PL M Carbon-intensive inputs and products may become more scarce or more expensive if these inputs and sectors cannot transition or offset their emissions.	ES R	Transport providers, which represent a large proportion of the carbon intensity of our products, are investing in alternate technologies. Concurrently many international suppliers are receiving government support to transition to greener or renewable sources which will also reduce the embodied carbon in our products.
✓ ✓	PL R It may be difficult on leased premises to access renewable energy or install renewable generation.	ES R	Introduction of policies that require new stores, with accessible rooftops, to have solar generation. For the current store network, we work with smaller landlords to install renewable generation. For larger landlords, the transition is already occurring. An increasing focus on renewable procurement options provides additional flexibility for store networks.
✓ ✓	AC PL M Supply and cost of some raw materials and inputs such as cotton, linen, rubber, metals and plastics may be impacted or more expensive.	RE PS	Assess strategies to move away from virgin inputs and into circular economy and recyclable alternatives.
✓ ✓	AC Global and domestic supply chains may be disrupted.	M R	Diversify supplier base and geographic footprint to assist in prompt repositioning of supply chains as well as holding additional stock in-country and in domestic DCs to buffer delays from disruption. Prioritising long-term supplier relationships to facilitate fast solutions to critical equipment delays.

Physical risk

A Acute **AC** Acute and Chronic

Transition risk

PL Policy & Legal **M** Markets **R** Reputation **L** Liability ✓ = most relevant

Opportunities

RE Resource Efficiency **ES** Energy Source **PS** Products and Services **M** Markets **R** Resilience

TIMEFRAME - SHORT TERM (FROM 1-5 YEARS)				
SCENARIO		RISKS	MITIGATION AND OPPORTUNITIES	
1.5°C	2°C		4°C	
✓	✓		<p>PL The introduction of Carbon Border Adjustment Mechanisms by the EU, UK, USA, Canada, China and Japan on imports from countries that are not appropriately pricing carbon will have a detrimental impact on carbon intensive exports.</p> <p>R</p> <p>M</p>	<p>M Engage with the Federal Government to reiterate that a carbon price would provide certainty for future investment and may mitigate this risk. Applying an internal carbon price to our investment decisions ensures we are properly valuing the cost of carbon and will be well-positioned if the Australian Government moves into alignment with the global community.</p> <p>PS</p>
✓	✓		<p>PL Prices may increase as a result of input cost pressures (including carbon pricing), leading to a decrease in consumer demand. Increasing environmental regulation may impact our customers' projects. LNG and LPG fuels could be affected by carbon pricing compared to liquid fuel solutions.</p>	<p>PS Ensure we maintain a business model that can pivot both offer and range to meet changes in consumer demand at the right price point, while doing all we can within our businesses control to keep costs low. For our industrial businesses, there may be opportunities for efficient operators as relatively inefficient and more carbon-intensive operators become less competitive. Continue to assess opportunities in the carbon capture and storage, and carbon capture and utilisation areas.</p> <p>M</p>
✓	✓	✓	<p>R Reputational concerns may drive businesses to more proactively manage carbon and other environmental risks.</p>	<p>R Continue to invest in technology to reduce Scope 1 emissions, including collaboration with research organisations.</p>

TIMEFRAME - MEDIUM TERM (FROM 5-15 YEARS)				
SCENARIO		RISKS	MITIGATION AND OPPORTUNITIES	
1.5°C	2°C		4°C	
	✓	✓	<p>AC Suppliers of commodities or key inputs may be impacted including certain timber suppliers to Bunnings and pulp suppliers to Officeworks, which may experience shortages because of insufficient domestic supply and extreme weather. Green life stock is impacted by extreme weather events such as heat waves and hail storms.</p>	<p>RE Improve supplier diversity. Suppliers that are aware of the risk may also look at alternate inputs, e.g. composite wood-based products that incorporate recycled materials, or non-timber plant-based alternatives to pulp for paper production.</p> <p>R</p>
	✓	✓	<p>AC In some areas, extreme weather including flooding, rising temperatures and associated water scarcity may:</p> <ul style="list-style-type: none"> – damage agricultural-based inputs, reduce yields and impact growing regions; – require changes to the way we make products and how much we can sell; and – reduce plant productivity and increase downtime. 	<p>RE Progress strategies to move away from virgin inputs and into circular economy or recycled alternatives. Various stock lines through the retail businesses are now made from recycled and recyclable content.</p> <p>R CSBP has invested in plant optimisation technology to continuously monitor all aspects of plant performance. It has also invested in improved catalyst abatement research to identify strategies which further reduce emissions intensity. CSBP is also continuing to assess opportunities in recycled wastewater.</p>
	✓	✓	<p>AC Extreme heat and more regular hot days may impact employee health, safety and productivity.</p>	<p>RE Invest in the energy efficiency of our network including insulation, to assist temperature control, as well as investigating other additional technologies. In the DCs where extreme heat is particularly problematic, we are investing in energy efficient ways to cool facilities, alongside amended shift hours and additional breaks to manage this.</p> <p>R In our manufacturing operations, we adapt by altering shift hours and investing in energy efficient ways to cool facilities. Additionally, as technology improves less physical exertion is required within the manufacturing process.</p>
	✓	✓	<p>AC Retail customers may prefer air-conditioned stores and undercover parking, requiring a change to store design and increasing operating costs. Customer behaviour may change with reduced foot traffic in retail stores and increased online shopping.</p>	<p>ES Install energy efficiency technology and source renewable energy to reduce costs and emissions.</p> <p>PS Continue to work with landlords to invest in renewable energy on rooftops and energy efficiency projects. Continue to invest in online delivery platforms to enhance the offer to our customer base. Continue to review our approach to store and DC design to update design standards and include solar power and energy efficient fit-outs as standard. Continue to assess and evolve the store format to meet changing customer preferences.</p>

TIMEFRAME - MEDIUM TERM (FROM 5-15 YEARS) CONTINUED

SCENARIO 1.5°C 2°C 4°C	RISKS	MITIGATION AND OPPORTUNITIES
✓ ✓	<p>AC Extreme weather may mean some lines of commercial property insurance become harder or more expensive to obtain.</p>	<p>RE Ensure company assets including supply chain are designed to be prepared for potential extreme weather events, particularly where, for example, assets are located in a flood plain.</p> <p>R We undertake a self-insurance function to mitigate premium increases.</p>
✓ ✓	<p>AC Increasing impacts from climate change may mean access to debt funding becomes more difficult as financiers' risk profiles change.</p> <p>R</p> <p>L</p>	<p>M Ensure our industrial operations are prioritising reductions in their emissions and analysing the risks and opportunities presented by climate change and the impacts on their business.</p> <p>R</p> <p>Ensure we are meeting our carbon emissions targets and aspirations.</p>
✓ ✓	<p>AC Extreme heat and prolonged drought may increase water scarcity, affecting our customers or our water-intensive operations.</p>	<p>RE CSBP's water supply strategy developed to ensure the long-term supply of suitable quality water for ongoing operations. Technology solutions for recycled wastewater via reverse osmosis systems provide additional supply opportunities.</p> <p>R</p>
✓ ✓	<p>AC Extended extreme weather may disrupt or damage our supply chains or infrastructure for extended periods or eliminate the supply of or render prohibitively expensive certain products or raw materials.</p> <p>M</p>	<p>M Diversify supplier base and geographic footprint to assist in prompt repositioning of supply chains and inputs.</p> <p>R</p>
✓ ✓	<p>PL For the Kmart Group, synthetic fabrics and chemicals used to produce certain textiles for clothing and accessories may become more expensive as the cost of polymers and other inputs, including energy, increases.</p> <p>M</p> <p>R</p>	<p>RE Examine alternate inputs from a composition, quality, price and sourcing standpoint. Actively investigate circular economy inputs and greener choices. As the cost of one input increases, other options will become viable.</p> <p>PS</p>
✓ ✓	<p>PL For Bunnings and Officeworks, timber and pulp shortages may occur because supply decreases as plantations are used to instead generate carbon offsets or logging is reduced to slow land degradation.</p> <p>M</p> <p>R</p>	<p>PS Continue to assess tree species that require less water and are more resilient to extreme heat. Support the transition to more circular products.</p> <p>M</p>
✓ ✓ ✓	<p>M Customers and other stakeholders, including investors, financiers and activists, may increasingly focus on the sustainability of our products.</p> <p>R</p>	<p>PS Transitioning to lower carbon operations ahead of our competitors may provide efficiency, cost or marketing opportunities.</p> <p>M</p>
✓ ✓	<p>PL Regulatory changes such as carbon pricing may impact the financial performance of our businesses or impact the supply or price of certain inputs including raw materials, energy, fuel and water.</p> <p>M</p>	<p>RE Continue to assess the operating environment, competitors and key drivers of change, as well as enhancing diversified product offerings, helping to reduce risk.</p> <p>R</p>
✓ ✓	<p>PL Carbon pricing and other regulations may impact the competitiveness of our trade-exposed businesses (especially WesCEF) if our international competitors do not face similar carbon pricing and other regulation.</p> <p>M</p>	<p>RE Continue to invest in technology to reduce Scope 1 emissions, in collaboration with research organisations. Continue to maximise plant efficiency to minimise cost of production.</p> <p>M</p> <p>We incorporate a carbon price into our capital allocation decisions to reduce this risk.</p>
✓ ✓ ✓	<p>M For WesCEF, demand for natural gas may fall as consumers favour renewables and hydrogen.</p>	<p>ES In the shorter term, the use of natural gas as a transition fuel is an opportunity. In the longer term, investing in R&D for alternate energy sources and technologies, including green ammonia, is a priority to capitalise on expanding markets as they develop.</p> <p>M</p>

Physical risk

A Acute **AC** Acute and Chronic

Transition risk

PL Policy & Legal **M** Markets **R** Reputation **L** Liability ✓ = most relevant

Opportunities

RE Resource Efficiency **ES** Energy Source **PS** Products and Services **M** Markets **R** Resilience

SCENARIO			RISKS			MITIGATION AND OPPORTUNITIES		
1.5°C 2°C 4°C								
✓	✓	✓	R	For our retail businesses: <ul style="list-style-type: none"> – they may need to respond to increasingly environmentally-conscious consumers; – the fast-fashion and electronics markets may transition to more durable products or products that are easier to reuse or recycle; and – certain products may evolve to support the replacement of components rather than the replacement of entire item. 	PS	Continue to build further circular and low carbon economy awareness in our business. For example, a continued focus on reducing plastic in product and packaging, and increased recycling rates as well as actively investigating circular economy opportunities to transition product lines where possible.		
✓	✓		M T	Customer preference for less emissions-intensive products may impact demand for WesCEF Coregas products.	ES PS	Projects are designed and developed with the opportunity to change fuel source in mind. In the transport sector the move to hydrogen is an opportunity our Coregas business is well-placed to capitalise on.		
✓	✓		AC PL R	If the transition to a low carbon economy is not managed effectively some communities, or certain industries may be adversely impacted.	PS R	Focus on supporting policy designed to enable a just transition for all affected communities or industries.		

SCENARIO			RISKS			MITIGATION AND OPPORTUNITIES		
1.5°C 2°C 4°C								
	✓	✓	AC	For our WesCEF businesses, extreme weather and prolonged drought may impact the amount of arable land in the Western Australian wheatbelt or cause agriculture to relocate within Western Australia, reducing fertiliser demand or making alternative suppliers more competitive. Changes to farming practices to improve soil quality may impact fertiliser demand. Extreme heat and increased humidity may also reduce plant productivity, increase downtime and reduce product quality.	M PS	Explore alternative markets less affected by reduced precipitation. Investigating additional services, particularly in technology and data to assist farmers maximise value and efficiency. WesCEF is also investing in adjacent opportunities such as granular fertiliser that acts as a nitrification inhibitor to improve plant uptake and reduce nitrous oxide emissions.		
✓	✓	✓	R	Our industrial businesses may need to respond to increasing stakeholder activism relating to the carbon intensity of their operations.	R	Continuing to evaluate and invest in emissions reduction technology and engage in industry collaboration to prioritise decarbonisation opportunities and greener product alternatives.		
✓	✓	✓	M	Our businesses may need to adapt as the economy transitions to low carbon products and customer demand changes or costs increase.	M R	Continue to build on the capabilities and skills of our teams through recruiting and developing outstanding people to adapt to risks and to take advantage of the opportunities associated with climate change.		
✓	✓	✓	L R	Increased liability risk associated with class actions over climate change or lack of management of environmental risk.	R	Sustainability is a key strategy for Wesfarmers. Our businesses are managed with carbon awareness. This awareness helps to inform investment decisions.		
✓	✓	✓	R PL M	Changing stakeholder risk profiles, particularly in relation to carbon intensive operations, may make access to funding more difficult.	M R	Continue to invest in technology to reduce emissions. Engage in R&D initiatives to develop strategies for the longer term including technology such as green ammonia.		
✓	✓	✓	AC L	As insurance companies focus on the carbon intensity of their insurance portfolio, some lines of commercial insurance may become harder to obtain or more expensive.	R	Continue to invest in technology to reduce emissions. Engage in R&D initiatives to develop strategies for the longer term including technology such as green ammonia.		

Physical risk

A Acute **AC** Acute and Chronic

Transition risk

PL Policy & Legal **M** Markets **R** Reputation **L** Liability ✓ = most relevant

Opportunities

RE Resource Efficiency **ES** Energy Source **PS** Products and Services **M** Markets **R** Resilience

Independent Limited Assurance Statement to the Management and Directors of Wesfarmers Limited

Our Conclusion:

Ernst & Young was engaged by Wesfarmers Limited ("Wesfarmers") to undertake limited assurance, as defined by Australian Auditing Standards and hereafter referred to as a 'review', over selected disclosures ('selected sustainability and Indigenous affairs disclosures') published in the Wesfarmers 2021 Annual Report, the Wesfarmers sustainability website and Wesfarmers' Modern Slavery Statement 2021 for the financial year ended 30 June 2021. Based on our review, nothing came to our attention that causes us to believe that the subject matter for our review has not been prepared and presented fairly, in all material respects, in accordance with the criteria defined below.

What our review covered (subject matter)

Ernst & Young ('EY' or 'we') reviewed:

- Wesfarmers' approach to defining report content ('materiality assessment')
- Wesfarmers' reported alignment to 'core' level of 'in accordance' requirements of the Global Reporting Initiative's ('GRI') Sustainability Reporting Standards ('GRI Standards')
- Wesfarmers' Modern Slavery Statement 2021
- Selected sustainability and Indigenous affairs disclosures in the Annual Report, limited to the following:
 - 'Group Sustainability Performance' and 'Climate-related financial disclosures' sections of the Operating and Financial Review
 - The divisional sections for Bunnings (pp 28-30), Kmart Group (pp 35-37), Officeworks (pp 42-44), Chemicals, Energy and Fertilisers (pp 48-50), and Industrial and Safety (pp 54-56).
- Selected sustainability and Indigenous affairs disclosures, including the performance metrics set out in the table below, presented on Wesfarmers' website under wesfarmers.com.au/sustainability as at 26 August 2021.

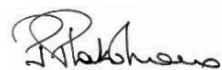
Performance metrics

- Scope 1, Scope 2, and Scope 3 greenhouse gas emissions in kilotonnes of carbon dioxide equivalent (ktCO₂e)
- Waste disposed and recovered in kilotonnes (kt)
- Water consumption in megalitres (ML)
- Energy consumption in petajoules (PJ)
- Workplace health and safety data (Total Recordable Injury Frequency Rate (TRIFR) and workers compensation claims)
- Community contributions (AUD)
- Aboriginal and Torres Strait Islander employee numbers
- Aboriginal and Torres Strait Islander procurement spend (AUD)
- Ethical sourcing audit program data
- Employment and People data

Criteria

In preparing its sustainability and Indigenous affairs disclosures, Wesfarmers applied the following criteria:

- GRI Standards, including the Reporting Principles for defining report quality and content
- *National Greenhouse and Energy Reporting Act 2007* for Scope 1 and 2 greenhouse gas data
- GHG Protocol guidance for Scope 3 greenhouse gas data and Scope 2 market-based emissions



Terence Jeyaretnam FIEAust
Partner
Melbourne, Australia
26 August 2021

- Other selected Criteria, as determined by Wesfarmers, and as set out in its sustainability disclosures.

Key responsibilities

EY's responsibility and independence

Our responsibility was to express a conclusion on the selected sustainability and Indigenous affairs disclosures based on our review.

We were also responsible for maintaining our independence and confirm that we have met the requirements of the *APES 110 Code of Ethics for Professional Accountants*, including independence, and have the required competencies and experience to conduct this assurance engagement.

Wesfarmers' responsibility

Wesfarmers management ('management') was responsible for selecting the Criteria and preparing and fairly presenting the sustainability and Indigenous affairs disclosures in accordance with that Criteria. This responsibility includes establishing and maintaining internal controls, adequate records, and making estimates that are reasonable in the circumstances/

Our approach to conducting the review

We conducted our review in accordance with the Australian Auditing and Assurance Standards Board's *Australian Standard on Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* ('ASAE 3000'), *Assurance Engagements on Greenhouse Gas Statements* ('ASAE 3410'), and the terms of reference for this engagement as agreed with Wesfarmers on 23 February 2021.

Summary of review procedures performed

A review consists of making enquiries, primarily of persons responsible for preparing the selected sustainability and Indigenous affairs disclosures, related information in the 2021 Annual Report and Wesfarmers' Modern Slavery Statement 2021 and applying analytical and other review procedures. Our procedures included:

- Assessing Wesfarmers' adherence to the GRI Standards Reporting Principles for defining report quality and report content, including the processes involved at a divisional and corporate level
- Determining whether material topics and performance issues identified during our procedures had been adequately disclosed
- Interviewing selected personnel from divisional and corporate offices, to understand the key sustainability issues related to the subject matter and processes for collecting, collating and reporting the performance data during the reporting period

- Where relevant, gaining an understanding of systems and processes for data aggregation and reporting
- Performing analytical tests and detailed substantive testing to source documentation for material qualitative and quantitative information
- Checking the accuracy of calculations performed
- Obtaining and reviewing evidence to support key assumptions in calculations and other data
- Reviewing selected management information and documentation supporting assertions made in the subject matter
- Checking that data and statements had been accurately transcribed from corporate systems and/or supporting evidence
- Reviewing the presentation of claims, case studies and data against the relevant GRI principles contained in the criteria.

We believe that the evidence obtained was sufficient and appropriate to provide a basis for our limited assurance conclusion.

Limited Assurance

Procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than, for a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. Our procedures were designed to obtain a limited level of assurance on which to base our conclusion and do not provide all the evidence that would be required to provide a reasonable level of assurance.

While we considered the effectiveness of management's internal controls when determining the nature and extent of our procedures, our assurance engagement was not designed to provide assurance on internal controls. Our procedures did not include testing controls or performing procedures relating to checking aggregation or calculation of data within IT systems.

Use of our Assurance Statement

We disclaim any assumption of responsibility for any reliance on this assurance report to any persons other than management and the Directors of Wesfarmers, or for any purpose other than that for which it was prepared.

The extent of our review included the information available at www.wesfarmers.com.au/sustainability as at 26 August 2021. We provide no assurance over changes to the content of this web-based information after the date of this assurance statement, nor over any information available through web-links that are beyond the boundary of the selected sustainability and Indigenous affairs disclosures and related information in the 2021 Annual Report and Wesfarmers' Modern Slavery Statement 2021.



Ernst & Young

Board of Directors



Michael Chaney AO
CHAIRMAN

BSc, MBA, Hon. LLD W.Aust, FAICD
Age 71

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 Northern Star Resources Limited (since July 2021)
- Chairman of the National School Resourcing Board (since November 2017)
- Director of the Centre for Independent Studies (since 2000)
- Governor of the Forrest Research Foundation (retired December 2020)
- Member of the Gresham Resources Royalties Fund Investment Committee (since June 2020)



Rob Scott
MANAGING DIRECTOR

B.Comm, MAppFin, CA, GradDipAppFin
Age 52

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):

- Chairman and director of the Flybys joint venture with Coles Group Limited (since December 2018, resigned as Chairman in June 2020)
- Chairman of Rowing Australia (since October 2014)
- 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)



The Right Honourable Sir Bill English KNZM
DIRECTOR

BA (Hons), BCom (Otago)
Age 59

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):

- Chairman of Mount Cook Alpine Salmon (since July 2018)
- Chairman of Manawanui Support Ltd (since April 2019)
- Chairman of Impact Lab Ltd (since May 2019)
- Director of The Todd Corporation Limited (since May 2021)
- Director of The Instillery (since August 2019)
- Director of Centre for Independent Studies (since March 2021)
- Advisor to Jarden Financial Services (since May 2018)
- Member of Macquarie Infrastructure and Real Assets' Impact Advisory Group (since March 2021)



Sharon Warburton
DIRECTOR

BBus (Accounting & Business Law), FCA, FAICD, FAIB
Age 51

Term: Director since August 2019.

Skills and experience: Sharon has extensive board and executive experience in corporate strategy, business operations, finance, accounting and risk management, particularly in the resources, construction, infrastructure and property sectors, along with significant expertise in governance and remuneration. She was previously Executive Director Strategy and Finance at Brookfield Multiplex, and held senior management roles with ALDAR Properties PJSC in the United Arab Emirates, Citigroup in Sydney and Rio Tinto Limited in London and Perth.

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

- Director of Thiess Group Holdings Pty Limited (since July 2021)
- Director of Blackmores Limited (since April 2021)
- Director of Worley Limited (since February 2019)
- Director of Gold Road Resources Limited (since May 2016)
- Director of Karika Nyiyaparli Aboriginal Corporation RNTBC (since December 2020)
- Director of the Perth Children's Hospital Foundation (since February 2014)
- Member of the Australia Takeovers Panel (since May 2015)
- Director and Co-Deputy Chairman of Fortescue Metals Group Limited (retired March 2020)
- Director of NEXTEC Limited (retired March 2020)



Vanessa Wallace

DIRECTOR

*B.Comm (UNSW), MBA (IMD Switzerland), MAICD
Age 57*

Term: Director since July 2010.

Skills and experience: Vanessa is an experienced board director and strategy management consultant who had been with Strategy& (formerly Booz & Company) for more than 25 years. She has global experience, living and working in Asia, and 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):

- Managing Director of MF Advisory (since 2015)
- Deputy Chairman of Ecofibre Limited (since July 2021)
- Director of Palladium Holdings Pty Ltd (since January 2021)
- Director of SEEK Limited (since March 2017)
- Director of O'Connell Street Associates (since June 2018)
- Director of Doctor Care Anywhere PLC (since April 2021)
- Founding Chairman of DR0P Bio Pty Ltd, a digital health company (since January 2019)



Wayne Osborn

DIRECTOR

*Dip Elect Eng, MBA, FAICD, FTSE
Age 69*

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)



Jennifer Westacott AO

DIRECTOR

*BA (Honours), FAICD, FIPAA, FANZSOG
Age 61*

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):

- Chair of Studio Schools of Australia (since July 2019)
- Chair of the Western Parkland City Authority (since February 2019)
- Board member of Cyber Security Research Centre (CSRC) Ltd (since February 2018)
- Member of University of New South Wales Council (since December 2019)
- Adjunct Professor at the City Futures Research Centre of the University of New South Wales (since 2013)
- Co-Patron of Pride in Diversity (since November 2017)
- Patron of The Pinnacle Foundation (since March 2019)
- Chair of the Mental Health Council of Australia (retired August 2019)



Mike Roche

DIRECTOR

*BSc, GAICD, FIA (London), FIAA (Australia)
Age 68*

Term: Director since February 2019.

Skills and experience: Mike has more than 40 years' experience in the finance sector where he held senior positions firstly as an actuary with National Mutual/AXA and then in investment banking where he provided strategic, financial, merger and acquisition, and capital advice to major corporations, private equity and government clients. Mike spent more than 20 years with Deutsche Bank including 10 years as Head of Mergers and Acquisitions where he advised on major takeovers and privatisations. He stepped down as Deutsche Bank's Chairman of Mergers and Acquisitions (Australia and New Zealand) in 2016, and was a member of the Takeovers Panel for two terms from 2008 to 2014.

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

- Director of Macquarie Bank (since January 2021)
- Director of Macquarie Group (since January 2021)
- Director of MaxCap Group Pty Ltd (since April 2019)
- Director of Six Park Asset Management (since December 2017)
- Director of Te Pahau Management Ltd (since November 2017)
- Trustee Director of Energy Industries Superannuation Scheme Pty Ltd (since November 2016)
- Panel member of Adara Partners (Aust) Pty Ltd (since April 2017)



Anil Sabharwal

DIRECTOR

*BMath, BCompSc
Age 43*

Term: Director since February 2021.

Skills and experience: Anil is Vice President of Product Management at Google and the company's most senior product and engineering leader in Australia and New Zealand. He is also an advisor to venture capital firm, AirTree Ventures. Anil's 12 years at Google have included leading the strategy and team behind the launch of Google Photos in 2015, which reached more than one billion monthly active users within four years. He later led product, design and engineering for Google Chrome, one of the world's most popular web browsers. Before joining Google, Anil co-founded online learning company Desire2Learn, headquartered in Canada, and was General Manager of the knowledge management division in Australia for human resources company, Talent2.

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

- Vice President of Product Management of Google (since April 2016, various other roles held at Google since January 2009)
- Advisor to AirTree Ventures (since March 2017)

Corporate governance overview

THE BOARD OF WESFARMERS LIMITED

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. The 2021 Corporate Governance Statement details the key aspects of the governance framework and practices of Wesfarmers. The company regularly reviews its governance framework and practices so as to ensure they reflect market practice and stakeholder expectations.

The Board believes that the governance policies and practices adopted by Wesfarmers during the reporting period ended 30 June 2021 follow the recommendations contained in the fourth edition of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (ASX Principles) released on 27 February 2019.

ROLES AND RESPONSIBILITIES OF THE BOARD AND MANAGEMENT

The role of the Board is to:

- approve the purpose, values and strategic direction of the Group;
- guide and monitor the management of Wesfarmers and its businesses in accordance with the purpose, values and strategic plans;
- oversee good governance practice; and
- set the Group's risk appetite and monitor and review the Group's financial and non-financial risk management systems.

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 on pages 12 and 13 of this annual report and in the corporate governance section of the company's website at www.wesfarmers.com.au/cg

The Board maintains ultimate responsibility for strategy and control of Wesfarmers and its businesses.

STRUCTURE AND COMPOSITION OF THE BOARD

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

The Board currently comprises nine directors, including eight non-executive and independent directors. Detailed biographies of the directors as at 30 June 2021 are set out on pages 82 and 83 of this annual report.

Diane Smith-Gander retired as a non-executive director at the end of the 2020 Annual General Meeting on 12 November 2020 after serving as a director for 11 years.

Anil Sabharwal was appointed a director on 1 February 2021. He is Vice President of Product Management at Google. His appointment further strengthens the Board's mix of skills, knowledge and experience, particularly in digital, data and technology.

On 24 June 2021, Wesfarmers announced the appointment of Alison Watkins as a director from 1 September 2021. She is the former Group Managing Director of Coca-Cola Amatil Limited and will bring extensive experience, at both CEO and Board level.

Wesfarmers has also announced the appointment of Alan Cransberg as a director of the company from 1 October 2021. He is the former Chairman and Managing Director of Alcoa of Australia Limited whose broad technical and management expertise in the resources sector will be invaluable.

The Board is of the view that the current directors possess an appropriate mix of skills, commitment, experience, expertise (including knowledge of the Group and the relevant industries in which the Group operates) and diversity to enable the Board to discharge its responsibilities effectively and deliver the company's strategic priorities as a diversified corporation with current businesses operating in home improvement; apparel; general merchandise and office supplies; and businesses in chemicals, energy and fertilisers, and industrial and safety products.

In fulfilling its roles and responsibilities, the key focus areas of the Board during the 2021 financial year are set out below.

KEY FOCUS AREAS OF THE BOARD DURING THE 2021 FINANCIAL YEAR INCLUDED:

Guiding and supporting management in relation to the Group's response to the COVID-19 outbreak, with a key focus on the health, safety and wellbeing of the Group's team members and customers

Setting new emission reduction targets and aspirations for the Group's businesses

Approving the Final Investment Decision for the Mt Holland lithium project and commitment of initial funding

Overseeing management's strategy to accelerate data and digital capabilities including improvements to supply chain systems and processes to accommodate increased demand due to COVID-19 and development of a Group data and digital ecosystem

Reviewing and providing input into the business operations and the strategic plans of each division likely to impact long-term shareholder value creation

Overseeing management's performance in strategy implementation

Overseeing the implementation of strategy to address areas of underperformance and reposition the portfolio to deliver growth in shareholder returns including ongoing changes to the Target and Kmart store networks

Monitoring and evaluating growth opportunities to complement the existing portfolio

Monitoring the Group's operating and cash flow performance, financial position and key metrics, including financial covenants and credit ratings

Reviewing the Group's risk management framework, overseeing the implementation of strategies to improve the Group's risk management framework and monitoring that the Group is operating with due regard to the risk appetite set by the Board

Reviewing and updating the Group's risk appetite statement to reflect new and emerging risks and changing circumstances

Monitoring the Group's safety performance and overseeing implementation of strategies to improve safety performance and enhance workplace safety awareness

Overseeing the Group's remuneration framework and remuneration outcomes for senior management

Reviewing the processes in place to attract, develop, motivate and retain talent














Reviewing and updating policies, reporting and processes to improve the Group's system of corporate governance and compliance

Monitoring the Group's performance on key ESG metrics and overseeing implementation of strategies to improve ESG performance and enhance ESG awareness

Corporate governance overview

The Board skills matrix set out below 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.

David Cheesewright who has extensive experience in international retailing and manufacturing, including 19 years with Walmart, was appointed as an advisor to the Wesfarmers Board in August 2018.

SKILLS AND EXPERIENCE		BOARD
<p>Leadership</p> <p>Experience in a senior management position in a listed company, large or complex organisation or government body.</p>		9
<p>Corporate governance</p> <p>Experience in and commitment to the highest standards of corporate governance, and includes experience as a director or senior executive in a listed company, large organisation or government body.</p>		9
<p>Financial acumen</p> <p>Understanding of financial statements and reporting, key drivers of financial performance, corporate finance and internal financial controls.</p>		9
<p>Risk management</p> <p>Experience in identification, monitoring and management of material financial and non-financial risks and understanding, implementation and oversight of risk management frameworks and controls.</p>		8
<p>Digital, data and technology</p> <p>Experience and expertise in identifying, assessing, implementing and leveraging digital technologies and other innovations, understanding the use of data and analytics and responding to digital disruption.</p>		5
<p>People and culture</p> <p>Experience in overseeing workplace culture, people management, development and succession planning, setting remuneration frameworks and promoting diversity and inclusion.</p>		9
<p>Strategy</p> <p>Experience in corporate planning, including identifying and analysing strategic opportunities and threats, developing, implementing and delivering strategic objectives and monitoring performance against strategic objectives.</p>		9
<p>Corporate transactions</p> <p>Experience in assessing and completing complex business transactions, including mergers, acquisitions, divestments, capital management, major projects and business integration.</p>		7
<p>Retail markets</p> <p>Knowledge and experience in the retail and consumer goods industry, including merchandising, brand development, customer relationships and supply chain.</p>		4
<p>Industrial, resources and infrastructure</p> <p>Senior executive or non-executive director experience and expertise in the industrial, resources or infrastructure sectors, including project construction.</p>		6
<p>Regulatory and public policy</p> <p>Experience in the management and oversight of compliance with legal and regulatory requirements and/or experience in the development, implementation and review of regulatory and public policy, including professional experience working or interacting with government and regulators.</p>		7
<p>Corporate sustainability and community engagement</p> <p>Understanding and experience in sustainability best practices to manage the impact of business operations on the environment and community and the potential impact of climate change on business operations, and expertise in community and stakeholder relations.</p>		8
<p>International experience</p> <p>Experience in international business, trade and/or investment at a senior executive level and exposure to global markets and a range of different political, regulatory and business environments.</p>		8

Corporate governance overview

DIRECTOR INDEPENDENCE

Directors are expected to bring views and judgement to Board deliberations that are independent of management and free of any interest, position, association, 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 of the ASX Principles and the materiality guidelines applied in accordance with Australian Accounting Standards.

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

COMMITTEES OF THE BOARD

The Board has established an Audit and Risk Committee, a Nomination Committee and a Remuneration Committee as standing committees to assist with the discharge of its responsibilities. Details of the current membership and composition of each committee are set out in the 2021 Corporate Governance Statement on the company's website at www.wesfarmers.com.au/cg

ROLE OF THE NOMINATION COMMITTEE

As part of the Nomination Committee's oversight of Board succession planning, it is also 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 ensuring that there is a robust and effective process for evaluating the performance of the Board, its committees and individual non-executive directors. In relation to the re-appointment of a non-executive director, the Nomination Committee reviews the performance of the relevant non-executive director during their term of office and makes recommendations to the Board.

The form of the Board, committee and individual non-executive director performance reviews is considered and determined each year. The outcomes of each Board and committee performance review are discussed by the Board and each respective committee. The outcomes of the performance review for each non-executive director are discussed between the non-executive director and the Chairman (and in the case of the performance review of the Chairman, between the Chairman and a nominated senior director). From time to time, the facilitation process may be facilitated by an external consultant. More details are available in the 2021 Corporate Governance Statement.

KEY FOCUS AREAS OF THE NOMINATION COMMITTEE DURING THE 2021 FINANCIAL YEAR INCLUDED:

Consideration of feedback from major shareholders during the Chairman's Roadshow conducted prior to the 2020 Annual General Meeting

Identifying and considering potential candidates to fill Board vacancies and recommending to the Board candidates for appointment to the Board

Recommending to the Board the process for the Board, committee and individual non-executive director performance reviews

ROLE OF THE REMUNERATION COMMITTEE

Full details of the remuneration paid to non-executive directors and executive key management personnel (KMP), along with details of Wesfarmers' policy on the remuneration of the executive KMP are set out in the remuneration report on pages 94 to 122 of this annual report.

The executive KMP, comprising the Group Managing Director, 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 have a variable or 'at risk' component as part of their total remuneration package via participation in 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, alignment with the Group's values, management of risk in accordance with the Group's risk appetite, 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 2021 financial year have been undertaken. More details about Wesfarmers' performance and development review process for the executive KMP are set out in the 2021 Corporate Governance Statement.

KEY FOCUS AREAS OF THE REMUNERATION COMMITTEE DURING THE 2021 FINANCIAL YEAR INCLUDED:

Reviewing and making recommendations 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 amendments to the KEEPP to improve efficiency

Reviewing and making recommendations to the Board for the vesting outcomes of the 2017 KEEPP Performance Shares based on the assessment of performance against the performance targets

Reviewing and making recommendations to the Board regarding the delegated authority for remuneration-related approvals and reviewing and making recommendations to the Board regarding the Remuneration Committee Charter

Reviewing the succession and transition plans for the Wesfarmers Leadership Team

Reviewing and making a recommendation to the Board on non-executive director fees

Reviewing and monitoring gender pay equity

Corporate governance overview

ROLE OF THE 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, setting, articulating and reviewing the risk appetite of the Wesfarmers Group, and proactively managing the Group's systems of internal control and its financial and non-financial risk management framework in accordance with the Group's purpose, values and strategic direction.

KEY FOCUS AREAS OF THE AUDIT AND RISK COMMITTEE DURING THE 2021 FINANCIAL YEAR INCLUDED:

Monitoring the crisis management responses across the Group resulting from COVID-19 and the identification of risks (current and emerging) and associated mitigation strategies. Key risks considered as part of this included health, safety and wellbeing, global supply chain impact and business continuity

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

Monitoring the Group's information security framework, including data protection management, third-party data risk management and the reporting structure and escalation process on information security risks

Overseeing the payroll assurance and remediation activities of the relevant Group businesses

Monitoring the ethical sourcing of products and services throughout the Group to ensure that there are appropriate safeguards and processes in place

Monitoring the retail shrinkage control measures and reporting procedures in the Group's divisions

Reviewing the Group's risk management framework, overseeing the implementation of strategies to improve the Group's risk management framework and monitoring that the Group is operating with due regard to the risk appetite set by the Board

Reviewing and updating the Group's risk appetite statement to reflect new and emerging risks and changing circumstances

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

Overseeing the Group's compliance program, supported by approved guidelines and standards, covering safety, the environment, legal liability, compliance with key governance policies, whistleblower reporting, information technology, data privacy and human rights

Monitoring compliance with Group policies including the Code of Conduct and reporting processes

Overseeing the development of reporting and limited assurance in relation to emissions reduction and other key ESG matters

Overseeing the Group's internal audit program

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. The lead audit partner is required to rotate after a maximum of five years. Mr Trevor Hammond is the lead audit partner and was appointed on 1 July 2019.

Ernst & Young has provided the required independence declaration to the Board for the financial year ended 30 June 2021. The independence declaration forms part of the directors' report and is provided on page 93 of this annual report.

GOVERNANCE POLICIES

The corporate governance section of the company's website at 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 2021 Corporate Governance Statement.

ETHICAL AND RESPONSIBLE BEHAVIOUR

The Wesfarmers Way is the framework for the company's business model and comprises its values of integrity, openness, accountability and entrepreneurial spirit, details of which are published on the company's website at www.wesfarmers.com.au

The Wesfarmers Way, together with the Code of Conduct and other policies, guide the behaviour of everyone who works at or for Wesfarmers as the company strives to achieve its primary objective. The Board and senior executives of the Group strive to ensure that their own actions and decisions reference and reinforce Wesfarmers' core values.

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 an investor engagement program 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 shareholding information electronically.

Corporate governance overview

RISK MANAGEMENT

Wesfarmers believes that good risk management practice is crucial to effectively managing operations, driving commercial outcomes and ultimately supporting the company's objective of delivering shareholder value over the long term.

Robust, integrated and effective risk management is central to Wesfarmers' broader governance framework and is fully supported by the Board and the Wesfarmers Leadership Team, as demonstrated through its commitment outlined in the Wesfarmers Board approved Risk Management Policy which is available in the corporate governance section of the company's website at www.wesfarmers.com.au/cg

The Board recognises that a values-based culture is fundamental to an effective risk management framework. Wesfarmers, through the Board, instills and promotes a culture which is underpinned by the Wesfarmers Way, including Wesfarmers' core values of integrity, openness, accountability and entrepreneurial spirit.

Wesfarmers' approach to risk management is aligned with the principles and requirements of International Standard ISO 31000:2018 – Risk Management Guidelines and is depicted diagrammatically below. These elements are necessary to support effective risk identification and awareness, and to support appropriate behaviours and judgements about risk-taking within the parameters and risk appetite set by the Board.



Wesfarmers has adopted a three-lines approach to risk management whereby all team members have an important role in the operation of the risk framework. The three-lines approach:

- promotes accountable decision-making; and
- reinforces the responsibility of divisional management and Group management in:
 - identifying, understanding and managing the risks within their respective realms of responsibility; and
 - ensuring that business operations and risk-taking remains within the risk appetite set by the Board, or that appropriate action is taken should they fall outside the risk appetite.

RISK MANAGEMENT FRAMEWORK

The Wesfarmers Risk Management Framework is reviewed on an annual basis by the Board to satisfy itself that it is sound, continues to operate effectively, and that the Group is operating with due regard to the risk appetite set by the Board, or that appropriate action is taken should performance fall outside the risk appetite.

The framework was last comprehensively reviewed in December 2020 following the appointment of the Group Chief Risk Officer. The Group Risk Appetite Statement was reviewed and updated in May 2021 to reflect new and emerging risks and changing circumstances.

DIVERSITY AND INCLUSION

Wesfarmers considers building a diverse and inclusive workforce a key enabler for delivering its objective of satisfactory returns to shareholders. Wesfarmers' customers and stakeholders are diverse and to gain the best insight into their needs and expectations, and how to meet them, diverse and inclusive teams are required. A diversity of perspectives and backgrounds also strengthens creativity in teams. Moreover, creating an environment that attracts, retains, and develops team members with a wide range of strengths and experiences ensures that Wesfarmers is best equipped for future growth.

The Wesfarmers Diversity and Inclusion Policy encourages an inclusive work environment where everybody feels respected and safe at work and includes fostering diversity in all its facets at all levels across the Group.

Further details on diversity and inclusion are set out on page 62 of this annual report and in the 2021 Corporate Governance Statement.

Directors' report

Wesfarmers Limited and its controlled entities

The information appearing on pages 6 to 88 forms part of the directors' report for the financial year ended 30 June 2021 and is to be read in conjunction with the following information:

RESULTS AND DIVIDENDS

Year ended 30 June	2021 \$m	2020 \$m
Profit		
Profit attributable to members of the parent entity	2,380	1,697
Dividends		
The following dividends have been paid by the company or resolved to be paid by the directors since the commencement of the financial year ended 30 June 2021:		
(a) out of the profits for the year ended 30 June 2020 and retained earnings on the fully-paid ordinary shares:		
(i) fully-franked final dividend of 77 cents (2019: 78 cents) per share paid on 1 October 2020 (as disclosed in last year's directors' report)	873	884
(ii) fully-franked special dividend of 18 cents (2019: nil cents) per share paid on 1 October 2020 (as disclosed in last year's directors' report)	204	-
(b) out of the profits for the year ended 30 June 2021 on the fully-paid ordinary shares:		
(i) fully-franked interim dividend of 88 cents (2020: 75 cents) per share paid on 31 March 2021	998	850
(ii) fully-franked final dividend of 90 cents (2020: 77 cents) per share to be paid on 7 October 2021	1,020	873
Capital Management		
The following capital return has been proposed by the directors to be paid during the financial year ended 30 June 2022:		
(i) a capital return of 200 cents (2020: nil) per fully-paid share paid (proposed for payment on 2 December 2021)	2,268	-

PRINCIPAL ACTIVITIES

The principal activities of entities within the consolidated Group during the year were:

- retailing of home improvement and outdoor living products and supply of building materials;
- retailing of general merchandise and apparel products;
- retailing of office and technology products;
- manufacturing and distribution of chemicals and fertilisers;
- industrial and safety product distribution;
- gas processing and distribution; and
- management of the Group's investments.

DIRECTORS

The directors in office at the date of this report are:

- M A Chaney (Chairman)
- R G Scott (Group Managing Director)
- S W English
- W G Osborn
- M Roche
- A Sabharwal
- V M Wallace
- S L Warburton
- J A Westacott

All directors served on the Board for the period from 1 July 2020 to 30 June 2021, except A Sabharwal who was appointed a director of the company on 1 February 2021.

The following directors retired during the year:

- D L Smith-Gander retired as a director of the company on 12 November 2020, at the conclusion of the 2020 Annual General Meeting.

The qualifications, experience, special responsibilities and other details of the directors in office as at the date of this report appear on pages 82 and 83 of this annual report.

Wesfarmers has announced the appointment of A M Watkins and A J Cransberg as directors of the company, with Ms Watkins' appointment effective 1 September 2021 and Mr Cransberg's appointment effective 1 October 2021. Further information on each appointment is available at www.wesfarmers.com.au

Directors' report

Wesfarmers Limited and its controlled entities

Directors' shareholdings

Securities in the company or in a related body corporate in which directors had a relevant interest as at the date of this report are:

	BWP Trust	Wesfarmers Limited
	Units	Shares
M A Chaney	–	87,597
S W English	–	3,399
W G Osborn	–	14,728
M Roche	–	5,000
A Sabharwal	–	1,017
R G Scott*	–	990,495
V M Wallace	–	13,983
S L Warburton	–	7,036
J A Westacott	–	6,788

* R G Scott holds 331,834 Deferred Shares (previously referred to as Restricted Shares) and 201,101 Performance Shares under the Key Executive Equity Performance Plan (KEEPP). Mr Scott also holds 25,774 Performance-tested Shares. For further details, please see the remuneration report on pages 94 to 122 of this annual report.

D L Smith-Gander retired as a director of the company on 12 November 2020, at the conclusion of the 2020 Annual General Meeting. Ms Smith-Gander had a relevant interest in 12,045 shares in Wesfarmers Limited, and held no relevant interests in BWP Trust units as at her resignation date.

Directors' meetings

The following table sets out the number of directors' meetings (including meetings of Board committees) held during the year ended 30 June 2021 and the number of meetings attended by each director.

	Board		Audit and Risk Committee		Remuneration Committee		Nomination Committee	
	Eligible to attend ¹	Attended ²	Eligible to attend ¹	Attended ²	Eligible to attend ¹	Attended ²	Eligible to attend ¹	Attended ²
M A Chaney ³	9	9	–	–	9	9	9	9
S W English	9	9	6	6	–	–	9	9
W G Osborn	9	9	–	–	9	9	9	9
M Roche ⁴	9	9	–	–	9	9	9	8
A Sabharwal ⁵	3	3	3	3	–	–	3	3
R G Scott	9	9	–	–	–	–	–	–
D L Smith-Gander ⁶	4	4	2	2	–	–	5	5
V M Wallace	9	9	–	–	9	9	9	9
S L Warburton ⁷	9	9	6	6	–	–	9	9
J A Westacott	9	9	6	6	–	–	9	9

¹ Number of meetings held while the director was a member of the Board/Committee.

² Number of meetings attended.

³ Notwithstanding he is not a member, M A Chaney attended all meetings of the Audit and Risk Committee held during the year.

⁴ M Roche was granted a leave of absence for one Nomination Committee meeting during the year.

⁵ A Sabharwal was appointed as a director of the company effective 1 February 2021.

⁶ D L Smith-Gander resigned as a director of the company on 12 November 2020, at the conclusion of the 2020 Annual General Meeting.

⁷ Notwithstanding she is not a member, S L Warburton attended all meetings of the Remuneration Committee held during the year.

Directors' report

Wesfarmers Limited and its controlled entities

INSURANCE AND INDEMNIFICATION OF DIRECTORS AND OFFICERS

During or since the end of the financial year, the company has paid premiums in respect of a contract insuring all directors and officers of Wesfarmers Limited and its related entities against certain liabilities incurred in that capacity. Disclosure of the nature of the liability covered by the insurance and premiums paid is subject to confidentiality requirements under the contract of insurance.

In accordance with the company's constitution, the company has entered into Deeds of Indemnity, Insurance and Access with each of the directors of the company. These Deeds:

- indemnify a director to the full extent permitted by law against any liability incurred by the director:
 - as an officer of the company or of a related body corporate; and
 - to a person other than the company or a related body corporate, unless the liability arises out of conduct on the part of the director which involves a lack of good faith;
- provide for insurance against certain liabilities incurred as a director; and
- provide a director with continuing access, while in office and for a specific period after the director ceases to be a director, to certain company documents which relate to the director's period in office.

In addition, the company's constitution provides for the indemnity of officers of the company or its related bodies corporate from liability incurred by a person in that capacity to the full extent permitted by law.

No indemnity payment has been made under any of the documents referred to above during, or since the end of, the financial year.

DIRECTORS' AND OTHER OFFICERS' REMUNERATION

Discussion of the Board's policy for determining the nature and amount of remuneration for directors and senior executives and the relationship between such policy and company performance are contained in the remuneration report on pages 94 to 122 of this annual report.

OPTIONS

No options over unissued shares in the company were in existence at the beginning of the financial year or granted during, or since the end of, the financial year.

COMPANY SECRETARY

Vicki Robinson was appointed as Executive General Manager, Company Secretariat and Company Secretary of Wesfarmers Limited on 2 March 2020. Prior to this, Vicki was General Manager, Legal (Corporate) and has played a key role in many of the Group's key merger and acquisition transactions. Vicki joined Wesfarmers in July 2003 as a Legal Counsel with the Corporate Solicitors Office. In 2007, she moved to the role of General Manager for enGen, and she returned to the Corporate Solicitors Office in 2009. Vicki holds a Bachelor of Laws (Honours) and a Bachelor of Commerce from The University of Western Australia and was admitted to practise as a barrister and solicitor in 1999. Vicki chairs the Advisory Board of the Curtin University Law School, is a member of the Methodist Ladies College Council, and was a director of the Black Swan State Theatre company from 2009 to 2018. She is a Fellow of the Governance Institute of Australia.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Particulars of the significant changes in the state of affairs of the consolidated entity during the financial year are as follows:

- revenue from continuing operations up from \$30,846 million to \$33,941 million
- profit after tax for the year up from \$1,697 million to \$2,380 million. The profit for the year includes \$41 million post-tax restructuring costs in the Kmart Group
- dividends per share of \$1.78 (2020: \$1.70 per share)
- total assets up from \$25,425 million to \$26,214 million
- shareholders' equity up from \$9,344 million to \$9,715 million
- net debt/(cash) up from \$(85) million to \$227 million
- net cash flows from operating activities down from \$4,546 million to \$3,383 million

REVIEW OF RESULTS AND OPERATIONS

The operations, financial position, business strategies and prospects for future financial years of the consolidated entity are detailed in the operating and financial review on pages 14 to 81 of this report.

EVENTS AFTER THE REPORTING PERIOD

The following significant events have arisen since the end of the financial year:

Dividends

A fully-franked final dividend of 90 cents per share resulting in a dividend payment of \$1,020 million was determined with a payment date of 7 October 2021. The dividend has not been provided for in the 30 June 2021 full-year financial statements.

Directors' report

Wesfarmers Limited and its controlled entities

Capital Management

The directors have also recommended a return of capital to shareholders of 200 cents per share. The recommended return of capital is subject to shareholder approval at the 2021 Annual General Meeting on 21 October 2021.

If approved, the total amount of the distribution will be approximately \$2,268 million and will be paid on 2 December 2021. The form of the distribution is dependent on a final ruling by the ATO, but is likely to be entirely capital in nature, with no dividend component. Shareholders will be unable to elect to participate in the Dividend Investment Plan in relation to the capital return.

The distribution has not been provided for in the 30 June 2021 full-year financial statements.

Proposal to acquire Australian Pharmaceutical Industries Limited

On 12 July 2021, Wesfarmers announced that it had submitted a non-binding, indicative offer to acquire 100 per cent of the shares outstanding in Australian Pharmaceutical Industries Limited (API, ASX:API) for \$1.38 cash per share by way of a scheme of arrangement (the Proposal).

The Proposal price corresponds to a total equity value for API of approximately \$687 million. If the transaction proceeds, it will be funded through Wesfarmers' existing balance sheet capacity and debt facilities. The Proposal is conditional upon the satisfaction of conditions including the completion of confirmatory due diligence, entry into a Scheme Implementation Deed, obtaining ACCC clearance, API Board approval and the approval of API shareholders. There is no certainty as to whether the proposed transaction will proceed.

COVID-19

Subsequent to year-end, sales in the Group's retail divisions have been affected by recent lockdowns that have required store closures and restricted trading across multiple regions.

NON-AUDIT SERVICES

Ernst & Young provided non-audit services to the consolidated entity during the year ended 30 June 2021 and received, or is due to receive, the following amounts for the provision of these services:

	\$'000
Tax compliance	752
Other	-
Total	752

The total non-audit services fees of \$752 thousand represents 11.4 per cent of the total fees paid or payable to Ernst & Young and related practices for the year ended 30 June 2021. Total non-audit services fees and other assurance and agreed-upon procedures fees were \$1,452 thousand. Further details of amounts paid or payable to Ernst & Young and its related practices are disclosed in note 29 to the financial statements.

The Audit and Risk Committee has, following the passing of a resolution of the Committee, provided the Board with written advice in relation to the provision of non-audit services by Ernst & Young.

The Board has considered the Audit and Risk Committee's advice, and the non-audit services provided by Ernst & Young, and is satisfied that the provision of these services during the year by the auditor is compatible with, and did not compromise, the general standard of auditor independence imposed by the *Corporations Act 2001* for the following reasons:

- the non-audit services provided do not involve reviewing or auditing the auditor's own work or acting in a management or decision-making capacity for the company;
- all non-audit services were subject to the corporate governance procedures and policies adopted by the company and have been reviewed by the Audit and Risk Committee to ensure they do not affect the integrity and objectivity of the auditor; and
- there is no reason to question the veracity of the auditor's independence declaration (a copy of which has been reproduced on the following page).

Directors' report

Wesfarmers Limited and its controlled entities

The directors received the following declaration from Ernst & Young:



EY
Building a better working world

Ernst & Young
11 Mounts Bay Road
Perth WA 6000, Australia
GPO Box M939 Perth WA 6843

Tel: +61 8 9429 2222
Fax: +61 8 9429 2436
ey.com/au

Auditor's independence declaration to the directors of Wesfarmers Limited

As lead auditor for the audit of the financial report of Wesfarmers Limited for the financial year ended 30 June 2021, I declare to the best of my knowledge and belief, there have been:

- no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Wesfarmers Limited and the entities it controlled during the financial year.

Ernst & Young

T S Hammond

Ernst & Young

T S Hammond
Partner 26 August 2021

A member firm of Ernst & Young Global Limited
Liability limited by a scheme approved under Professional Standards Legislation

ENVIRONMENTAL REGULATION AND PERFORMANCE

The activities of the consolidated entity are subject to environmental regulation by various authorities throughout Australia and the other countries in which the Group operates.

Licences granted to the consolidated entity regulate the management of air and water quality and quantity, the storage and carriage of hazardous materials, the disposal of wastes and other environmental matters associated with the consolidated entity's operations.

During the year there have been no known material breaches of the consolidated entity's licence conditions.

PROCEEDINGS ON BEHALF OF THE COMPANY

No proceedings have been brought on behalf of the company, nor have any applications been made in respect of the company, under section 237 of the *Corporations Act 2001*.

CORPORATE GOVERNANCE

In recognising the need for high standards of corporate behaviour and accountability, the directors of Wesfarmers Limited believe that the governance policies and practices adopted for the year ended 30 June 2021 follow the recommendations contained within the fourth edition of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations. An overview of the company's corporate governance statement can be found on pages 84 to 88 of this annual report. The full corporate governance statement is available in the corporate governance section of the company's website at www.wesfarmers.com.au/cg

CORPORATE INFORMATION

Wesfarmers Limited is a company limited by shares that is incorporated and domiciled in Australia. The company's registered office and principal place of business is Level 14, Brookfield Place Tower 2, 123 St Georges Terrace, Perth, Western Australia.

ROUNDING

The amounts contained in this report and in the financial statements have been rounded to the nearest million dollars unless otherwise stated (where rounding is applicable) under the option available to the company under ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191. The company is an entity to which the instrument applies.

Remuneration report

Message from the Chairman of the Remuneration Committee

Dear Shareholders,

On behalf of the Board, I am pleased to present the 2021 Remuneration Report.

Throughout 2021, the evolving impact of COVID-19 and related state-wide and localised lockdowns (both snap and extended) presented enormous operational challenges and uncertainty for the Group and its executive key management personnel (KMP) to navigate. Despite these challenges and the associated increased costs, our financial results for the year were strong with NPAT, ROE and TSR all increasing for the 2021 financial year. These achievements reflect the agility and resilience of teams throughout the Group, led by the Group Managing Director, Rob Scott, and the executive KMP in managing their response to these ongoing challenges.

Our financial outcomes are particularly pleasing as, in addition to this, we:

- provided support to our team members throughout lockdowns and more recently, the provision of paid leave to receive the COVID-19 vaccination, as well as continued our ongoing commitment to COVID-safe operating practices to ensure the health and wellbeing of team members, customers and suppliers within our workplaces;
- increased the number of team members across the Group, including increasing employment of those identifying as Aboriginal and/or Torres Strait Islander;
- supported and invested in our community and arts partnerships;
- announced our ambitions to reach net zero Scope 1 and 2 carbon emissions and completed the issue of the first sustainability-linked bonds in the Australian market; and
- continued to invest and deliver in our e-commerce capabilities, while leveraging both our online and our bricks and mortar stores to provide great service and experiences for our retail customers.

Our results also reflect the strategic decisions made in respect of Target, and Industrial and Safety, which have seen an improvement in performance following writedowns last year which materially reduced the 2020 Key Executive Equity Performance Plan (KEEPP) awards for all the executive KMP except the Managing Director, Bunnings Group.

Wesfarmers' performance in 2021 and remuneration outcomes

Wesfarmers' strong result for the 2021 financial year was achieved through each of the retail businesses delivering strong sales and earnings growth for the year. The result in Chemicals, Energy and Fertilisers reflected a solid operating performance, and the performance of all business units in the Industrial and Safety division improved during the year.

Consistent with the 2020 financial year, the Board did not adjust the reported financial results for executive remuneration purposes. However, as I noted in the 2020 Remuneration Report, in determining the 2020 KEEPP outcomes, some significant items relating to the restructure of Target were brought forward from the 2021 financial year and these have been excluded from the 2021 targets and results for executive remuneration purposes.

The Board set initial financial targets but resolved to review these towards the end of the half-year when the effect of the COVID-19 pandemic on trading became clearer. Revised financial targets were subsequently established, based on the actual results up to the end of October 2020, resulting in more demanding performance hurdles than those established earlier. The safety targets and individual performance objectives for the annual KEEPP scorecards were set at the outset of the 2021 financial year as per the usual practice.

Following the strong business performance over the 2021 financial year, when considered alongside the individual contributions from each of the executive KMP, the Board has approved above target KEEPP outcomes, as discussed below.

Group Managing Director and Group Chief Financial Officer

For the Group Managing Director and the Group Chief Financial Officer the financial component (being 60 per cent of the potential incentive award, measured against profit and return on equity targets) exceeded the stretch performance targets set by the Board and therefore the maximum KEEPP award was made in respect of this component.

At the same time, management was very effective in continuing to work with all stakeholders to manage the Group through the evolving COVID-19 environment, and generating further success in safety performance, portfolio reshaping and advancing key strategic agendas in digital and data.

The total 2021 KEEPP awards represent 98.3 per cent and 90.8 per cent of the Group Managing Director's and the Group Chief Financial Officer's maximum variable remuneration opportunity respectively.

Divisional executive KMP

The Board awarded KEEPP outcomes for our divisional executive KMP reflecting the financial performance of the specific divisions led by the executives, as well as each executive KMP's individual performance, as described in more detail in section 5.3.

The total 2021 KEEPP awards represent 87.5 per cent and 88.8 per cent of the Managing Director, Bunnings Group and the Managing Director, Kmart Group's maximum variable remuneration opportunity respectively.

Vesting of prior year awards

Following 30 June 2021, the Board assessed the vesting outcomes of the 2017 KEEPP Performance Shares for the Group Managing Director, the Group Chief Financial Officer and the Managing Director, Bunnings Group.

Given the very strong performance of Wesfarmers Limited shares over the four-year performance period, relative to peer companies in the ASX 100, the shares subject to the relative total shareholder return performance conditions vested in full.

The Board also assessed that the Group Managing Director and the Group Chief Financial Officer performed strongly in relation to their individual strategic goals component with this vesting at 85.0 per cent. Further details of these results are provided in section 5.4.

Fixed annual remuneration for executive KMP

No changes were made during the 2021 financial year to the fixed annual remuneration for the executive KMP which has remained unchanged since 2017 (or 2018 in the case of the Managing Director, Kmart Group). The Board has undertaken a review of fixed remuneration and decided to make adjustments for the 2022 financial year from 1 October 2021. Further details are provided in section 5.1.

Operational changes to the KEEPP

Following on from the detailed review of the KEEPP in the 2020 financial year, the Board has made a change to the structure of the program in relation to dividends.

The need for this arises because the majority of the KEEPP awards are provided in quoted Wesfarmers Limited shares which are held in trust (pending vesting/forfeiture) with dividends being held in escrow. The payment of these dividends on unvested shares has led to a misalignment of the payment of the tax on the dividends and receipt of the cash by the participant.

This misalignment has required the release of a portion of the escrowed dividend to fund the associated tax payments. This has led to some criticism that dividends are being released from escrow ahead of vesting outcomes becoming known and also creates inefficient tax outcomes for the company where shares are subsequently forfeited.

In June 2021, the Board amended the KEEPP such that the shares component, from the 2021 award onwards, will be satisfied in unquoted Wesfarmers shares. These are identical to other ordinary Wesfarmers shares except that they are unquoted and the payment of dividends during the vesting period is delayed until either the shares vest (with the dividends paid to the participant) or upon forfeiture (with the dividends paid to the trustee). This means no component of any dividend will be paid to the executive KMP unless and until the vesting outcome is known as well as removing any tax inefficiency to the company in the event of forfeiture.

In addition to the change above, the financial targets for the KEEPP (in both the annual scorecard and the Performance Shares) have been changed to reflect the changes to reported results following the introduction of AASB 16 Leases. For example, we now use EBT rather than EBIT with ROC measured as divisional EBT divided by divisional rolling 12 months capital employed, where capital employed excludes right-of-use assets and lease liabilities.

Non-executive director fees

The main Board fees remained unchanged since 1 January 2017. In December 2020, the Board reviewed the fees payable to the non-executive directors having regard to benchmark data, market position and relative fees. Following this review, the Board increased the annual Board member fee by \$10,000 to \$240,000. No changes were made to the fees for the Chairman or for membership of any of the Committees. Further information is set out in section 6.

Thank you for your continued support of Wesfarmers. We look forward to our ongoing engagement with you and sharing in the company's future success.



MIKE ROCHE

— Chairman, Remuneration Committee

Remuneration report (audited)

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1. 2021 KEY MANAGEMENT PERSONNEL

The key management personnel (KMP) include the directors of Wesfarmers Limited and the executive KMP (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 KMP for the 2021 financial year are as follows:

Current directors

Michael Chaney AO	These directors were members of the Board of Wesfarmers Limited throughout the whole of the 2021 financial year.
Wayne Osborn	
Vanessa Wallace	
Jennifer Westacott AO	
The Right Honourable Sir Bill English KNZM	
Mike Roche	
Sharon Warburton	
Anil Sabharwal	Mr Sabharwal became a member of the Board of Wesfarmers Limited on 1 February 2021.

Former director

Diane Smith-Gander AO	Ms Smith-Gander retired from the Board of Wesfarmers Limited on 12 November 2020.
-----------------------	---

Current executive KMP

Rob Scott, Group Managing Director	These executive KMP held their positions throughout the whole of the 2021 financial year.
Anthony Gianotti, Group Chief Financial Officer	
Ian Bailey, Managing Director, Kmart Group	
Michael Schneider, Managing Director, Bunnings Group	

Remuneration report (audited)

2. OVERVIEW OF GROUP PERFORMANCE

Wesfarmers recorded a strong result for the 2021 financial year, with all businesses responding well to changing operating conditions and the challenges presented by COVID-19. The Group's businesses continued to focus on providing a COVID-safe environment and the strong result reflects ongoing efforts to invest in building trust and deeper customer relationships by providing greater value, quality and convenience during a period of uncertainty and disruption.

Bunnings, Kmart Group and Officeworks delivered strong sales and earnings growth for the year. While customer demand remained resilient, sales growth in Bunnings, Officeworks and Catch moderated from mid-March as the businesses began to cycle elevated demand following the onset of COVID-19 in the prior year. The result in Chemicals, Energy and Fertilisers reflected a solid operating performance, and the performance of all business units in the Industrial and Safety division improved during the year.

The Group reported statutory NPAT of \$2,380 million for the 2021 financial year. NPAT from continuing operations, excluding significant items was \$2,421 million. For the purpose of assessing executive KMP KEEPP outcomes in the 2021 financial year, the Board used \$2,421 million. The reason for this was that these significant items related to the restructure of Target which were known and factored into the outcomes for the 2020 financial year (resulting in the executive KMP receiving lower KEEPP awards than they otherwise would have).

Five-year statutory results

Financial year ended 30 June (as reported) ¹	2017	2018	2019	2020	2021
Net profit after tax (NPAT) (\$m)	2,873	1,197	5,510	1,697	2,380
NPAT (excluding significant items) (\$m)²	2,873	2,772	2,339	2,075	2,421
Return on equity (ROE) (rolling 12 months) (%)³	12.4	5.2 ⁴	38.7 ^{4,5}	17.8 ⁴	25.8 ⁴
ROE (excluding significant items) (rolling 12 months) (%)²	12.4	11.7	19.2	22.1	26.1
Earnings per share (EPS) (cents)	254.7	105.8 ⁴	487.2 ⁴	150.0 ⁴	210.4 ⁴
EPS (excluding significant items) (cents)²	254.7	245.1	206.8	183.4	214.1

¹ The Group applied AASB 16 Leases (AASB 16) from 1 July 2019 using the modified retrospective approach. Under this approach, comparatives were not restated.

² These are considered non-IFRS measures. 2021 post-tax significant items include restructuring costs of \$41 million in the Kmart Group. 2020 post-tax significant items include the gain on sale of Wesfarmers' 10.1 per cent interest in Coles Group Limited (Coles) completed in February 2020 (4.9 per cent) and March 2020 (5.2 per cent) of \$203 million, gain from revaluation of the retained Coles investment of \$154 million and the benefit from the finalisation of tax positions on prior year disposals of \$83 million, offset by the \$298 million non-cash impairment of the Industrial and Safety division, and the \$520 million non-cash impairment of the Target brand name and other assets and associated restructuring costs and provisions in the Kmart Group. 2019 post-tax significant items include \$2,264 million gain on demerger of Coles, \$645 million gain on sale of Bengalla, \$244 million gain on sale of KTAS, \$120 million gain on sale of Quadrant Energy, partially offset by a \$102 million provision for supply chain automation in Coles. 2018 post-tax significant items include impairments of \$1,323 million relating to BUKI and Target, as well as the \$375 million loss on sale of BUKI and \$123 million gain on sale of Curragh Coal Mine. The Board exercises its discretion in determining whether these significant items are adjusted for when determining remuneration outcomes.

³ This is considered a non-IFRS measure.

⁴ 2018, 2019, 2020 and 2021 EPS and ROE include the items outlined in footnote 2 above.

⁵ 2019 ROE was 17.7 per cent when adjusted to remove the increase in the ROE as a result of the Coles demerger.

Five-year shareholder returns

Financial year ended 30 June (as reported)	2017	2018	2019	2020	2021
Total dividends per share (declared/determined) (cents)	223	223	278 ⁴	170 ⁵	178
Closing share price (\$ as at 30 June)¹	40.12	49.36	36.16	44.83	59.10
Adjusted closing share price (\$ as at 30 June)²	28.66	35.26	36.16	44.83	59.10
Five-year rolling Total Shareholder Return (% per annum)³	11.3	9.8	9.8	15.9	21.5
ASX 100 five-year rolling Total Shareholder Return (% per annum)³	12.1	9.8	8.9	5.8	11.2

¹ The opening share price on 1 July 2016 was \$40.20.

² The adjusted closing share price for 2017 and 2018 excludes the proportional impact of the Coles demerger, based on the volume-weighted average share price of Coles Group Limited on the first five days of trading post-listing. The adjusted opening share price on 1 July 2016 was \$28.71.

³ Source: Bloomberg.

⁴ 2019 total dividends per share includes the 100 cent special dividend.

⁵ 2020 total dividends per share includes the 18 cent special dividend reflecting the distribution of profits on the sale of the 10.1 per cent interest in Coles.

Remuneration report (audited)

3. REMUNERATION GOVERNANCE

3.1 Role of the Board

The Board is responsible for setting remuneration policy and determining non-executive director, executive director and executive KMP remuneration and ensuring that policy is aligned with the Group's purpose, values, strategic objectives, and risk management framework. In addition, the Board is responsible for approving the remuneration of and overseeing the performance review of the Group Managing Director and approving all targets and performance conditions set under the executive KMP variable remuneration framework, being the Key Executive Equity Performance Plan (KEEPP).

The Board delegates responsibility to the Remuneration Committee for reviewing and making recommendations to the Board on these matters. The Board has powers under the terms of the Group's incentive plans to calculate the achievement of performance conditions, including to decrease or increase variable remuneration outcomes, and make malus or clawback adjustments. The Board may exercise these powers when approving variable remuneration award outcomes to ensure that they are fair and reasonable and may use this discretion to decrease or increase the outcome as it considers appropriate.

The Board has regular meetings with each of the executive KMP during the year to discuss ongoing performance.

3.2 Role of the Remuneration Committee

The Remuneration Committee makes recommendations to the Board regarding all aspects of executive KMP remuneration. This includes making recommendations in relation to the targets (including threshold and stretch performance targets) to be included in the KEEPP scorecards and in relation to setting performance conditions that attach to Performance Shares (both the financial conditions and the other non-financial performance conditions). As part of setting performance conditions on the Performance Shares for the divisional managing directors, the Remuneration Committee makes recommendations to the Board on whether the conditions should be set at a divisional or business level. The Group Managing Director provides updates and makes recommendations to the Remuneration Committee on these matters in relation to his direct reports throughout the year. The Group Managing Director provides formal updates to the Remuneration Committee on a six-monthly basis. To inform the Board and Remuneration Committee, and to assist with their decision-making processes, additional information and data is sought from management and remuneration consultants, as required.

The Audit and Risk Committee Chairman attends the Remuneration Committee meetings and is formally involved in the remuneration outcome recommendations, ensuring that there is a tight linkage between behaviour, risk management and remuneration outcomes.

Further information regarding the objectives and role of the Remuneration Committee are contained in its charter, which is available in the corporate governance section of the company's website at www.wesfarmers.com.au/cg. During the 2021 financial year, the Remuneration Committee charter was reviewed and updated by the Board.

3.3 Culture and risk management

The Board believes that embedding the right culture and ensuring that the Group operates within effective risk management protocols are enablers of strategic execution over the long term. Wesfarmers considers that it can only achieve its primary objective of generating satisfactory returns for shareholders over the long term by: looking after its team members, customers and suppliers; taking care of the environment and making sure that the Group is environmentally conscious in all of its activities; by acting ethically and honestly in all of its dealings; and by making meaningful contributions to the communities in which the Group operates.

The Board, in consultation with the Audit and Risk Committee, considers these principles in setting the executive KMP remuneration framework, which in turn has a positive impact upon the Group and therefore shareholder outcomes. This includes overseeing that executive KMP remuneration outcomes are aligned with the Board's approach to risk management.

Fixed remuneration levels are set so as to sufficiently reward the executive KMP for performing the key requirements of their roles, having regard to the competitive environment for talent and other internal and external factors.

In the annual KEEPP scorecards, the financial and safety measures and the individual performance objectives set by the Board are designed to drive strategic outcomes that benefit the Group and its shareholders. This includes setting the levels for threshold performance, target performance and stretch performance. The maximum outcome under the KEEPP scorecards can only be achieved if all of the financial and safety measures and the individual performance objectives are assessed at stretch performance and the Board judges this outcome to be fair and reasonable. Section 5.3 contains further information on the KEEPP scorecards for the 2021 financial year.

Targets set by the Board are assessed to be suitably risk-adjusted in accordance with the risk management framework so as to avoid unnecessary customer, team member or financial risk in the pursuit of the KEEPP outcomes. In assessing the annual KEEPP scorecards, the Board also considers how the outcomes have been achieved, for example, through the demonstration of behaviours aligned with appropriate ethics, values and culture, including a focus on team member safety and wellbeing, and consideration of any actions impacting Group reputation.

3.4 Responsibility for determining remuneration of non-executive directors

The Board is responsible for assessing non-executive director fees, assisted by the Remuneration Committee. Each year the non-executive director fees, including committee fees, are benchmarked externally against Australian companies of a comparable size and complexity. In the event of any proposed increase in fees, including committee fees, a reasonableness opinion is obtained from an external remuneration consultant. The Remuneration Committee and the Board (or only the Board if this relates to Remuneration Committee fees) consider this benchmarking and external remuneration consultant opinion, along with other factors such as the reasonableness of any change to the fees in the context of the external environment and any regulatory changes impacting Board accountability, before proposing any increase in fees. See section 6 for further information on non-executive director remuneration.

3.5 Use of remuneration consultants

No remuneration recommendations as defined in section 9B of the *Corporations Act 2001* were obtained during the financial year ended 30 June 2021.

Executive remuneration

4. EXECUTIVE KMP REMUNERATION FRAMEWORK AND POLICY

Wesfarmers' primary objective is to provide satisfactory returns to shareholders over the long term. The guiding remuneration principles are focused on driving leadership performance and behaviours consistent with this objective, as well as with the Wesfarmers Way (as explained on page 15 of this annual report) and the Group's overall strategies.

Our guiding remuneration principles

1	Attract, motivate and retain world-class talent and outstanding people to drive outcomes
2	Align executive and stakeholder interests through share ownership while strengthening focus on Group results through awards of long-term, at-risk deferred equity
3	Be transparent and fit for purpose, recognising our autonomous operating model by linking rewards to the achievement of objectives for which executives are directly accountable and responsible while retaining a direct link to Group performance
4	Recognise and reward high performance with a strong focus on the long term
5	Align effective risk management and demonstration of appropriate behaviours, ethics and values with rewards
6	Drive strategic achievement which aligns with long-term shareholder interests

(a) Remuneration framework

The remuneration framework for the executive KMP comprises fixed annual remuneration (FAR) and variable at-risk remuneration (through participation in the KEEPP). Total remuneration is set at a competitive level to attract, retain and engage key talent, with FAR set at a level that is appropriate for the requirements of the role.

Fixed annual remuneration

FAR comprises salary and other benefits (including statutory superannuation). FAR, along with the other elements of executive remuneration, including total remuneration and each component of remuneration, is benchmarked to our external peers and levels vary between the executive KMP. FAR for each executive KMP is based upon: role and responsibility; business and individual performance; internal and external relativities; and contribution, competencies and capabilities. FAR is not varied by reference to inflation or indexation as a matter of course. Changes are based on merit, a material change in role or responsibility, the market rate for comparable roles varying materially, or as a result of internal relativities, while protecting the significant investment of Wesfarmers in developing its key talent.

Variable remuneration - KEEPP

Opportunity

The KEEPP is a single total incentive established for each executive KMP, with each cycle operating over seven years.

The quantum of the KEEPP award is determined against an individually personalised 12-month scorecard, split into financial performance measures, individual performance objectives and safety performance measures, weighted 60 per cent, 30 per cent and 10 per cent respectively. The scorecard sets out the threshold, at target and stretch level of performance required for each measure.

The Remuneration Committee and the Board set the scorecards at the beginning of the financial year following consultation with the Group Managing Director (however the Group Managing Director is not involved in setting his own KEEPP scorecard). The KEEPP award can vary up to a maximum of 300 per cent of FAR and is delivered through up to three vehicles. See section 5.3 for further information on the KEEPP scorecards.

Delivery vehicles

Cash: There is no cash component for the Group Managing Director and the Group Chief Financial Officer, with their awards delivered solely in equity. For the other executive KMP, cash is zero for awards at or below 100 per cent of FAR. For awards above this level, a maximum of 30 per cent of FAR may be awarded in cash (down from 35 per cent in 2020).

Equity: KEEPP equity awards are delivered as long-dated equity, with the 'at target' awards split equally between Deferred Shares and Performance Shares.

Deferred Shares are restricted up to a total of six years once granted and can be subject to additional conditions if set by the Board at allocation.

Performance Shares are subject to further performance conditions over a future four-year performance period. The Board has discretion to adjust the performance conditions in appropriate circumstances, so that participants are not unfairly advantaged or disadvantaged.

Where the KEEPP scorecard process results in an allocation of Performance Shares lower than 100 per cent of FAR (or 85 per cent of FAR for the divisional managing directors), additional Performance Shares (which vest only to the extent the performance conditions are met over the following four years) will be allocated to achieve that level. This aims to ensure variable remuneration is less dependent on performance over the initial 12-month period and more tied to performance over time.

Determining outcomes

The financial and safety performance measures are assessed after the preparation and audit of the relevant results each year. The individual performance component is simultaneously assessed after a review against the individual performance objectives set. If performance against any measure or objective is assessed as below threshold, no outcome is awarded for that measure or objective.

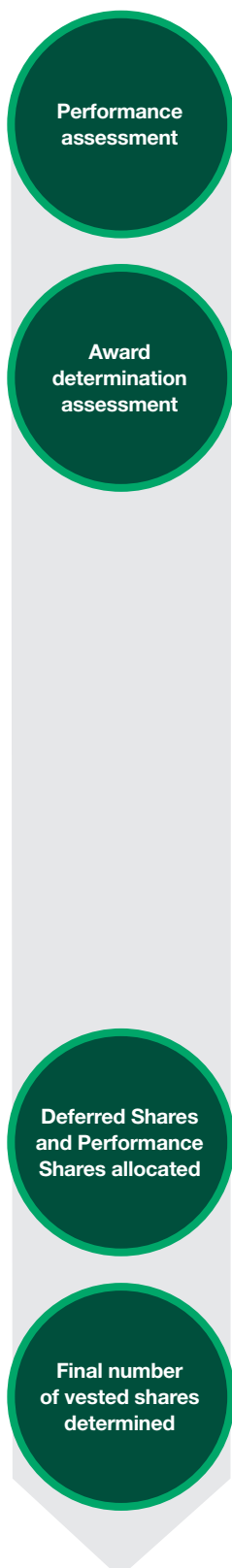
Board consideration of other factors

The last step in determining the outcome is calibration by the Board of the scorecard result and of the personal performance and behaviours of each participant alongside the consideration of whether the calculated outcome is fair and reasonable, including that it is not inappropriate or simply formulaic.

Remuneration report (audited)

(b) KEEPP life cycle

The chart below shows the life cycle for each element of the KEEPP. The 2020 KEEPP award follows this life cycle and was awarded in the 2021 financial year, based on performance in the 2020 financial year. For further information on the timing for the 2020 KEEPP award, see section 5.7(a).



• 12-month period (July to June)

Performance of each member of the executive KMP is assessed over the 12-month performance period ending 30 June against a scorecard that has financial measures (60 per cent weighting), individual performance objectives specific to the role (30 per cent weighting) and safety measures (10 per cent weighting).

If the assessment determines that performance on any measure is below threshold, the amount of the award for that measure is zero. If performance for a measure is assessed at threshold, then the award is 50 per cent of the target opportunity for that measure. If performance for a measure is assessed as at or above threshold, there is a straight-line calculation up to the target level and then a straight-line calculation up to the maximum level. The target opportunity across all measures is 200 per cent of FAR and the maximum award opportunity is 300 per cent of FAR.

Once the scorecard is assessed and the award amount is calculated, the Board then considers whether the proposed award is fair and reasonable in the circumstances. This assessment is a deliberate exercise of Board discretion to determine whether modifiers should decrease or increase the amount of the award. KEEPP awards are then delivered as follows:

- **Cash:** The Group Managing Director and the Group Chief Financial Officer receive 100 per cent of their KEEPP awards in equity and are not eligible to receive any cash under the KEEPP. For the other executive KMP, the amount of the cash component is zero where the award is equivalent to or below 100 per cent of FAR. An award above that level is paid in cash up to a maximum of 30 per cent of FAR, with the remainder delivered in equity. Any cash is generally paid in August, following the release of Wesfarmers' full-year results.
- **Equity:** Equity is allocated equally in Deferred Shares and Performance Shares at no cost to participants. The number of shares allocated is determined using a face value calculated based upon the 10-day, volume-weighted average price (VWAP) of Wesfarmers shares typically over the period following the full-year results announced in August of that year. In the 2021 financial year, the Board approved the 10-day period should not include shares trading both cum and ex dividend. Where required, the 10-day period will be delayed to include shares trading ex dividend only. This will apply for the 2021 KEEPP award onwards. The allocation of equity generally occurs shortly after the Annual General Meeting.

To reduce dependence on performance over the initial 12-month period, where the scorecard process results in an allocation of Performance Shares lower than 100 per cent of FAR (or 85 per cent of FAR for the divisional managing directors), additional Performance Shares (which vest only to the extent they meet the performance conditions over the following four years) will be allocated to achieve that level.

• Deferred Shares: 12-month forfeiture and four-, five- and six-year trading restrictions

Deferred Shares: Deferred Shares are subject to a 12-month service condition (the forfeiture period) and any additional conditions that may be set by the Board at the date of allocation and are subject to trading restrictions for four, five or six years. Deferred Shares are held in trust and can only be transferred to the executive KMP once all trading restrictions and any other conditions are met. For the 2020 Deferred Shares, one-third will be released from the trading restriction in August 2024, one-third will be released in August 2025 and the remainder released in August 2026.

• Performance Shares: four-year performance period

Performance Shares: Performance Shares remain at risk and will vest only to the extent further performance conditions are met when tested over a future performance period. Performance Shares are held in trust and can only be transferred to the executive KMP once vested. The 2020 Performance Shares will be performance tested over a four-year performance period ending 30 June 2024, against role-specific performance conditions. The Performance Shares will only vest to the extent that these performance conditions are met.

- **All vesting conditions are complete on the equity after four years and all trading restrictions have ended after six years under each KEEPP award**

Remuneration report (audited)

(c) Remuneration mix

The charts below show each component of the remuneration framework for the executive KMP as a percentage of total remuneration.

Group Managing Director and Group Chief Financial Officer

Total target remuneration



● Fixed annual remuneration	33.3%
● At-risk remuneration	66.7%
● KEEPP Performance Shares	33.35%
● KEEPP Deferred Shares	33.35%

Total maximum remuneration



● Fixed annual remuneration	25.0%
● At-risk remuneration	75.0%
● KEEPP Performance Shares	37.5%
● KEEPP Deferred Shares	37.5%

Divisional managing directors

Total target remuneration



● Fixed annual remuneration	33.3%
● At-risk remuneration	66.7%
● KEEPP Performance Shares	28.35%
● KEEPP Deferred Shares	28.35%
● KEEPP Cash	10.0%

Total maximum remuneration



● Fixed annual remuneration	25.0%
● At-risk remuneration	75.0%
● KEEPP Performance Shares	33.75%
● KEEPP Deferred Shares	33.75%
● KEEPP Cash	7.5%

5. EXECUTIVE KMP REMUNERATION

5.1 Fixed annual remuneration

2021 financial year

After consideration, the Board made no changes to fixed remuneration for any member of the executive KMP in the 2021 financial year.

2022 financial year

In July 2021, the Board undertook a review into the remuneration for the executive KMP. Following this review the Board concluded there was a need to increase the FAR for the Group Chief Financial Officer, Managing Director, Kmart Group and Managing Director, Bunnings Group and these changes were approved in July 2021, to take effect from 1 October 2021. These increases are the first changes in FAR for the executive KMP since 2017 other than for the Managing Director, Kmart Group who received an increase in FAR upon his appointment in November 2018. There is no change to the FAR for the Group Managing Director.

The Board considered each executive KMP's performance and leadership since appointment to their role, the strong company performance delivered and the shareholder value created, the competitiveness of each remuneration package and the increases in fixed remuneration provided to other team members across the Group over the preceding four-year period. In addition, the Board acknowledges that the variable remuneration opportunity under the KEEPP is lower in comparison to some peer companies, and is delivered in long-dated equity, has no cash component for the Group Managing Director and the Group Chief Financial Officer and a smaller cash component for the other executive KMP. Further, the Board also acknowledges that the KEEPP is subject to more rigorous testing than most other plans in the market (with the initial award determined by annual performance and then at least half of the equity subject to further performance conditions over the following four years). After considering these factors, the Board firmly believes these increases are justified and in the best interests of the company, and therefore shareholders.

The Board approved the following FAR increases for the executive KMP:

- Mr Gianotti's FAR will increase from \$1,350,000 to \$1,450,000 per annum;
- Mr Bailey's FAR will increase from \$1,350,000 to \$1,550,000 per annum; and
- Mr Schneider's FAR will increase from \$1,500,000 to \$1,700,000 per annum.

Remuneration report (audited)

5.2 2021 KEEPP award outcomes

The 2021 KEEPP award outcomes relate to performance from 1 July 2020 to 30 June 2021. The table below sets out specific information relating to the actual award outcomes for the 2021 financial year.

Name	Balance available			Percentage of maximum 2021 KEEPP opportunity awarded %	Percentage of maximum 2021 KEEPP opportunity forfeited %
	for Deferred Shares (\$)	for Performance Shares (\$)	for cash award (\$)		
R G Scott	3,684,701	3,684,701	Not eligible	98.3	1.7
A N Gianotti	1,837,864	1,837,864	Not eligible	90.8	9.2
I Bailey	1,596,375	1,596,375	405,000	88.8	11.2
M D Schneider	1,743,750	1,743,750	450,000	87.5	12.5

The cash component for the 2021 KEEPP award is expected to be paid to eligible divisional managing directors on 30 August 2021. The Deferred Shares and Performance Shares are expected to be allocated in December 2021 once performance conditions are set. Details of these equity grants will be provided in the 2022 Remuneration Report.

5.3 Details of the 2021 KEEPP annual scorecards

The 2021 KEEPP scorecards comprise financial measures, individual performance objectives relevant to the role of each executive KMP and safety measures. Scorecard financial targets are set in relation to the annual budgets and the safety targets are generally based upon an improvement on the previous year's result. Individual performance objectives are customised based upon the participant's role and the specific circumstances and strategic priorities of the Group and/or division, as appropriate. Where the Board considers it appropriate to do so, the scorecard targets will be adjusted so that participants are not unfairly advantaged or disadvantaged, for example, following portfolio management activity.

Given the high levels of uncertainty surrounding business performance as a result of the COVID-19 pandemic at the time the relevant budgets were set for the 2021 financial year, the Board set initial financial targets based on those budgets but determined that the 2021 KEEPP scorecard financial targets would be revisited around mid-financial year when there was expected to be more visibility of the impact of COVID-19. This enabled the Board to set more meaningful KEEPP scorecard targets for the 2021 financial year and this resulted in a more demanding level of performance. The safety targets and individual performance objectives were set at the outset of the 2021 financial year as per the usual practice.

The Board approved the 2021 KEEPP scorecard financial targets in early December 2020. At the time of the approval, the Group's businesses had experienced significant disruptions and volatility in trading since the beginning of the financial year and it was far from clear how the balance of the year would unfold. For example, the Group had experienced both temporary and extended trading restrictions across different regions including ongoing domestic border closures, significant supply chain disruption and increased costs, higher operational costs associated with COVID-safe practices and other unbudgeted costs including wage and leave support to team members. Despite these headwinds, year-to-date trading results were above budget at that time, owing to increased retail spending generally and management's success in positioning the Group in the COVID-19 environment. Considering these factors and the updated estimates of full-year 2021 financial outcomes given an expected moderation in trading conditions over the balance of the year, the Board approved wider threshold and stretch performance ranges to apply to the financial measures for the executive KMP where considered appropriate, with, as mentioned above, on-target performance for each measure set higher than the level previously approved in the 2021 financial year budget.

Financial measures (60 per cent weighting)

Group NPAT and ROE were chosen for the Group Managing Director and the Group Chief Financial Officer because they reflect how Wesfarmers uses capital to generate earnings, manages total costs within the business and ultimately generates a profit to provide shareholder returns. Group NPAT and ROE performance is assessed following the preparation and audit of the annual financial statements. Group NPAT and ROE are adjusted, where the Board considers it appropriate, to ensure participants are not unfairly advantaged or disadvantaged, for example, following portfolio management activity.

Divisional financial measures of EBT, ROC (calculated as divisional EBT divided by divisional rolling 12 months capital employed, where capital employed excludes right-of-use assets and lease liabilities), sales growth and, where applicable, gross transaction value (GTV), were chosen for the divisional managing directors because they are key financial measures directly linked to accountability at a divisional level that align with the Group financial measures and drive successful and sustainable financial business outcomes. Divisional performance is also assessed following the preparation and audit of the annual financial statements. Similar to Group NPAT and ROE, divisional financial measures are adjusted, where the Board considers it appropriate, to ensure participants are not unfairly advantaged or disadvantaged, for example, following portfolio management activity.

Individual performance objectives (30 per cent weighting)

The individual performance objectives are split into two categories, comprising business enhancing objectives with 20 per cent weighting, and sustainability objectives, including reputation, risk management, people and culture, and climate change-related initiatives, with 10 per cent weighting. The individual performance objectives were chosen because they are key areas in enabling the Group to achieve its primary objective of generating satisfactory returns to shareholders over the long term. Focusing on the strategic priorities set as objectives within the KEEPP scorecards will enable our divisions to retain and improve their leading positions in their respective markets as well as generating long-term growth. Progress against the individual performance objectives is assessed by the Board following a review of performance against the individual performance objectives by the Group Managing Director or Chairman, as appropriate, as part of the performance review cycle.

Business enhancing objectives and strategies are designed to maximise business and growth opportunities over the long term, with a strong focus on digital and data capabilities and channels. For businesses undergoing a turnaround, the business enhancing objectives focus on key milestones. Examples of business enhancing objectives include assessing growth and investment opportunities, deepening digital and data analytics capability with demonstrated outcomes and operational optimisation projects.

Remuneration report (audited)

Sustainability objectives provide a focus on the Group's licence to operate and include several interrelated areas, for example, Group-wide sustainability initiatives such as emissions reduction targets and operational risk controls, including cyber security. Diversity, including gender balance, remains a focus as Wesfarmers recognises the importance and value of diverse teams throughout its businesses.

Safety (10 per cent weighting)

Safety performance is measured through the total recordable injury frequency rate (TRIFR) at the Group or divisional level, as relevant to the executive KMP, and was chosen to reflect the Group's relentless focus on providing safe workplaces for all team members, in addition to the priority placed on the health and safety of the Group's customers and the community. TRIFR performance is assessed following completion of the annual sustainability assurance process.

2021 KEEPP scorecard				
2021 KEEPP scorecard assessment		+	Consideration of other factors	= Outcome and delivery
Financial measures (60% of target)	Individual performance objectives (30% of target) Safety (10% of target)			
<p>Group Managing Director Group Chief Financial Officer</p> <ul style="list-style-type: none"> Group NPAT and ROE <p>Threshold performance is required for both Group NPAT and ROE before any award is made in respect of the financial measures.</p> <p>Divisional managing directors</p> <ul style="list-style-type: none"> EBT and ROC¹ Sales growth Divisional specific measures (<i>Kmart Group only</i>) <p>Threshold performance is required for both EBT and ROC¹ before any award is made in respect of these measures.</p> <p>Threshold EBT performance is also required before any award is made in respect of sales growth.</p> <p><i>The Managing Director, Kmart Group also has a measure in relation to Catch GTV. A threshold level of performance is required for Catch EBT and the customer lifetime value to cost per acquisition (CLV/CPA) ratio before any award is made in respect of GTV.</i></p>	<p>Individual performance objectives specific to the role of each executive KMP, where applicable:</p> <ul style="list-style-type: none"> Business enhancing objectives, including business growth, data and digital initiatives, and turnaround/newly acquired businesses Sustainability objectives, including reputation, risk management, people and culture, and climate change-related initiatives <p>Safety:</p> <ul style="list-style-type: none"> Group or divisional TRIFR <p>Threshold performance for TRIFR is generally set based on the previous year's result. No award will be made in respect of the relevant safety measure if there is a fatality or a critical risk failure within a managed entity.</p>		<ul style="list-style-type: none"> Remuneration Committee and Board, with input from the Audit and Risk Committee, evaluation of each executive KMP's performance and behaviours, including whether any modifiers should apply to the award External environment and impact The Board considers whether the outcome is fair and reasonable, not inappropriate or simply formulaic 	<p>The maximum opportunity available is 300 per cent of FAR. Where the scorecard results in an allocation of Performance Shares lower than 100 per cent of FAR for the Group Managing Director or the Group Chief Financial Officer, or 85 per cent of FAR for the divisional managing directors, additional Performance Shares (subject to performance conditions over the following four years) will be allocated to achieve that level.</p> <p>The minimum KEEPP award level can still be zero per cent of FAR if the Board determines this to be appropriate when considering other factors.</p> <p>Final approved KEEPP outcomes are delivered as follows:</p> <p>Group Managing Director Group Chief Financial Officer</p> <ul style="list-style-type: none"> Deferred Shares Performance Shares <p>Divisional managing directors</p> <ul style="list-style-type: none"> Up to 30% of FAR in cash <p><i>After cash</i></p> <ul style="list-style-type: none"> Deferred Shares Performance Shares

¹ ROC is calculated as divisional EBT divided by divisional rolling 12 months capital employed, where capital employed excludes right-of-use assets and lease liabilities.

In assessing performance against the scorecards, the Board considers the behaviours demonstrated by each executive KMP and, if the Board considers it appropriate, the outcome is reduced or modified. This includes, for example, behaviours in relation to risk management and demonstration of appropriate ethics, values and culture, actions negatively impacting the Group's reputation, and team member safety and wellbeing. Further, the Board considers whether the calculated outcome is fair and reasonable, and may decrease or increase the outcome where appropriate.

The results of the performance against the annual scorecard and final outcome for each of the executive KMP for the 2021 KEEPP allocation are outlined on the following pages. In assessing the performance of executive KMP through the year, the Board considered the impact of COVID-19 on financial results and management's response to the significant changes in operating environment through the year. No adjustments were made to the reported financial results for executive remuneration purposes. COVID-19 presented various unforeseen challenges to businesses including additional operating costs, restrictions to trade and lockdowns and availability of inventory. The retail divisions benefited from stronger consumer demand and adapted their customer offering in order to service this demand. Management demonstrated a very pleasing response to the challenges associated with COVID-19 as evident through positive operational and financial outcomes while also providing significant support to team members, customers and community partners.

Remuneration report (audited)

Rob Scott – Group Managing Director, Wesfarmers Limited

2021 Performance highlights

Financial (60% weighting)

Outcome: 180% of FAR (Maximum opportunity: 180% of FAR)

Mr Scott's financial targets were as follows:

- Group NPAT: \$1,987.0m
- Group ROE: 21.5%

Threshold performance was set at 92.5% of target and stretch performance would be achieved at 110% of target (consistent with the prior year).

- The Group achieved reported Group NPAT (excluding significant items) of \$2,421.1m and reported ROE (excluding significant items) of 26.1%. Following strong performance of the Group over the 2021 financial year, both Group NPAT and ROE were above the stretch performance target set by the Board. As a result, Mr Scott achieved the maximum 2021 KEEPP outcome on financial measures.
- The Board is very pleased with Mr Scott's performance and his leadership of the Group in achieving the financial results, given the continuing external challenges during a period of ongoing disruption.

Safety (10% weighting)

Outcome: 25% of FAR (Maximum opportunity: 30% of FAR)

Group TRIFR target: 9.88

- The Group TRIFR result was 9.56. There were no fatalities and no critical risk failures across managed entities and therefore the gateway on payment for this measure was met.
- The safety and wellbeing of all team members across the Group continues to be the highest priority. An 8% improvement on last year's TRIFR result was achieved throughout the year, reflecting the ongoing efforts to provide a safe environment for our team members. Also of note was the strong focus across the Group to implement COVID-safe operating practices and to provide additional support to team members through the COVID-19 pandemic.

Business enhancing (20% weighting)

Outcome: 60% of FAR (Maximum opportunity: 60% of FAR)

Mr Scott was set a number of business enhancing objectives for the performance period, each of which has been individually assessed by the Board.

- **Business growth:** The Board assessed Mr Scott on a number of business growth objectives set at the beginning of the financial year. These included the growth and investment opportunities recommended by Mr Scott to the Board (including both step out and incremental opportunities), and the achievement of superior sales growth for the retail divisions.
- **Data and digital initiatives:** Since appointment in 2017, the advancement of the Group's capability within the data and digital space has been a key objective for Mr Scott. Throughout the 2021 financial year, significant progress has been made in this area with the development of the marketplace ecosystem and the Group's Advanced Analytics Centre has continued to deliver value at both a divisional and Group level. This includes the successful development of a Group data platform. E-commerce across the Group has continued to strengthen, supported by the rapid acceleration of data and digital assets across divisions and the growth of the recently acquired Catch marketplace business.
- **Turnaround/newly acquired businesses:** The Board is pleased with the progress on actions to optimise the Target store network and accelerate the growth of Kmart. In addition, the Blackwoods turnaround has continued, with the business delivering stronger financial results and with the first phase of the new ERP system implemented during the year. Further, good progress continued on the development of the Mt Holland lithium project, including the Final Investment Decision on the project in February 2021.

Sustainability (10% weighting)

Outcome: 30% of FAR (Maximum opportunity: 30% of FAR)

Mr Scott has continued to lead the company decisively, successfully navigating challenges during an ongoing period of uncertainty. Good progress has been achieved against the Group's emissions reduction targets this year, with Scope 1 and 2 emissions reduced by 8.9 per cent, and the Group successfully launched Australia's first sustainability-linked bonds. Throughout the year, the Group's risk framework was reviewed with increased focus upon risks associated with cyber and data. Good progress has been made in relation to the development of Group talent including executive succession and recruitment of senior talent into the retail businesses. Significant progress has been made in relation to Aboriginal and/or Torres Strait Islander (ATSI) employment and there have been pleasing improvements in relation to gender pay equity.

2021 KEEPP outcome

Scorecard measure	Weighting (%)	Threshold not met	Threshold met or exceeded	Target met or exceeded	Maximum achieved
Financial	60				●
Safety	10			●	
Business enhancing	20				●
– Business growth					●
– Data and digital initiatives					●
– Turnaround/newly acquired businesses					●
Sustainability	10				●
– Reputation					●
– Risk management					●
– People and culture					●
– Climate change-related initiatives					●

Mr Scott's total 2021 KEEPP outcome will be allocated as:

- \$3,684,701 in Deferred Shares
- \$3,684,701 in Performance Shares

Remuneration report (audited)

Anthony Gianotti – Group Chief Financial Officer, Wesfarmers Limited

2021 Performance highlights

As Group Chief Financial Officer, Mr Gianotti's Group financial and safety measures and outcomes are the same as those of the Group Managing Director.

- Mr Gianotti has had a successful year with the Group delivering a strong financial result and being well-placed to take advantage of future opportunities. Further to his role as Group Chief Financial Officer, Mr Gianotti continues to provide strategic support to the Group Managing Director and lead strategic projects, as identified by the Group Managing Director.
- **Business enhancing:** Mr Gianotti has continued to deliver strong results in relation to balance sheet, capital management, debt management, credit ratings and cash management throughout the financial year. Further, Mr Gianotti assumed direct oversight of the Industrial and Safety businesses during the 2020 financial year, and pleasingly operational improvements have delivered stronger financial results during the 2021 financial year with the first phase of the new ERP system implemented during the year. Mr Gianotti has continued to lead the Business Development teams in undertaking major commercial projects as well as continuing to work closely with Kmart Group on the progress of the store closure and conversion program.
- **Sustainability:** Mr Gianotti has continued to positively engage with key external participants to support the Group's capital structure. Mr Gianotti has also actively strengthened finance and governance teams through talent management and supported an increased focus on risk through development of clear strategic frameworks. Further, Mr Gianotti also oversaw the successful launch of \$1.0 billion in sustainability-linked bonds, the first of their kind in the Australian market.

2021 KEEPP outcome

Scorecard measure	Weighting (%)	Threshold not met	Threshold met or exceeded	Target met or exceeded	Maximum achieved
Financial	60				●
Safety	10			●	
Business enhancing	20			●	
– Balance sheet and capital management					●
– Business growth				●	
– Turnaround/newly acquired businesses					●
Sustainability	10			●	
– Reputation					●
– Risk management					●
– People and culture				●	
– Climate change-related initiatives				●	

Mr Gianotti's total 2021 KEEPP outcome will be allocated as:

- \$1,837,864 in Deferred Shares
- \$1,837,864 in Performance Shares

Remuneration report (audited)

Ian Bailey – Managing Director, Kmart Group

2021 Performance highlights

Mr Bailey's financial targets were set in relation to achievement of Kmart Group EBT, Kmart ROC and comparable sales growth, and Catch GTV. Threshold performance for the EBT measure was set at 87% of target and stretch performance would be achieved at 116% of target. Threshold performance for the ROC measure was set at 92.5% of target and stretch performance would be achieved at 110% of target (relative to 2020 where the threshold and stretch performance levels for both measures were 95% and 105% respectively).

- Kmart Group, has delivered strong financial results for the year, demonstrating a pleasing turnaround for Target and good progress relating to the store closure and conversion program. This is notwithstanding the continued disruptions due to COVID-19 and international supply issues.
- Excluding the significant items relating to the restructure of Target, Kmart Group achieved EBT of \$693.0m which was above target by more than 15%. Kmart ROC was also above target by more than 15%.
- The ongoing reduction in the size of the Target store network and conversion of select Target stores to Kmart stores has progressed well and ahead of business case in terms of sales, profitability and lower implementation costs. Kmart achieved comparable sales growth of 7.8%, which was above target by more than 15%.
- The development of capabilities in the Catch business has continued, and good progress has been made leveraging the Kmart and Target networks and products with the Catch e-commerce offer. Growth in GTV was achieved to \$973.2m, above the threshold level set by the Board, however the minimum required level of EBT and CLV/CPA ratio performance was not achieved and therefore there was no payment made in respect of this component.
- In total, Mr Bailey's 2021 KEEPP outcome on financial measures was 150.0% of FAR.
- Kmart Group TRIFR for the year was 9.15. This represents a significant improvement on the prior year and is 23.4% above the target for the 2021 financial year.
- Throughout the year Mr Bailey has demonstrated good progress on an ambitious strategic agenda, including the integration and growth of Catch, while navigating operational complexity.
- **Business enhancing:** Pleasing progress has been made on the transformation of Target and the actions to optimise the Target store network and accelerate the growth of Kmart with converted stores receiving positive customer feedback and trading results exceeding expectations. A project is underway to digitise the Kmart Group supply chain to reduce risk, lead times and increase efficiency and good progress has also been made in reducing shrinkage across the Kmart Group. Building upon the integration of Catch into Kmart Group, Mr Bailey has been the joint lead in the Group's data and digital ecosystem project which has significantly progressed over the year.
- **Sustainability:** Good progress has been made across Kmart Group in relation to ATSI employment and maintaining gender balance. Progress continues to be made towards the 2025 emissions reduction targets and in ethical sourcing. Talent management and succession planning continues to be a key focus with a number of appointments confirmed during the year.

2021 KEEPP outcome

Scorecard measure	Weighting (%)	Threshold not met	Threshold met or exceeded	Target met or exceeded	Maximum achieved
Financial	60			●	
Safety	10				●
Business enhancing	20			●	
– Business growth					●
– Data and digital initiatives					●
– Turnaround/newly acquired businesses				●	
Sustainability	10			●	
– Risk management				●	
– Reputation				●	
– People and culture					●
– Climate change-related initiatives				●	

Mr Bailey's total 2021 KEEPP outcome will be allocated as:

- \$405,000 in cash
- \$1,596,375 in Deferred Shares
- \$1,596,375 in Performance Shares

Remuneration report (audited)

Michael Schneider – Managing Director, Bunnings Group

2021 Performance highlights

Mr Schneider's financial targets were set in relation to achievement of Bunnings Group EBT, ROC and total sales growth. Threshold performance for the EBT and ROC measures was set at 92.5% of target and stretch performance would be achieved at 110% of target (relative to 2020 where the threshold and stretch performance levels for both measures were 95% and 105% respectively).

- Bunnings has delivered strong financial results for the year with EBT of \$2,184.9m and ROC of 82.4%. EBT was between 10% and 15% above target and ROC was more than 15% above target.
- Total sales growth (including trade centres) was 12.4%, more than 15% above target. Significant investment has been made into the commercial offering to better service builders, tradespeople and organisations, including expanded supply and install product offer for builders, and increased PowerPass app functionality and engagement.
- As a result, the maximum 2021 KEEPP outcome on financial measures was achieved by Mr Schneider.
- Bunnings TRIFR increased to 11.31.
- Mr Schneider has continued to perform and lead Bunnings at the highest level during another challenging year.
- **Business enhancing:** During the year, inventory management was successful in meeting the strong and sometimes volatile changes in customer demand, that supported the positive financial result. The Bunnings digital offering also continued to evolve with the rapid acceleration of technology allowing deeper insights into the Bunnings customer base, and the development and implementation of tools to improve the shopping experience, supported by Click & Collect, Drive & Collect and Click & Deliver services. The recently acquired Adelaide Tools performed well and good progress was made on future store formats and rollout plans with the successful opening of a new format store in Parafield, Adelaide. During the year the acquisition of Beaumont Tiles was announced and completion is subject to regulatory approval.
- **Sustainability:** Risk has been a key focus area throughout the year, specifically cyber risk. Good progress has been made within Bunnings in relation to ATSI employment and gender balance throughout the year. Progress continues to be made towards the 2025 emissions reduction targets and in ethical sourcing. Talent management and succession planning continues to be a key focus with a number of appointments confirmed during the year.

2021 KEEPP outcome

Scorecard measure	Weighting (%)	Threshold not met	Threshold met or exceeded	Target met or exceeded	Maximum achieved
Financial	60				●
Safety	10	●			
Business enhancing	20			●	
– Business growth					●
– Data and digital initiatives					●
– Turnaround/newly acquired businesses				●	
Sustainability	10			●	
– Risk management				●	
– Reputation					●
– People and culture					●
– Climate change-related initiatives				●	

Mr Schneider's total 2021 KEEPP outcome will be allocated as:

- \$450,000 in cash
- \$1,743,750 in Deferred Shares
- \$1,743,750 in Performance Shares

Remuneration report (audited)

5.4 2017 KEEPP awards that vested during the 2021 financial year

In 2017, eligible executive KMP were invited to receive Deferred Shares and Performance Shares under the 2017 KEEPP. The four-year performance period for the 2017 KEEPP Performance Shares ended on 30 June 2021. As explained in the 2019 Remuneration Report, the original 2017 KEEPP awards were cancelled in 2018 and, following implementation of the demerger of Coles from the Wesfarmers Group, replacement awards were allocated in December 2018. Further details of the terms of the (replacement) 2017 KEEPP are set out in the 2019 Remuneration Report.

Mr Scott, Mr Gianotti and Mr Schneider are the members of the current executive KMP who participated in the 2017 KEEPP. The table below summarises the applicable performance conditions for each executive KMP and the vesting outcome of the 2017 KEEPP Performance Shares, as approved by the Board in August 2021. Further information on each performance condition is provided below.

	Vesting condition	Outcome (2017-2021)	% of maximum opportunity	Total % of Performance Shares vested	Number of Performance Shares vested
R G Scott	rTSR (70% of the award)	124.34%	89.0 percentile ranking in ASX 100	100.0%	95.5%
	Strategic objectives (30% of the award)	Well above expectations	85.0%	81,743	
A N Gianotti	rTSR (70% of the award)	124.34%	89.0 percentile ranking in ASX 100	100.0%	95.5%
	Strategic objectives (30% of the award)	Well above expectations	85.0%	43,275	
M D Schneider¹	rTSR (20% of the award)	124.34%	89.0 percentile ranking in ASX 100	100.0%	100.0%
	Cumulative segment result (80% of the award)	\$7,166.8m	102.98% of target	100.0%	

¹ When the 2017 KEEPP award was replaced in December 2018, the portion of the original 2017 KEEPP award that was subject to the financial performance of Bunnings United Kingdom and Ireland was not replaced following the sale of the business and Mr Schneider has not received any outcome in relation to this portion.

Relative total shareholder return (rTSR) condition

This condition measures the performance of Wesfarmers' TSR relative to the TSR of the constituents of the S&P/ASX 100 Index. The Group outperformed the majority of its peers over the performance period with regard to rTSR and was ranked at the 89th percentile in the ASX 100.

Strategic objectives condition

The Board assessed Mr Scott's contribution and outcomes over the four-year performance period against strategic goals across five specific areas:

- Portfolio management
- Accelerating the data and digital agenda
- Environmental, Social and Governance (ESG) strategies
- Improving Corporate reputation
- Talent management and leadership development

Greater emphasis was placed on strategic activity in the earlier years of the performance period to enable assessment over the longer term. The Board acknowledged the challenge of achieving strategic success in each of these areas, given the Group's autonomous operating model and with businesses within the Group being at different stages of maturity. The Board also considered the extent to which the decisions and actions taken by Mr Scott over the performance period have de-risked the Group in relation to future performance. Overall, the Board rated Mr Scott as having achieved significant positive results across each of these areas, with specific achievements in relation to portfolio management and reshaping the Group for future growth – for example with the decisions in the 2018 financial year to divest Bunnings United Kingdom and Ireland and to commence preparations to demerge Coles from the Group.

A core initiative when Mr Scott commenced as Group Managing Director was to create the Advanced Analytics Centre and the Group data asset in the 2018 financial year. The Board acknowledged the challenges of embarking on such an ambitious initiative and commended Mr Scott for the progress and the significant benefits and advantages this has brought to each division within the Group, both to date as well as directionally into the future.

Mr Scott has performed strongly across a number of ESG strategies where the Group has made good progress in the areas of ethical sourcing, modern slavery and adoption of the aspirational emissions reductions targets backed with the associated strategies in addition to developing Wesfarmers' reputation, ensuring the Group continues to care for its team members and suppliers, the community and the environment in which it operates especially during external challenges such as bushfires, floods as well as COVID-19.

Notwithstanding the significant strategic achievements of Mr Scott since appointment as Group Managing Director, the Board did not award full vesting of the Performance Shares.

Separately the Group Managing Director and the Board assessed Mr Gianotti's outcomes against similar areas of focus, using personalised strategic goals tailored to his role – for example, his leadership and tactical approach in relation to the significant portfolio management activity undertaken to reposition the Group for future growth. In addition to the substantial support Mr Gianotti provides to Mr Scott in relation to long-term Group strategy, Mr Gianotti was assessed as having performed very strongly in relation to his personalised strategic objectives over the four-year performance period.

Remuneration report (audited)

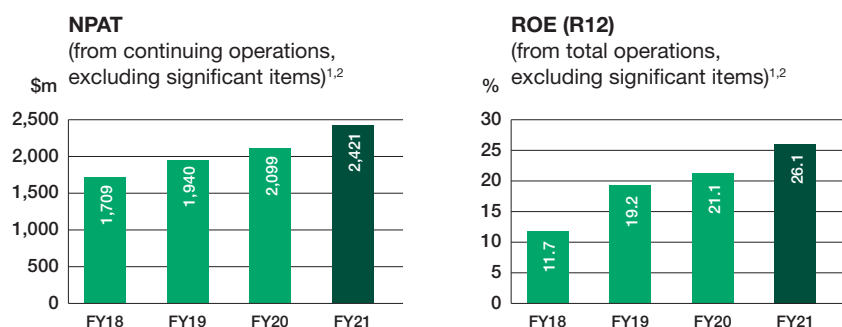
Cumulative segment result condition

This condition measures the Bunnings Group's cumulative segment result against the Corporate Plan, subject to an average ROC gate (noting ROC for the 2021 financial year was calculated as divisional EBT divided by divisional rolling 12 months capital employed, where capital employed excludes right-of-use assets and lease liabilities). Over the four-year performance period, the Bunnings Group (excluding Bunnings United Kingdom and Ireland) reported ROC of 52.64 per cent above the required average ROC condition. The cumulative reported segment result was 2.98 per cent above the four-year Corporate Plan performance condition.

5.5 Performance summary for the Group Managing Director

The chart below summarises the performance of the Group since the appointment of Mr Scott as Group Managing Director on 16 November 2017. In addition, it shows his KEEPP outcomes over the same period.

Performance summary for the Group Managing Director



¹ NPAT (from continuing operations, excluding significant items) and ROE (from total operations, excluding significant items) are considered non-IFRS measures.

² FY18, FY19 and FY20 NPAT and ROE are presented on a pre-AASB 16 basis.

Wesfarmers' rTSR against the S&P/ASX 100 Index over the four-year performance period ending 30 June 2021 was 124.34 per cent.

Summary of KEEPP outcomes for the Group Managing Director

	Performance measures	FY18	FY19	FY20	FY21
Annual KEEPP scorecard (% of maximum opportunity)	Group NPAT and ROE, safety, individual performance objectives	84.4	86.6	37.0	98.3
Vesting of KEEPP Performance Shares (% of award at end of four-year performance period)					
2016 KEEPP Performance Shares	rTSR, divisional EBIT and ROC			100.0	
2017 KEEPP Performance Shares	rTSR, strategic objectives				95.5

5.6 Executive KMP remuneration (statutory presentation)

(a) Statutory executive KMP remuneration table

In the following table, remuneration outcomes are presented based on the requirements of the *Corporations Act 2001* and accounting standards (which has the benefit of being readily comparable with other companies) rather than a take-home pay basis (generally being cash and benefits and the value of equity received during the financial year). In this regard:

- The KEEPP cash component is recognised for the year in which it is earned. The KEEPP Deferred Shares are recognised as an expense over a 12-month period typically spanning two financial years and the KEEPP Performance Shares are recognised over the performance period (four years) based on the assessed value when originally granted to the executive KMP. The value recognised for the KEEPP Deferred Shares and KEEPP Performance Shares may be significantly different to their value if and/or when the incentive vests to the executive KMP. Note, as at 30 June 2021, the service and performance conditions to determine vesting of the 2021 KEEPP Deferred Shares and KEEPP Performance Shares had not yet been finalised and therefore the following table does not include the expensing of these grants.
- In some circumstances, amounts are recorded as remuneration even when no equity vests to the executive KMP and in other cases there can be negative remuneration from equity awards in a given year, for example due to non-vesting.

Remuneration report (audited)

	Short-term benefits				Long-term benefits ¹	Post-employment benefits ²	Share-based payments ³	Termination benefits	Total	Performance related ⁴
	Cash salary (\$)	KEEPP cash ⁵ (\$)	Non-monetary benefits ⁶ (\$)	Other ⁶ (\$)	Leave (\$)	Superannuation (\$)	KEEPP and other equity (\$)	Termination payments (\$)		
Executive director										
R G Scott – Group Managing Director, Wesfarmers Limited										
2021	2,322,435	-	159,914	60,151	41,666	21,694	4,328,189	-	6,934,049	62.4
2020	2,335,746	-	146,446	24,914	41,666	21,003	5,193,006	-	7,762,781	66.9
Senior executives										
A N Gianotti – Group Chief Financial Officer, Wesfarmers Limited										
2021	1,265,531	-	66,932	60,151	22,500	21,694	2,284,596	-	3,721,404	61.4
2020	1,261,265	-	73,357	24,914	22,500	21,003	2,907,533	-	4,310,572	67.5
I Bailey – Managing Director, Kmart Group										
2021	1,328,179	405,000	3,237	60,151	22,500	21,821	1,368,823	-	3,209,711	55.3
2020	1,328,196	168,750	3,296	24,914	22,500	21,804	1,628,270	-	3,197,730	56.2
M D Schneider – Managing Director, Bunnings Group										
2021	1,398,754	450,000	83,698	60,151	25,000	21,821	3,501,107	-	5,540,531	71.3
2020	1,399,256	525,000	84,234	24,914	25,000	21,804	1,695,844	-	3,776,052	58.8
Former senior executives										
D A Baxby⁷ – Managing Director, Wesfarmers Industrials										
2020	919,854	327,600	2,296	1,493,178	15,569	15,752	2,507,970	255,789	5,538,008	51.2
Total										
2021	6,314,899	855,000	313,781	240,604	111,666	87,030	11,482,715	-	19,405,695	-
2020	7,244,317	1,021,350	309,629	1,592,834	127,235	101,366	13,932,623	255,789	24,585,143	-

¹ Long-term benefits relate to leave entitlements earned during the year.

² Post-employment benefits relate to superannuation contributions made on behalf of the executive KMP in accordance with Wesfarmers' statutory superannuation obligations. Also included is any part of the executive KMP's salary that has been sacrificed into superannuation.

³ The amounts included in share-based payments relate to the KEEPP, Performance-tested Shares, and WESAP, as applicable – WESAP shares are share-based awards received by the executive KMP under other incentive plans prior to commencing as a member of the executive KMP and participating in the KEEPP:

- The portion of the 2017 KEEPP, 2018 KEEPP and 2019 KEEPP that continue to be expensed in the 2021 financial year based on probability of vesting, as these shares are subject to performance and forfeiture conditions, together referred to as the service period. The amounts included for the 2020 KEEPP are detailed in section 5.7(a).
- The portion of the Performance-tested Shares that were expensed in the 2021 financial year, based on probability of vesting, as these shares are subject to performance and forfeiture conditions. The amounts included for this award are detailed in section 5.7(b).
- The portion of the 2017 WESAP shares that continue to be expensed in the 2021 financial year based on probability of vesting, as these shares are subject to performance and forfeiture conditions.
- The expensing for the Deferred Shares and Performance Shares that are yet to be granted under the 2021 KEEPP will be included in the remuneration table in the 2022 Remuneration Report.

⁴ The percentage performance related for the 2021 financial year is the sum of the KEEPP cash and share-based payments divided by the total remuneration, reflecting the actual percentage of remuneration at risk for the year. The percentage of total remuneration that consists of KEEPP shares only, being the amount expensed in the 2021 financial year for the 2017, 2018, 2019 and 2020 KEEPP shares (including the 2017 KEEPP replacement allocation), as applicable, is as follows – R G Scott 56.4 per cent, A N Gianotti 55.3 per cent, I Bailey 27.9 per cent, and M D Schneider 63.2 per cent.

⁵ Cash payments expected to be made in August 2021 to eligible participants in relation to the KEEPP for the 2021 financial year.

⁶ Short-term benefits, 'non-monetary benefits', include the cost to the company of providing vehicles, life insurance, travel and the fair value of any discounts received for goods and services acquired by the executive KMP below retail price, available under the general team member discount schemes (noting that these purchases are on the same terms and conditions as those entered into by other Group team members or customers and are minor or domestic in nature). The fair value of any discount is included for the first time in 2021, and therefore, where required, the 2020 figures have been restated to include the fair value of any team member discount in order to ensure that the comparison against the 2021 figures is meaningful. Short-term benefits, 'other', includes the cost of directors and officers liability insurance (see also footnote 7 for additional inclusions for D A Baxby for the 2020 financial year).

⁷ D A Baxby ceased to be a member of the executive KMP effective 19 March 2020. Mr Baxby remained employed until 19 March 2021 during which time he was subject to his obligations under his employment contract. In accordance with the terms of the offer, Mr Baxby was entitled to have his unvested 2019 KEEPP Deferred Shares and his unvested 2017, 2018 and 2019 KEEPP Performance Shares continue to be restricted in the plan after he left the Group, subject to the original terms and conditions (including performance conditions) of the offer. The amount shown in share-based payments for the 2020 financial year includes an accelerated expensing of these unvested awards as at 30 June 2020.

Short-term benefits, 'other' for Mr Baxby for the 2020 financial year also includes fixed remuneration paid to Mr Baxby until his cessation of employment on 19 March 2021, life insurance and his statutory redundancy entitlement, which was subject to his ongoing employment obligations being met.

Termination benefits for Mr Baxby reflect the cost of his attendance at an advanced management program, legal expenses and a redundancy entitlement.

Remuneration report (audited)

(b) Summary of KEEPP shares that were expensed during the 2021 financial year

The table below sets out details of the KEEPP shares that were expensed during the 2021 financial year. In addition, this table shows the KEEPP shares that vested during the year.

Name	Year ¹	Deferred Shares vested during the year ²		Performance Shares vested during the year ³		Range that could be expensed over the remaining performance period ⁴ (\$)
		Number	%	Number	%	
R G Scott	2017 KEEPP	-	-	81,743	95.5	-
	2018 KEEPP	-	-	-	-	0 to 590,036
	2019 KEEPP	79,995	100.0	-	-	0 to 1,337,196
	2020 KEEPP	-	-	-	-	0 to 1,290,041
A N Gianotti	2017 KEEPP	-	-	43,275	95.5	-
	2018 KEEPP	-	-	-	-	0 to 308,475
	2019 KEEPP	44,754	100.0	-	-	0 to 742,145
	2020 KEEPP	-	-	-	-	0 to 729,542
I Bailey	2018 KEEPP	-	-	-	-	0 to 1,130,697
	2019 KEEPP	17,296	100.0	-	-	0 to 475,683
	2020 KEEPP	-	-	-	-	0 to 682,826
M D Schneider	2017 KEEPP	-	-	42,294	100.0	-
	2018 KEEPP	-	-	-	-	0 to 312,444
	2019 KEEPP	31,016	100.0	-	-	0 to 534,716
	2020 KEEPP	-	-	-	-	0 to 1,885,529

¹ The EBIT and ROC performance conditions of the 2017, 2018 and 2019 KEEPP Performance Shares have been amended to post-AASB 16 EBT and ROC metrics. There has been no incremental change in the fair value of the awards. The share price on which the amendment was communicated to participants was \$59.10.

² The 2017 Deferred Shares, replaced following the demerger of Coles, vested on 30 June 2019 although these remain subject to a trading restriction until August 2022 and August 2023 respectively. The 2018 Deferred Shares were subject to a 12-month service condition and vested in December 2019, although these remain subject to a five- and six-year trading restriction until August 2023 and August 2024 respectively. The 2019 Deferred Shares were subject to a 12-month service condition and vested in December 2020, although these remain subject to a five- and six-year trading restriction until August 2024 and August 2025 respectively. The 2020 Deferred Shares remain unvested. The Deferred Shares are held in trust and can only be transferred to the executive KMP once all trading restrictions and any other conditions are met.

³ The 2017 Performance Shares were subject to a four-year performance period that ended on 30 June 2021 (see section 5.4 for further information). The 2018 Performance Shares, 2019 Performance Shares and 2020 Performance Shares will reach the end of the four-year performance period on 30 June 2022, 30 June 2023 and 30 June 2024 respectively. The Performance Shares are held in trust and can only be transferred to the executive KMP once vested.

⁴ Should the executive KMP resign prior to vesting, the Deferred Shares and Performance Shares would be forfeited. Accordingly, the minimum value of the unvested award would be nil.

(c) Summary of additional Kmart-related Performance-tested Shares that were expensed during the 2021 financial year

The Performance-tested Shares were granted in the 2021 financial year to the Group Managing Director, the Group Chief Financial Officer and the Managing Director, Kmart Group to ensure continued focus on the successful implementation of the Kmart Group restructure. Further information is provided in section 5.7(b).

The table below sets out details of the Performance-tested Shares that were expensed during the 2021 financial year. In addition, this table shows the Performance-tested Shares that vested during the year.

	Performance-tested Shares vested during the year ¹		Range that could be expensed over the remaining performance period ² (\$)
	Number	%	
R G Scott	-	-	0 to 838,170
A N Gianotti	-	-	0 to 452,613
I Bailey	-	-	0 to 678,920

¹ The Performance-tested Shares will reach the end of the three-year performance period on 30 June 2023. The Performance-tested Shares are held in trust and can only be transferred to the participant once vested.

² Should the participant leave the Wesfarmers Group for any reason other than ill health prior to vesting, the Performance-tested Shares would be forfeited. Accordingly, the minimum value of the unvested award would be nil.

Remuneration report (audited)

5.7 Details of equity allocated during the 2021 financial year

As foreshadowed in the 2020 Remuneration Report, both the 2020 KEEPP awards and the additional Kmart-related Performance-tested Shares were delivered to executives during the 2021 financial year. Information on each award is provided on the following pages.

(a) 2020 KEEPP equity

Details of the 2020 KEEPP scorecard and outcomes for executive KMP were outlined in the 2020 Remuneration Report, including the portion allocated in cash, Deferred Shares and Performance Shares. The 2020 KEEPP Deferred Shares and Performance Shares were granted on 12 November 2020, with any cash component paid on 24 August 2020. Approval from Wesfarmers shareholders for the issuance of these shares to the Group Managing Director was obtained under ASX Listing Rule 10.14 at the 2020 Annual General Meeting.

The terms applicable to the grant of Deferred Shares and Performance Shares for the 2020 KEEPP are set out on the following pages. Details of prior year grants are set out in the Remuneration Report for the relevant year.

The 2020 KEEPP Deferred Shares and Performance Shares set out below were delivered to the executive KMP during the 2021 financial year. The 2020 KEEPP outcomes were presented in section 5.2 of the 2020 Remuneration Report, including the percentage of the 2020 KEEPP award opportunity that was forfeited.

Name	Deferred Shares allocated (subject to a four-, five- and six-year restriction from trading) ^{1, 3}	Performance Shares allocated (vesting subject to performance conditions over a four-year performance period) ^{2, 3}	Fair value of Deferred Shares at grant date ⁴ (\$)	Fair value of Performance Shares at grant date ⁴ (\$)
R G Scott	28,609	28,609	1,395,547	1,035,061
A N Gianotti	16,179	16,179	789,212	585,344
I Bailey	13,918	13,918	678,920	569,316
M D Schneider	38,768	38,768	1,891,103	1,585,805

¹ The 2020 KEEPP Deferred Shares were granted on 12 November 2020 and are still subject to restrictions. No 2020 KEEPP Deferred Shares vested or were forfeited during the reporting period.

² The 2020 KEEPP Performance Shares were granted on 12 November 2020 and are still subject to performance conditions until 30 June 2024. Accordingly, no 2020 KEEPP Performance Shares vested or were forfeited during the reporting period.

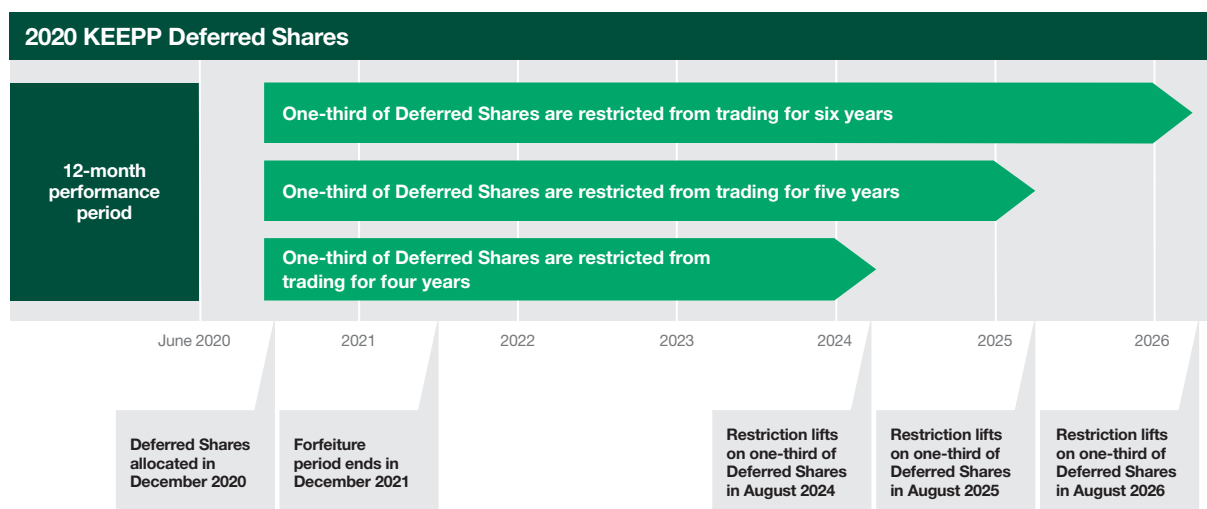
³ The number of Deferred Shares and Performance Shares allocated was determined using the face value of Wesfarmers shares, based upon the 10-day VWAP of Wesfarmers shares over the period immediately following the full-year results announcement in August 2020 (i.e. 21 August – 3 September 2020) being \$48.497908.

⁴ For accounting purposes, the fair value at grant date is shown above, in accordance with AASB 2 *Share-Based Payment*. The Performance Shares subject to market conditions (TSR condition) have been independently valued using the Monte Carlo simulation using the Black-Scholes framework. The Deferred Shares and the Performance Shares subject to non-market conditions (e.g. divisional EBT and ROC) have been valued with reference to the Wesfarmers share price on grant date. The value per Performance Share for the rTSR performance condition is \$33.03 and the value per Deferred Share and per Performance Share subject to the portfolio management and investment outcomes condition or the divisional EBT and ROC condition is \$48.78, valued as at 12 November 2020. The fair value at the grant date represents the maximum possible total fair value of the shares. The minimum value of unvested shares is nil.

2020 Deferred Shares

The 2020 Deferred Shares were allocated in December 2020. They carry both dividend and voting rights. Dividends will be escrowed until the end of the 12-month forfeiture period and thereafter be paid to the executive KMP. If Deferred Shares are forfeited during the 12-month forfeiture period, the executive KMP is not entitled to the escrowed dividends. During the forfeiture period, a portion of the escrowed dividend amounts will be paid to the executive KMP to satisfy their tax liability (after allowing for the use of the franking credits) on dividends paid in respect of their Deferred Shares.

The 2020 Deferred Shares did not have further conditions applied but did have a 12-month service condition (the forfeiture period) from the date they were allocated to participants and continue to be subject to trading restrictions as outlined below. Prior to allocation, the executive KMP had the option of voluntarily applying a longer restriction period to their 2020 Deferred Shares of up to 15 years.



Remuneration report (audited)

2020 Performance Shares

The 2020 Performance Shares were allocated in December 2020. They carry both dividend and voting rights. Dividends will be escrowed for the full four-year performance period and only paid to the executive KMP to the extent that the underlying shares vest. During the performance period, a portion of the escrowed dividend amounts will be paid to the executive KMP to satisfy their tax liability (after allowing for the use of the franking credits) on dividends paid in respect of their Performance Shares.

The 2020 Performance Shares have performance conditions over a four-year performance period, from 1 July 2020 to 30 June 2024. The performance conditions will be tested shortly after the end of the performance period. Performance Shares will only vest based on the extent of the satisfaction of the performance conditions outlined below. Following testing, any Performance Shares that do not vest will be forfeited. The performance conditions applicable to the 2020 Performance Shares vary as set out below.



¹ Set at a divisional level through annual Corporate Planning processes.

Assessment of the performance conditions and achievement against the performance conditions will be determined by the Board having regard to any matters that it considers relevant.

Specific divisional financial performance conditions have been set with regard to each divisional managing director and the relevant key financial measures for their respective division:

- The portion of Mr Schneider's 2020 Performance Shares subject to divisional financial performance (being 50 per cent of his overall Performance Shares allocation) will be wholly assessed against Bunnings Group EBT and ROC.
- The portion of Mr Bailey's 2020 Performance Shares subject to divisional financial performance will be assessed against Kmart Group EBT and ROC (40 per cent of his overall Performance Shares allocation) and Catch GTV and CLV/CPA ratio (10 per cent of his overall Performance Shares allocation).

The table below provides further detail on the performance conditions including how the testing and vesting, if applicable, will occur:

Measure	Detail										
Relative TSR	<p>The rTSR condition measures the performance of an ordinary Wesfarmers share (including the value of any dividend and any other shareholder benefits paid during the performance period) against total shareholder return performance of a comparator group of companies, comprising the S&P/ASX 100 Index, over the same period.</p> <p>TSR performance is independently assessed over the performance period against the constituents of the S&P/ASX 100 Index as at the start of the performance period.</p> <p>Vesting schedule against rTSR:</p> <table border="1"> <thead> <tr> <th>Percentile ranking</th> <th>Percentage of awards vesting</th> </tr> </thead> <tbody> <tr> <td>Below the 50th percentile</td> <td>0% vesting</td> </tr> <tr> <td>Equal to the 50th percentile</td> <td>50% vesting</td> </tr> <tr> <td>Between the 50th and 75th percentile</td> <td>Straight-line vesting between 50% and 100%, i.e. an additional 2% of awards vest for each percentile increase</td> </tr> <tr> <td>Equal to the 75th percentile or above</td> <td>100% vesting</td> </tr> </tbody> </table> <p>Wesfarmers' rTSR was chosen because it provides a relative external market performance measure having regard to Wesfarmers' ASX 100 peers and ensures all executive KMP are remunerated in relation to Group results.</p>	Percentile ranking	Percentage of awards vesting	Below the 50th percentile	0% vesting	Equal to the 50th percentile	50% vesting	Between the 50th and 75th percentile	Straight-line vesting between 50% and 100%, i.e. an additional 2% of awards vest for each percentile increase	Equal to the 75th percentile or above	100% vesting
Percentile ranking	Percentage of awards vesting										
Below the 50th percentile	0% vesting										
Equal to the 50th percentile	50% vesting										
Between the 50th and 75th percentile	Straight-line vesting between 50% and 100%, i.e. an additional 2% of awards vest for each percentile increase										
Equal to the 75th percentile or above	100% vesting										

Remuneration report (audited)

Divisional financial performance

Divisional EBT and ROC

The EBT condition measures the respective division's before tax profit against its profit targets, subject to achieving an average ROC gate over the four-year performance period. ROC is calculated as divisional EBT divided by divisional rolling 12 months capital employed, where capital employed excludes right-of-use assets and lease liabilities. Both the EBT targets and average ROC gate have been calculated using the budget and targets in the respective division's Corporate Plan.

The ROC gate has been set at 90 per cent of the average ROC target over the four-year performance period. Subject to the ROC gate being passed, a portion of the Performance Shares will vest for achievement against the annual EBT targets. The annual EBT target is individually weighted for each year of the performance period, with a 40 per cent weighting to the first year of the performance period, followed by 30 per cent, 20 per cent and 10 per cent weighting for years two, three and four respectively.

The EBT and ROC results are calculated after the preparation and audit of the financial statements following the end of the final year of the performance period and assessed against the targets set.

Vesting schedule against EBT and ROC:

Subject to achieving the four-year average ROC gate,

Annual EBT result	Percentage of awards vesting
Below 90% of target	0% vesting
Equal to 90% of target	50% vesting
Between 90% and 100% of target	Straight-line vesting between 90% and 100%
Equal to 100% of target or above	100% vesting

Divisional annual EBT, subject to average ROC, was chosen to ensure that the remuneration of divisional managing directors is directly linked to the achievement of long-term financial returns for the business for which they are directly accountable.

The EBT and ROC targets will be adjusted, where the Board considers it appropriate to do so, so that participants are not unfairly advantaged or disadvantaged, for example, due to portfolio management activity.

Catch GTV and CLV/CPA ratio

The GTV condition measures the total price paid by Catch's customers for all of the items sold via Catch, subject to achieving an average CLV/CPA ratio gate over the four-year performance period. The GTV targets and the CLV/CPA ratio gate are set by the Board.

Subject to the CLV/CPA ratio gate being passed, a portion of the Performance Shares will vest for achievement of the annual GTV targets. The annual GTV target is individually weighted for each year of the performance period, with a 40 per cent weighting to the first year of the performance period, followed by 30 per cent, 20 per cent and 10 per cent weighting for years two, three and four respectively.

The GTV and CLV/CPA ratio results are calculated after the preparation and audit of the financial statements following the end of the final year of the performance period and assessed against the targets set.

Vesting schedule against GTV and CLV/CPA ratio:

Subject to achieving the four-year average CLV/CPA ratio gate,

Annual GTV result	Percentage of awards vesting
Below 90% of target	0% vesting
Equal to 90% of target	50% vesting
Between 90% and 100% of target	Straight-line vesting between 90% and 100%
Equal to 100% of target or above	100% vesting

GTV and the CLV/CPA ratio were chosen as measures to ensure the remuneration of Mr Bailey is directly linked to the long-term success of Catch, noting that this requires specific metrics as Catch is a marketplace with multiple sellers transacting.

The GTV and the CLV/CPA ratio targets will be adjusted, where the Board considers it appropriate to do so, so that Mr Bailey is not unfairly advantaged or disadvantaged, for example, due to portfolio management activity.

Wesfarmers' portfolio management and investment outcomes

Wesfarmers portfolio management and investment outcomes were chosen to recognise the criticality of decision-making with regards to potential acquisitions, investments and disposals on shareholder value creation. At the end of the four-year performance period, the Board will consider the performance of the Group Managing Director and the Group Chief Financial Officer in relation to the acquisition, investment and disposal activities of the Group over that period.

Throughout the performance period, the Board maintains a log of the portfolio management and investment decisions and rationale, including the decisions not to proceed with portfolio changes or investments. At the end of the performance period, the Board will consider the validity of these decisions from a shareholder value creation perspective, with a greater weighting placed upon decisions made in the first year of the performance period.

Remuneration report (audited)

Further terms of the 2020 KEEPP

The table below sets out further terms applying to Deferred Shares and Performance Shares granted under the 2020 KEEPP.

Cessation of employment	If an executive KMP ceases employment with Wesfarmers before the end of the forfeiture period, restriction period or performance period (as applicable), their entitlement to the shares (if any) will depend on the circumstances of their departure. The table below summarises the treatment that will generally apply, subject to the Board's discretion to determine a different treatment to the treatment outlined below.		
	Reason	Deferred Shares	Performance Shares
Cessation of employment	Resignation	<p><i>During the forfeiture period (i.e. within 12 months of allocation) – the Deferred Shares will be forfeited.</i></p> <p><i>After the forfeiture period has ended – the Deferred Shares will remain on foot and subject to the original conditions, other than a portion which may be released on termination to fund the tax liability on the Deferred Shares (subject to any limit under the Corporations Act 2001).</i></p>	The Performance Shares will be forfeited.
	Dismissal by the Board for cause or significant underperformance or in circumstances justifying 'bad leaver' treatment	The Deferred Shares will be forfeited.	The Performance Shares will be forfeited.
	Breach of restraint under the executive's service contract	The Deferred Shares will be forfeited.	The Performance Shares will be forfeited.
	All other reasons (including due to death, disability or serious injury)	The Deferred Shares will remain on foot and subject to the original conditions, other than a portion which may be released on termination to fund the tax liability on the Deferred Shares (subject to any limit under the Corporations Act 2001).	The Performance Shares will remain on foot and subject to the original conditions.

Following cessation of employment (where Deferred Shares remain on foot):

If, following cessation of employment, the Board determines in good faith that:

- the executive KMP has breached any restriction or undertaking owed to the Wesfarmers Group or any compromise or arrangement in relation to their cessation of employment; or
- the executive KMP's circumstances have changed making it no longer appropriate for them to retain the benefit of their award,

the Board may determine that:

- some or all of the executive KMP's vested or unvested Deferred Shares will be forfeited; and/or
- the executive KMP is required to pay or repay as a debt the net proceeds of the sale of shares or dividends provided to them.

Change of control If a change of control event occurs, the Board has broad discretion to determine the treatment of Deferred Shares and Performance Shares, having regard to any matter that the Board considers relevant.

Clawback and adjustment The terms of the KEEPP allow for the Board to clawback or adjust any incentive awards (including cash or shares) which were granted, vest or may vest, or are released or may be released (as applicable). For example, these powers can be exercised as a result of a material misstatement in, or omission from, the financial statements or otherwise as a result of fraud, dishonesty or breach of obligations. In such circumstances, the Board may, up to the value of the overpaid remuneration, reduce or defer or otherwise require the repayment of any amount paid or payable to the executive to ensure no inappropriate benefit is derived. The Board has discretion to adjust any conditions applicable to an award, if considered appropriate.

Remuneration report (audited)

(b) Additional Kmart-related Performance-tested Shares

In the 2020 financial year, a decision was made to substantially reduce the size of the Target network and invest to convert many of its stores to Kmart stores which are expected to perform more strongly. As a result, the restructuring costs and provisions, along with the one-off costs to be incurred in the 2021 financial year, impacted the 2020 KEEPP awards related to the Group and Kmart Group financial results. The Board did not make any adjustments to the 2020 KEEPP awards in relation to this.

As explained in the Chairman's letter in the 2020 Remuneration Report, the Board approved a separate one-off Performance-tested Share grant for the Group Managing Director, the Group Chief Financial Officer and the Managing Director, Kmart Group, which was allocated in the 2021 financial year as set out below. This was to ensure continued focus on the successful implementation of the Kmart Group restructure and to recognise that a substantial component of the restructure charge taken in 2020 was more in the nature of an investment by Kmart. The Performance-tested Shares will be tested at the end of the 2023 financial year and will only vest to the extent that the total cumulative converted store profit for the relevant stores in the 2022 and 2023 financial years is achieved without exceeding the capital expenditure budget, relative to the Board-approved proposal.

	Performance-tested Shares allocated (vesting subject to performance conditions over a three-year performance period) ^{1,2}	Fair value of Performance-tested Shares at grant date ³ (\$)
R G Scott	25,774	1,257,256
A N Gianotti	13,918	678,920
I Bailey	20,877	1,018,380

¹ The Performance-tested Shares were granted on 12 November 2020 and are still subject to performance conditions until 30 June 2023. Accordingly, no Performance-tested Shares vested or were forfeited during the reporting period.

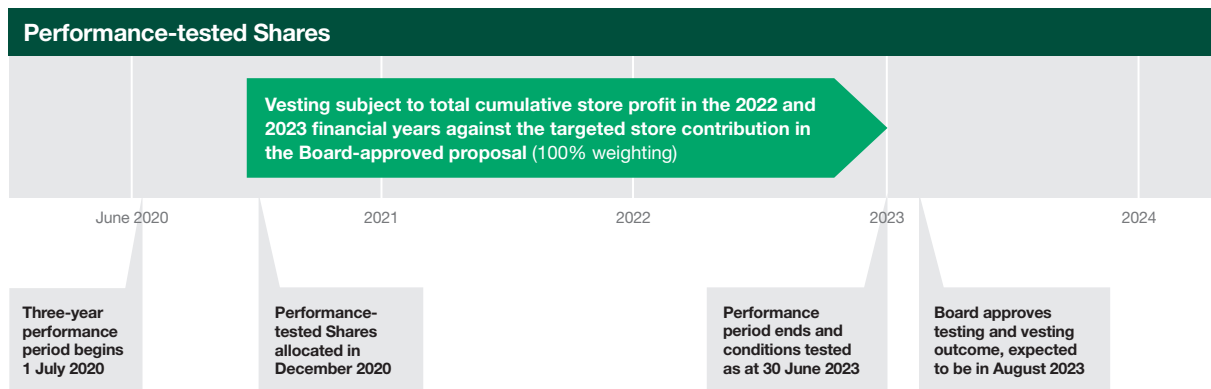
² The number of Performance-tested Shares allocated was determined using the face value of Wesfarmers shares, based upon the 10-day VWAP of Wesfarmers shares over the period immediately following the full-year results announcement in August 2020 (i.e. 21 August – 3 September 2020) being \$48.497908.

³ For accounting purposes, the fair value at grant date is shown above, in accordance with AASB 2 *Share-Based Payment*. As the Performance-tested Shares are subject to non-market conditions these have been valued with reference to the Wesfarmers share price on grant date. The value per Performance-tested Share is \$48.78, valued as at 12 November 2020. The fair value at the grant date represents the maximum possible total fair value of the shares. The minimum value of unvested shares is nil.

Further details of the Performance-tested Shares

The Performance-tested Shares were allocated in December 2020. They carry both dividend and voting rights. Dividends will be escrowed for the full three-year performance period and only paid to the executive KMP to the extent that the underlying shares vest. During the performance period, a portion of the escrowed dividend amounts will be paid to the executive KMP to satisfy their tax liability (after allowing for the use of the franking credits) on dividends paid in respect of their Performance-tested Shares.

The Performance-tested Shares have performance conditions measured over the three-year period to 30 June 2023. The performance conditions will be tested shortly after the end of the performance period. Performance-tested Shares will only vest based on the extent of the satisfaction of the performance condition outlined below. Following testing, any Performance-tested Shares that do not vest will be forfeited.



Remuneration report (audited)

The table below provides further detail on the Performance-tested Share grant including how the testing and vesting, if applicable, will occur:

Allocation of Performance-tested Shares	<p>The Board resolved the value of the Performance-tested Shares to be offered to the executive KMP as set out in the 2020 Remuneration Report.</p> <p>The number of Performance-tested Shares allocated was determined using the face value calculated based upon the 10-day VWAP of Wesfarmers Limited shares immediately following the full-year results announcement in August 2020 (i.e. 21 August – 3 September 2020) being \$48.497908.</p>
Conditions and vesting	<p>Provided the capital expenditure budget (net of landlord contributions) is not exceeded, the Performance-tested Shares will vest and become unrestricted shares subject to a performance condition relating to the successful execution of the Kmart Group restructure. The performance condition is total cumulative converted store profit for the relevant stores, against the targeted store contribution in the Board-approved proposal.</p> <p>Vesting schedule:</p> <ul style="list-style-type: none"> – None of the Performance-tested Shares vest if the total cumulative store profit in the 2022 and 2023 financial years from all converted stores is less than or equal to 80 per cent of the total cumulative store profitability for these financial years as set out in the Board-approved proposal; and – 100 per cent of the Performance-tested Shares vest if the total cumulative store profit in the 2022 and 2023 financial years from all converted stores is equal to or greater than 100 per cent of the total cumulative store profitability for these financial years as set out in the Board-approved proposal. – Straight-line pro-rata vesting occurs in between.
Rationale for performance condition	<p>The strategic intent of the performance condition is to ensure that the participants are focused on achievement of future shareholder value from the restructure and are remunerated to the extent the reduction in the Target network and the conversion of stores to Kmart adds shareholder value in line with the Board-approved plan, measured at the end of the three-year performance period.</p>
Testing	<p>The total cumulative converted store profit and capital expenditure will be calculated after preparation and audit of the financial statements following the end of the final year of the performance period and assessed against the targets set.</p> <p>This method of assessing the performance condition has been chosen as the Board believes it is the most appropriate way to assess the reduction in the Target network and associated conversion of stores to Kmart. In accordance with the terms of the Performance-tested Shares, the Board has discretion to make adjustments to the performance conditions where it is considered appropriate to do so.</p>
Cessation of employment	<p>If a participant ceases employment with Wesfarmers before the end of the performance period, their entitlement to the Performance-tested Shares (if any) will depend on the circumstances of cessation.</p> <p>Where a participant leaves due to ill health, a pro-rata number of Performance-tested Shares, based on the length of the performance period worked, will remain on foot subject to the original terms of offer, unless the Board determines otherwise.</p> <p>If the participant ceases employment with the Wesfarmers Group for any other reason, their Performance-tested Shares will be forfeited.</p>
Change of control	<p>If a change of control event occurs, the Board has broad discretion to determine the treatment of the Performance-tested Shares, having regard to any matter that the Board considers relevant.</p>
Clawback and adjustment	<p>The terms of the Performance-tested Shares allow for the Board to clawback or adjust any incentive awards which were granted, vest or may vest, or are released or may be released (as applicable). For example, these powers can be exercised as a result of a material misstatement in, or omission from, the financial statements or otherwise as a result of fraud, dishonesty or breach of obligations. In such circumstances, the Board may, up to the value of the overpaid remuneration, reduce or defer or otherwise require the repayment of any amount paid or payable to the participant to ensure no inappropriate benefit is derived. The Board has discretion to adjust any conditions applicable to an award, if considered appropriate.</p>

Remuneration report (audited)

5.8 Executive KMP share ownership

The Board considers it an important foundation of the Wesfarmers remuneration framework that the executive KMP hold a significant number of Wesfarmers shares to encourage them to behave like long-term owners and, as at the date of this report, all current executive KMP hold significantly more than their respective FAR in Wesfarmers shares.

The following table sets out the number of shares held directly, indirectly or beneficially by the current executive KMP (including their related parties).

Name	Balance at beginning of year ¹	Allocated under remuneration framework ²	Net change ³	Balance at year-end ⁴	Breakdown of balance at year-end			
					Held in an equity plan			
					Vested and restricted ⁵	Vested and unrestricted ⁶	Not vested ⁷	Other shares ⁸
R G Scott	911,355	82,992	(3,852)	990,495	303,225	112,200	255,484	319,586
A N Gianotti	393,752	46,276	(17,923)	422,105	140,017	56,769	140,978	84,341
I Bailey	165,703	48,713	(15,000)	199,416	60,187	30,366	108,863	-
M D Schneider	250,089	77,536	(8,980)	318,645	123,893	42,294	151,079	1,379
Total	1,720,899	255,517	(45,755)	1,930,661	627,322	241,629	656,404	405,306

¹ This number reflects the fully-paid ordinary shares held directly, vested equity under the incentive plans as well as unvested equity under the incentive plans. The unvested equity may include the 2017 KEEPP Performance Shares, the 2018 KEEPP Performance Shares and the 2019 KEEPP Deferred Shares and Performance Shares, and the 2017 WESAP shares, as appropriate. WESAP shares are share-based awards received by the executive KMP under other incentive plans prior to commencing as KMP and participating in the KEEPP.

² This number reflects the equity allocated under the 2020 KEEPP and the Performance-tested Shares, as appropriate.

³ The net change may include changes due to personal trades and forfeited equity.

⁴ This number reflects the fully-paid ordinary shares held directly, vested equity under the incentive plans as well as unvested equity under the incentive plans. The unvested equity may include the 2018 KEEPP Performance Shares, the 2019 KEEPP Performance Shares and the 2020 KEEPP Deferred Shares and Performance Shares, and the Performance-tested Shares, as appropriate.

⁵ The vested and restricted equity includes any share-based awards received by the executive KMP that are now fully vested but remain subject to a restriction within the incentive plans. This includes the 2016 KEEPP Deferred Shares, the 2017 KEEPP Deferred Shares, the 2018 KEEPP Deferred Shares and the 2019 KEEPP Deferred Shares, as appropriate.

⁶ The vested and unrestricted equity includes any share-based awards received by the executive KMP that are now fully vested and available to be removed from the incentive plans upon instruction from the executive KMP.

⁷ The unvested equity includes the 2018 KEEPP Performance Shares, the 2019 KEEPP Performance Shares and the 2020 KEEPP Deferred Shares and Performance Shares, and the Performance-tested Shares, as appropriate.

⁸ This number reflects the fully-paid ordinary shares held directly outside of an equity plan by the executive KMP including their related parties.

5.9 Executive service agreements

The remuneration and other terms of employment for the Group Managing Director, the Group Chief Financial Officer and other executive KMP are covered in formal employment contracts. All service agreements are for unlimited duration and may be terminated immediately for serious misconduct. All executives are entitled to receive pay in lieu of any accrued but untaken annual and long service leave on cessation of employment.

The executive KMP must give a minimum 12 months' notice should they wish to resign and Wesfarmers must give 12 months' notice should it wish to terminate employment (other than for cause).

The Group Managing Director and the Group Chief Financial Officer may terminate their employment within 30 days of an event giving rise to fundamental change. This includes Mr Scott ceasing to be the most senior executive of the Group, a delisting of Wesfarmers or a material reduction in role, status or delegated authority.

In addition, and upon further payment (where required), Wesfarmers may invoke a restraint period of up to 12 months following separation, preventing the executive KMP from engaging in any business activity with competitors of the Group.

Remuneration report (audited)

Non-executive director remuneration

6. NON-EXECUTIVE DIRECTORS

6.1 Overview of non-executive director remuneration policy and arrangements

Our policy objectives and guiding principles

- 1 To be market competitive:** aim to set fees at a level competitive with non-executive directors in comparator companies
- 2 To safeguard and preserve independence:** to not include any performance-related element in remuneration

Aggregate fees approved by shareholders

The current maximum aggregate fee pool for non-executive directors of \$3,600,000 was approved by shareholders at the 2015 Annual General Meeting. Fees paid to Wesfarmers' non-executive directors for membership of Wesfarmers' divisional boards, in addition to Wesfarmers' Board and committee fees and superannuation contributions made on behalf of the non-executive directors in accordance with Wesfarmers' statutory superannuation obligations, are included in this aggregate fee pool.

Regular reviews of remuneration

The Board periodically reviews the level of fees paid to the non-executive directors, including consideration of external benchmarking.

In December 2020, the Board reviewed the main Board member fee payable to the non-executive directors having regard to benchmark data, market position and relative fees. The Board approved a four per cent increase in the main Board member fee which was the first change to this fee since 1 January 2017. There was no change to the main Board fee for the Chairman.

6.2 Non-executive director fees and other benefits

The fees shown in the table below (inclusive of superannuation) took effect from 1 January 2021. The 2020 fees are included for comparison.

Fees/benefits	Description	2021 (\$)	2020 (\$)
Board fees	Main Board¹		
	Chairman – M A Chaney	770,000	770,000
	Members – all non-executive directors	240,000	230,000
Committee fees	Audit and Risk Committee		
	Chairman – S L Warburton	70,000	70,000
	Members – J A Westacott, S W English, A Sabharwal ²	40,000	40,000
	Remuneration Committee		
	Chairman – M Roche	60,000	60,000
	Members – M A Chaney ³ , W G Osborn, V M Wallace	30,000	30,000
Superannuation	Made to the Mercer Tailored Super Plan or another regulated superannuation fund. An amount is deducted from gross fees to meet statutory superannuation obligations.		
Other Group fees	Non-executive directors are paid additional fees, where applicable, for participation on the boards of Wesfarmers' related bodies corporate (for example BWP Management Limited). None of the current non-executive directors participate on the boards of Wesfarmers' related bodies corporate.		

¹ D L Smith-Gander retired from the Board of Wesfarmers Limited on 12 November 2020.

A M Watkins is expected to be appointed to the Board of Wesfarmers Limited, effective 1 September 2021 and is expected to be KMP for part of the 2022 financial year.

² A Sabharwal was appointed to the Board of Wesfarmers Limited and as a member of the Audit and Risk Committee, effective 1 February 2021.

³ The Chairman of the Board does not receive a separate fee for membership of any of the Board's committees.

Remuneration report (audited)

6.3 Non-executive director remuneration

The fees paid or payable to the non-executive directors in relation to the 2021 financial year are set out below:

		Short-term benefits		Post-employment benefits		Total
		Fees – Wesfarmers Limited (\$)	Fees – Wesfarmers Group (\$)	Other benefits ¹ (\$)	Superannuation ² (\$)	
Non-executive directors						
M A Chaney	2021	748,306	-	62,805	21,694	832,805
	2020	748,997	-	28,459	21,003	798,459
S W English	2021	253,306	-	60,151	21,694	335,151
	2020	248,997	-	24,914	21,003	294,914
W G Osborn	2021	243,306	-	60,151	21,694	325,151
	2020	236,997	-	24,914	21,003	282,914
M Roche	2021	278,729	-	60,151	16,271	355,151
	2020	275,499	-	24,914	10,501	310,914
A Sabharwal ³	2021	112,618	-	24,720	4,049	141,387
V M Wallace	2021	248,729	-	60,151	16,271	325,151
	2020	247,499	-	24,914	10,501	282,914
S L Warburton ⁴	2021	283,306	-	60,151	21,694	365,151
	2020	247,870	-	22,804	20,027	290,701
J A Westacott	2021	269,576	-	60,151	5,424	335,151
	2020	259,499	-	24,914	10,501	294,914
Former non-executive directors						
D L Smith-Gander ⁵	2021	94,219	-	46,809	5,424	146,452
	2020	259,499	-	24,914	10,501	294,914
A J Howarth ⁶	2020	105,562	39,353	17,810	10,073	172,798
Total	2021	2,532,095	-	495,240	134,215	3,161,550
	2020	2,630,419	39,353	218,557	135,113	3,023,442

¹ Short-term benefits, 'other benefits', includes the cost of directors and officers liability insurance and the cost of other business-related expenses. The amount shown under short-term benefits, 'other benefits' for D L Smith-Gander is inclusive of a retirement gift.

² Superannuation contributions are made on behalf of non-executive directors in accordance with Wesfarmers' statutory superannuation obligations, except where approval was obtained from the Australian Taxation Office by individual non-executive directors to be exempt from making superannuation contributions due to obligations being met by other employers. Also included is any part of a non-executive director's fees that have been sacrificed into superannuation.

³ A Sabharwal was appointed as a non-executive director on 1 February 2021.

⁴ S L Warburton was appointed as a non-executive director on 1 August 2019.

⁵ D L Smith-Gander retired from the Board, effective 12 November 2020.

⁶ A J Howarth retired from the Board, effective 14 November 2019. Mr Howarth received fees for participation on the board of BWP Management Limited.

Remuneration report (audited)

6.4 Non-executive director share ownership

The Board considers it an important foundation of the Wesfarmers remuneration framework that the directors hold a significant number of Wesfarmers shares to encourage them to behave like long-term owners. Directors are required to hold a minimum of 1,000 Wesfarmers shares within two months of appointment and are also expected to increase their holdings in Wesfarmers shares to the equivalent of their annual main board fee within a five-year period of appointment.

The following table sets out the number of shares held directly, indirectly or beneficially by directors and former directors (including their related parties).

Name	Balance at beginning of year ¹	Net change ²	Balance at year-end ³
M A Chaney	87,597	-	87,597
S W English	2,296	1,103	3,399
W G Osborn	14,728	-	14,728
M Roche	3,000	2,000	5,000
A Sabharwal ⁴	-	1,017	1,017
D L Smith-Gander ⁵	12,045	-	12,045
V M Wallace	13,983	-	13,983
S L Warburton	7,036	-	7,036
J A Westacott	6,788	-	6,788
Total	147,473	4,120	151,593

¹ This number reflects the fully-paid ordinary shares held directly as well as vested and unrestricted equity under plans.

² The net change includes changes due to personal trades.

³ This number reflects the fully-paid ordinary shares held directly as well as vested and unrestricted equity under plans. Where a director ceased to be a director throughout the year, 'Balance at year-end' reflects the balance of equity as at the date they ceased to be a director.

⁴ The information for A Sabharwal reflects his time since appointment to the Board and as a member of the KMP, from 1 February 2021.

⁵ D L Smith-Gander retired from the Board and ceased to be a member of the KMP, effective 12 November 2020.

Remuneration report (audited)

Other remuneration information

7. FURTHER INFORMATION ON REMUNERATION

7.1 Share trading restrictions

Wesfarmers' Securities Trading Policy reflects the *Corporations Act 2001* prohibition on KMP and their closely related parties entering into any arrangement that would have the effect of limiting the KMP's exposure to risk relating to an element of their remuneration that remains subject to restrictions on disposal.

Wesfarmers directors, the Wesfarmers Leadership Team, and certain members of their immediate family and controlled entities are also required to obtain clearance from the Wesfarmers Company Secretary for the sale, purchase or transfer of Wesfarmers and BWP Trust securities and for short selling, short-term trading, security interests, margin loans and hedging relating to Wesfarmers and BWP Trust securities. The Wesfarmers Company Secretary refers all requests for clearance to at least two members of the Disclosure Committee. Clearance from the Chairman is also required for requests from Wesfarmers directors. Clearance cannot be requested for dealings that are subject to the *Corporations Act 2001* prohibition referred to above.

The policy is available in the corporate governance section of the company's website at www.wesfarmers.com.au/cg. Breaches of the policy are subject to disciplinary action, which may include termination of employment.

7.2 Other transactions and balances with key management personnel

From time to time, the executive KMP and directors of the company or its controlled entities, or their related entities, may purchase goods or services from the Group. These purchases are on the same terms and conditions as those entered into by other Group team members or customers and are minor or domestic in nature.

There were no loans made during the year, or remaining unsettled at 30 June 2021, between Wesfarmers and its directors and executive KMP and/or their related parties.

8. INDEPENDENT AUDIT OF REMUNERATION REPORT

The remuneration report has been audited by Ernst & Young. Please see page 176 of this annual report for Ernst & Young's report on the remuneration report.

The directors' report, including the remuneration report, is signed in accordance with a resolution of the directors of Wesfarmers Limited.



M A Chaney AO
Chairman



R G Scott
Managing Director

Perth
26 August 2021

Financial statements

For the year ended 30 June 2021 – Wesfarmers Limited and its controlled entities

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2. Expenses	5. Receivables	15. Dividends and distributions	20. Hedging	23. Subsidiaries	28. Events after the reporting period
3. Tax expense	6. Inventories	16. Equity and reserves	21. Impairment of non-financial assets	24. Parent disclosures	29. Auditors' remuneration
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Income statement

For the year ended 30 June 2021

	Note	Consolidated	
		2021 \$m	2020 \$m
Continuing operations			
Revenue	1	33,941	30,846
Expenses			
Raw materials and inventory		(20,877)	(19,307)
Employee benefits expense	2	(5,500)	(4,990)
Freight and other related expenses		(540)	(435)
Occupancy-related expenses	2	(461)	(446)
Depreciation and amortisation	2	(1,509)	(1,528)
Impairment expenses	2	(70)	(941)
Other expenses	2	(1,457)	(1,329)
Total expenses		(30,414)	(28,976)
Other income	1	87	661
Share of net profits of associates and joint ventures	22	103	213
		190	874
Earnings before finance costs and income tax expense		3,717	2,744
Interest on lease liabilities	12	(226)	(237)
Other finance costs	2	(118)	(133)
Profit before income tax expense		3,373	2,374
Income tax expense	3	(993)	(752)
Profit after tax from continuing operations		2,380	1,622
Discontinued operations			
Profit after tax from discontinued operations		-	75
Profit attributable to members of the parent		2,380	1,697
Earnings per share attributable to ordinary equity holders of the parent from continuing operations			
Basic earnings per share		210.4	143.4
Diluted earnings per share		210.2	143.3
Earnings per share attributable to ordinary equity holders of the parent			
Basic earnings per share	17	210.4	150.0
Diluted earnings per share		210.2	149.9

Statement of comprehensive income

For the year ended 30 June 2021

	Note	Consolidated	
		2021 \$m	2020 \$m
Profit attributable to members of the parent		2,380	1,697
Other comprehensive income			
Items that may be reclassified to profit or loss:			
Foreign currency translation reserve	16		
Exchange differences on translation of foreign operations		(8)	(4)
Cash flow hedge reserve	16		
Unrealised (losses)/gains on cash flow hedges		(191)	136
Realised losses transferred to net profit		-	-
Realised losses/(gains) transferred to non-financial assets		308	(259)
Share of associates and joint ventures reserves		5	(1)
Tax effect	3	(38)	37
Items that will not be reclassified to profit or loss:			
Financial assets reserve	16		
Changes in the fair value of financial assets designated at fair value through other comprehensive income		(3)	30
Tax effect	3	1	(9)
Retained earnings			
Remeasurement loss on defined benefit plan		-	-
Tax effect		-	-
Other comprehensive profit/(loss) for the year, net of tax		74	(70)
Total comprehensive income for the year, net of tax, attributable to members of the parent arising from:			
Continuing operations		2,454	1,552
Discontinued operations		-	75
		2,454	1,627

Balance sheet

As at 30 June 2021

	Note	Consolidated	
		2021 \$m	2020 \$m
ASSETS			
Current assets			
Cash and cash equivalents	4	3,023	2,913
Receivables - trade and other	5	1,247	1,037
Inventories	6	4,502	3,844
Derivatives	20	152	41
Other		172	229
Total current assets		9,096	8,064
Non-current assets			
Investment in associates and joint ventures	22	775	710
Other financial assets	7	1,124	1,123
Deferred tax assets	3	613	670
Property, plant and equipment	8	3,496	3,623
Goodwill and intangible assets	9	3,902	3,814
Mineral rights	10	1	813
Mine properties	11	865	-
Right-of-use assets	12	6,035	6,212
Derivatives	20	282	386
Other		25	10
Total non-current assets		17,118	17,361
Total assets		26,214	25,425
LIABILITIES			
Current liabilities			
Trade and other payables		4,234	4,008
Interest-bearing loans and borrowings	18	950	503
Lease liabilities	12	969	1,019
Income tax payable		349	392
Provisions	13	1,152	1,078
Derivatives	20	43	81
Other		218	189
Total current liabilities		7,915	7,270
Non-current liabilities			
Interest-bearing loans and borrowings	18	2,072	2,153
Lease liabilities	12	6,136	6,223
Provisions	13	374	346
Derivatives	20	2	4
Other		-	85
Total non-current liabilities		8,584	8,811
Total liabilities		16,499	16,081
Net assets		9,715	9,344
EQUITY			
Equity attributable to equity holders of the parent			
Issued capital	16	15,826	15,818
Reserved shares	16	(102)	(89)
Retained earnings		60	(245)
Reserves	16	(6,069)	(6,140)
Total equity		9,715	9,344

Cash flow statement

For the year ended 30 June 2021

	Note	Consolidated	
		2021 \$m	2020 \$m
Cash flows from operating activities			
Receipts from customers		37,403	34,197
Payments to suppliers and employees		(32,773)	(28,725)
Dividends and distributions received from associates		51	159
Dividends received from other investments		40	-
Interest received		12	9
Borrowing costs		(335)	(367)
Income tax paid		(1,015)	(727)
Net cash flows from operating activities	4	3,383	4,546
Cash flows from investing activities			
Payments for property, plant and equipment and intangibles	4	(843)	(844)
Payments for mineral exploration	4	(22)	(23)
Payments for mine properties and development	4	(31)	-
Proceeds from sale of property, plant and equipment and intangibles	4	264	299
Net proceeds from sale of businesses		5	-
Net proceeds from disposals of interest in associates and other investments		-	2,198
Net investments in associates and joint ventures		(8)	-
Acquisition of subsidiaries, net of cash acquired		(2)	(988)
Purchase of other financial assets		(5)	-
Net cash flows (used in)/from investing activities		(642)	642
Cash flows from financing activities			
Proceeds from borrowings		1,000	-
Repayment of borrowings		(571)	(381)
Repayment of lease liabilities		(986)	(955)
Equity dividends paid		(2,074)	(1,734)
Net cash flows used in financing activities		(2,631)	(3,070)
Net increase in cash and cash equivalents		110	2,118
Cash and cash equivalents at beginning of year		2,913	795
Cash and cash equivalents at end of year	4	3,023	2,913

Statement of changes in equity

For the year ended 30 June 2021

Consolidated	Note	Attributable to equity holders of the parent				
		Issued capital	Reserved shares	Retained earnings	Reserves	Total equity
		\$m	\$m	\$m	\$m	\$m
Balance at 1 July 2020		15,818	(89)	(245)	(6,140)	9,344
Net profit for the year		-	-	2,380	-	2,380
Other comprehensive income						
Exchange differences on translation of foreign operations	16	-	-	-	(8)	(8)
Changes in the fair value of cash flow hedges, net of tax	16	-	-	-	84	84
Changes in the fair value of financial assets designated at fair value through other comprehensive income, net of tax	16	-	-	-	(2)	(2)
Remeasurement loss on defined benefit plan, net of tax	16	-	-	-	-	-
Total other comprehensive income for the year, net of tax		-	-	-	74	74
Total comprehensive income for the year, net of tax		-	-	2,380	74	2,454
Share-based payment transactions	16	8	-	-	(3)	5
Acquisition of shares on-market for Wesfarmers Long Term Incentive Plan (WLTIP) and Key Executive Equity Performance Plan (KEEPP)	16	-	(10)	-	-	(10)
Acquisition of shares on-market for Performance shares	16	-	(3)	-	-	(3)
Equity dividends	15	-	-	(2,075)	-	(2,075)
		8	(13)	(2,075)	(3)	(2,083)
Balance at 30 June 2021		15,826	(102)	60	(6,069)	9,715
Balance at 1 July 2019		15,809	(81)	(208)	(6,067)	9,453
Net profit for the year		-	-	1,697	-	1,697
Other comprehensive income						
Exchange differences on translation of foreign operations	16	-	-	-	(4)	(4)
Changes in the fair value of cash flow hedges, net of tax	16	-	-	-	(87)	(87)
Changes in the fair value of financial assets designated at fair value through other comprehensive income, net of tax	16	-	-	-	21	21
Remeasurement loss on defined benefit plan, net of tax	16	-	-	-	-	-
Total other comprehensive income for the year, net of tax		-	-	-	(70)	(70)
Total comprehensive income for the year, net of tax		-	-	1,697	(70)	1,627
Share-based payment transactions		9	-	-	(3)	6
Acquisition of shares on-market for WLTIP and KEEPP	16	-	(8)	-	-	(8)
Equity dividends	15	-	-	(1,734)	-	(1,734)
		9	(8)	(1,734)	(3)	(1,736)
Balance at 30 June 2020		15,818	(89)	(245)	(6,140)	9,344

Notes to the financial statements: About this report

For the year ended 30 June 2021

ABOUT THIS REPORT

Wesfarmers Limited (referred to as 'Wesfarmers') is a for-profit company limited by shares incorporated and domiciled in Australia whose shares are publicly traded on the Australian Securities Exchange (ASX). The nature of the operations and principal activities of Wesfarmers and its subsidiaries (referred to as 'the Group') are described in the segment information.

The consolidated financial report of the Group for the financial year ended 30 June 2021 (FY2021) was authorised for issue in accordance with a resolution of the directors on 26 August 2021. The Directors have the power to amend and reissue the financial report.

The financial report is a general purpose financial report which:

- has been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB);
- has been prepared on a historical cost basis, except for investment properties held by associates and certain financial instruments which have been measured at fair value. The carrying values of recognised assets and liabilities that are the hedged items in fair value hedge relationships, which are otherwise carried at amortised cost, are adjusted to record changes in the fair values attributable to the risks that are being hedged;
- is presented in Australian dollars with all values rounded to the nearest million dollars (\$'000,000) unless otherwise stated, in accordance with ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191;
- presents reclassified comparative information where required for consistency with the current year's presentation;
- adopts all new and amended Accounting Standards and Interpretations issued by the AASB that are relevant to the Group and effective for reporting periods beginning on or before 1 July 2020, except for AASB 2020-4, which was early adopted in the 30 June 2020 reporting period. Refer to note 30 for further details; and
- except as outlined above, does not early adopt Accounting Standards and Interpretations that have been issued or amended but are not yet effective.

BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Group. A list of controlled entities (subsidiaries) at year-end is contained in note 23.

The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profits and losses resulting from intragroup transactions have been eliminated. Subsidiaries are consolidated from the date on which control is obtained to the date on which control is disposed. The acquisition of subsidiaries is accounted for using the acquisition method of accounting.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

KEY JUDGEMENTS AND ESTIMATES

In the process of applying the Group's accounting policies, management has made a number of judgements and applied estimates of future events.

The continued impact of COVID-19 has been considered in applying the Group's key judgements and estimates. As these are subject to increased uncertainty, actual outcomes may differ from the applied estimates.

Judgements and estimates which are material to the financial report are found in the following notes:

Page		
134	Note 1	Revenue and other income
136	Note 3	Tax expense
138	Note 6	Inventories
139	Note 8	Property, plant and equipment
140	Note 9	Goodwill and intangible assets
141	Note 11	Mine properties
142	Note 12	Leases
144	Note 13	Provisions
157	Note 21	Impairment of non-financial assets
159	Note 22	Associates and joint arrangements

FOREIGN CURRENCY

The functional currencies of overseas subsidiaries are listed in note 23. As at the reporting date, the assets and liabilities of overseas subsidiaries are translated into Australian dollars at the rate of exchange ruling at the balance sheet date and the income statements are translated at the average exchange rates for the year. The exchange differences arising on the translation are taken directly to a separate component of equity.

Transactions in foreign currencies are initially recorded in the functional currency at the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. Exchange differences arising from the application of these procedures are taken to the income statement, with the exception of differences on foreign currency borrowings that provide a hedge against a net investment in a foreign entity, which are taken directly to equity until the disposal of the net investment and are then recognised in the income statement. Tax charges and credits attributable to exchange differences on those borrowings are also recognised in equity.

OTHER ACCOUNTING POLICIES

Significant and other accounting policies that summarise the measurement basis used and are relevant to an understanding of the financial statements are provided throughout the notes to the financial statements.

Notes to the financial statements: About this report

For the year ended 30 June 2021

NOTES TO THE FINANCIAL STATEMENTS

The notes include information which is required to understand the financial statements and is material and relevant to the operations, financial position and performance of the Group. Information is considered material and relevant if, for example:

- the amount in question is significant because of its size or nature;
- it is important for understanding the results of the Group;
- it helps to explain the impact of significant changes in the Group's business – for example, acquisitions, disposals and impairment writedowns; or
- it relates to an aspect of the Group's operations that is important to its future performance.

The notes are organised into the following sections:

- *Group performance*: provides a breakdown of individual line items in the income statement that the directors consider most relevant and summarises the accounting policies, judgements and estimates relevant to understanding these line items;

- *Group balance sheet*: provides a breakdown of individual line items in the balance sheet that the directors consider most relevant and summarises the accounting policies, judgements and estimates relevant to understanding these line items;
- *Capital*: provides information about the capital management practices of the Group and shareholder returns for the year;
- *Risk*: discusses the Group's exposure to various financial risks, explains how these affect the Group's financial position and performance and what the Group does to manage these risks;
- *Group information*: explains aspects of the Group structure and how changes have affected the financial position and performance of the Group, as well as disclosing related party transactions and balances; and
- *Other*: provides information about items that are not recognised in the financial statements but could potentially have a significant impact on the Group's financial position and performance; and provides information on items which require disclosure to comply with Australian Accounting Standards and other regulatory pronouncements.

SIGNIFICANT ITEMS IN THE CURRENT REPORTING PERIOD

Impact of COVID-19

COVID-19 has continued to have significant impacts on the Group in FY2021 including:

- Retail sales being impacted by significant volatility in foot traffic, driven by government restrictions and physical distancing requirements;
- Customers spending more time at home and government stimulus measures for households and businesses had a positive impact on the Group's retail sales;
- Higher online transaction volumes, particularly during periods of government-mandated trading restrictions for retail stores, with some additional fulfilment costs associated with peak demand and disruptions to transport providers;
- Higher ocean freight charges and inventory delays as a result of disruptions and capacity constraints in global supply chains;
- Incremental costs associated with additional cleaning, security and personal protective equipment required to ensure a safe environment for customers and team members; and
- Some additional costs associated with the provision of two weeks of COVID leave for team members required to self-isolate or care for others, COVID-related vaccination leave and the Group's commitment to pay all permanent and many casual team members during prolonged COVID-related lockdowns, even in the event there was no meaningful work for them.

Kmart Group

During FY2020, a strategic review into the operations of Target was completed, identifying a number of actions to accelerate the growth of Kmart and address the unsustainable financial performance of Target. These actions included the conversion of suitable Target stores to Kmart stores, the closure of a number of Target stores and a restructuring of the Target store support office. Total restructuring costs incurred in FY2021 were \$59 million (post-tax \$41 million) (2020: \$110 million (post-tax \$83 million)), and included store closure costs, store remuneration costs, store conversions and clearance activity.

Mt Holland lithium project - Final Investment Decision

On 17 February 2021, Wesfarmers announced the joint approval, together with Sociedad Quimica y Minera de Chile S.A., of the Final Investment Decision (FID) for the Mt Holland lithium project (the Project) based on an updated definitive feasibility study.

Prior to FID the Project was classified as a 'Mineral right'. When technical feasibility and commercial viability of extracting the resource is demonstrable, associated expenditure is reclassified to 'Mine properties'. The reclassification threshold was met in respect of the Project upon the announcement of FID.

On reclassification, the Project was tested for impairment. Refer to note 21 for further information.

Notes to the financial statements: Segment information

For the year ended 30 June 2021

SEGMENT INFORMATION

The Group's operating segments are organised and managed separately according to the nature of the products and services provided.

Each segment represents a strategic business unit that offers different products and operates in different industries and markets. The Board and executive management team (the chief operating decision-makers) monitor the operating results of the business units separately for the purpose of making decisions about resource allocation and performance assessment.

The types of products and services from which each reportable segment derives its revenues are disclosed below. Segment performance is evaluated based on operating profit or loss (segment result), which in certain respects, is presented differently from operating profit or loss in the consolidated financial statements.

Interest income and other finance costs are not allocated to operating segments, as this type of activity is managed on a Group basis.

Transfer prices between business segments are set on an arm's length basis in a manner similar to transactions with third parties. Segment revenue, expenses and results include transfers between business segments. Those transfers are eliminated on consolidation and are not considered material.

The operating segments and their respective types of products and services are as follows:

Bunnings

- Retailer of building material and home and garden improvement products; and
- Servicing project builders and the housing industry.

Kmart Group

Kmart

- Retailer of apparel and general merchandise, including toys, leisure, entertainment, home and consumables.

Target

- Retailer of apparel, homewares and general merchandise, including accessories, electricals and toys.

Catch

- Online retailer offering branded products on a first-party basis and a third-party online marketplace.

Officeworks

- Retailer and supplier of office products and solutions for home, small-to-medium sized businesses, and education.

Chemicals, Energy and Fertilisers (WesCEF)

- Manufacturer and marketing of chemicals for industry, mining and mineral processing;
- Manufacturer and marketing of broadacre and horticultural fertilisers;
- Marketing and distributor of LPG and LNG;
- LPG and LNG extraction for domestic and export markets;
- Manufacturer of wood-plastic composite decking and screening products; and
- 50 per cent joint operator of the Mt Holland lithium project.

Industrial and Safety (WIS)

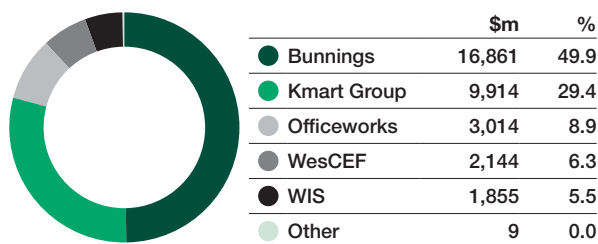
- Supplier and distributor of maintenance, repair and operating products;
- Manufacturer and marketing of industrial gases and equipment;
- Supplier, manufacturer and distributor of workwear clothing in Australia and internationally;
- Specialised supplier and distributor of industrial safety products and services; and
- Provider of risk management and compliance services.

Other

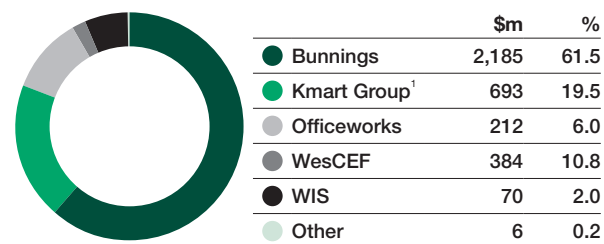
Includes:

- *Food and staples retailing*: 4.9 per cent (2020: 4.9 per cent) interest in Coles Group Limited;
- *Forest products*: non-controlling interest in Wespine Industries Pty Ltd;
- *Property*: non-controlling interest in BWP Trust;
- *Investment banking*: non-controlling interest in Gresham Partners Group Limited; and
- *Corporate*: includes treasury, head office, central support functions and other corporate entity expenses. Corporate is not considered an operating segment and includes activities that are not allocated to other operating segments.

Revenues from contracts with customers by segment for FY2021



Segment result for FY2021



¹ The Kmart Group segment result excludes restructuring costs of \$59 million.

Notes to the financial statements: Segment information

For the year ended 30 June 2021

SEGMENT INFORMATION

	BUNNINGS ¹		KMART GROUP	
	2021 \$m	2020 \$m	2021 \$m	2020 \$m
Revenue from contracts with customers	16,861	14,996	9,914	9,152
Other revenue	10	3	68	65
Segment revenue	16,871	14,999	9,982	9,217
EBITDA	2,993	2,601	1,326	1,113
Depreciation and amortisation	(692)	(658)	(539)	(601)
Interest on lease liabilities	(116)	(117)	(94)	(102)
Segment result	2,185	1,826	693	410
Items not included in segment result ^{2,3}	-	-	(59)	(635)
Other finance costs				
Profit before income tax expense				
Income tax expense				
Profit attributable to members of the parent				
Other segment information				
Segment assets	8,289	8,163	6,040	5,725
Investments in associates and joint ventures	17	17	-	-
Tax assets				
Total assets				
Segment liabilities	(5,944)	(6,062)	(4,656)	(4,518)
Tax liabilities				
Interest-bearing loans and borrowings				
Total liabilities				
Segment net assets	2,362	2,118	1,384	1,207
Other net assets ⁴	(2,078)	(1,790)	428	354
Net assets	284	328	1,812	1,561
Capital expenditure ⁵	445	511	195	132
Share of net profit or loss of associates and joint ventures included in segment result	-	-	-	-

¹ The 2021 Bunnings segment result includes a net property loss of \$10 million (2020: contribution of \$16 million).

² The 2021 Kmart Group segment result excludes restructuring costs of \$59 million. The 2020 Kmart Group segment result excludes impairments of the Target brand name and other assets of \$525 million and restructuring costs and provisions of \$110 million. The 2020 WIS segment result excludes impairment of \$310 million.

³ The 2020 Other segment result includes the share of profits from Wesfarmers' interest in Coles when it was an associate and accounted for using the equity method, but excludes the gain of \$290 million on the sale of 10.1 per cent of the interest in Coles and a gain of \$220 million on the revaluation of the retained 4.9 per cent interest in Coles.

⁴ Other net assets relate predominantly to intercompany financing arrangements and segment tax balances.

⁵ Capital expenditure, inclusive of property, plant and equipment, intangibles, mineral exploration and mine properties, includes accruals for costs incurred during the year. The amount excluding movements in accruals is \$896 million (2020: \$867 million).

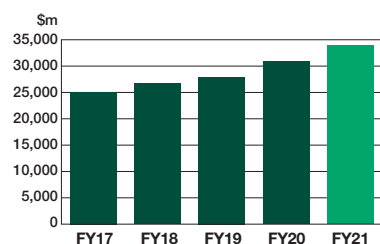
Notes to the financial statements: Segment information

For the year ended 30 June 2021

OFFICEWORKS		WesCEF		WIS		OTHER		CONSOLIDATED	
2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
3,014	2,775	2,144	2,081	1,855	1,745	9	4	33,797	30,753
15	12	2	4	-	-	49	9	144	93
3,029	2,787	2,146	2,085	1,855	1,745	58	13	33,941	30,846
328	307	473	481	148	121	17	84	5,285	4,707
(106)	(99)	(88)	(86)	(74)	(77)	(10)	(7)	(1,509)	(1,528)
(10)	(11)	(1)	(1)	(4)	(5)	(1)	(1)	(226)	(237)
212	197	384	394	70	39	6	76	3,550	2,942
-	-	-	-	-	(310)	-	510	(59)	(435)
								(118)	(133)
								3,373	2,374
								(993)	(752)
								2,380	1,622
1,892	1,819	2,676	2,450	1,712	1,585	4,217	4,303	24,826	24,045
-	-	81	87	-	-	677	606	775	710
						613	670	613	670
								26,214	25,425
(985)	(1,028)	(473)	(458)	(583)	(543)	(487)	(424)	(13,128)	(13,033)
						(349)	(392)	(349)	(392)
						(3,022)	(2,656)	(3,022)	(2,656)
								(16,499)	(16,081)
907	791	2,284	2,079	1,129	1,042	1,649	2,107	9,715	9,344
175	286	(1,106)	(853)	(778)	(668)	3,359	2,671	-	-
1,082	1,077	1,178	1,226	351	374	5,008	4,778	9,715	9,344
65	40	137	114	62	59	2	5	906	861
-	-	15	12	-	-	88	201	103	213

Total revenue from continuing operations

\$33,941m



▲ 10.0%

	\$m
FY21	33,941
FY20	30,846
FY19	27,920
FY18	26,763
FY17	25,083

GEOGRAPHICAL INFORMATION

The table below provides information on the geographical location of revenue from contracts with customers and non-current assets (other than financial instruments, deferred tax assets and pension assets). Revenue from contracts with customers is allocated to a geography based on the location of the operation in which it was derived. Non-current assets are allocated based on the location of the operation to which they relate.

	Revenue		Non-current assets	
	2021	2020	2021	2020
	\$m	\$m	\$m	\$m
Australia	31,283	28,595	14,821	14,439
New Zealand	2,488	2,101	671	711
United Kingdom	19	35	-	2
Other	7	22	14	22
Total	33,797	30,753	15,506	15,174

Notes to the financial statements: Group performance

For the year ended 30 June 2021

1. REVENUE AND OTHER INCOME FROM CONTINUING OPERATIONS

	Consolidated	
	2021 \$m	2020 \$m
Sale of retail goods instore	26,890	25,039
Sale of retail goods online	2,804	1,814
Sale of fertilisers, chemicals, speciality gases, LPG and LNG	2,137	2,074
Sale of industrial products	1,811	1,699
Services revenue	155	127
Revenue from contracts with customers	33,797	30,753
Interest revenue	11	10
Dividend revenue	40	-
Other	93	83
Other revenue	144	93
Total revenue	33,941	30,846
Gain on sale of associate	-	290
Gains on disposal of property, plant and equipment and other assets	3	8
Other ¹	84	363
Other income	87	661

¹ The FY2020 Other includes a \$220 million gain recognised on the revaluation of the Group's retained 4.9 per cent interest in Coles.

RECOGNITION AND MEASUREMENT

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of the goods or services is transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

The Group generates a significant proportion of its revenue from the sale of the following finished goods:

- Merchandise direct to customers through the Group's retail operations either through the sale of retail goods instore or online. Control of goods typically passes at the point of sale (refer to Bunnings, Kmart Group and Officeworks in the segment information).
- Sales to commercial customers under contracts, of products:
 - i. for which the Group has distribution rights, principally related to industrial maintenance and industrial safety (refer to WIS in the segment information); and
 - ii. produced or purchased by the Group including fertilisers, chemicals, speciality gases, LPG and LNG (refer to WesCEF in the segment information).

The Group's contracts with customers for the sale of goods generally include one performance obligation. Revenue for the sale of goods is recognised at the point in time when control of the asset is transferred to the customer, typically at either the point of sale or at the time of delivery of the goods to the customer. Cash payment is generally received at the point of sale. Revenue from lay-by transactions is recognised on the date when the customer completes payment and takes possession of the merchandise. Any cash received in advance of the completion of the performance obligation is recognised on the balance sheet as a contract liability.

Where satisfaction of a performance obligation is completed over time, revenue is recognised in line with the progress towards complete satisfaction of the performance obligation.

A right of return is not a separate performance obligation and the Group recognises revenue net of estimated returns. A refund liability and a corresponding asset in inventory representing the right to recover the returned products from the customer is also recognised.

Other revenue

Interest revenue

Revenue is recognised as the interest accrues on the related financial asset. Interest is determined using the effective interest rate method, which applies the interest rate that exactly discounts estimated future cash receipts over the expected life of the financial instrument.

Dividends

Revenue from dividends, other than those arising from associates, is recognised when the Group's right to receive the payment is established.

Operating lease rental revenue

Operating lease revenue consists of rentals from investment properties and sub-lease rentals. Rentals received under operating leases and initial direct costs are recognised on a straight-line basis over the term of the lease.

Key estimate: gift cards

Revenue from the sale of gift cards is recognised when the card is redeemed and the customer purchases goods by using the card, or when the gift card is no longer expected to be redeemed (breakage). At 30 June 2021, \$128 million of revenue is deferred in relation to gift cards (2020: \$96 million). Gift card liabilities are contract liabilities as payment has been received for a performance obligation to be completed at a future point in time.

The key assumption in measuring the contract liability for gift cards and vouchers is the expected breakage, which is reviewed annually based on historical information. Any reassessment of expected breakage in a particular year impacts on the revenue recognised from expiry of gift cards and vouchers (either increasing or decreasing). Any reasonably possible change in the estimate is unlikely to have a material impact.

Key judgement: Flybuys

The Group is a participant in the Flybuys loyalty program whereby eligible customers are granted loyalty points based on the dollars they spend. Following the demerger of Coles and the loss of control of Loyalty Pacific Pty Ltd, the Group has concluded that they are an agent in this arrangement as the nature of the loyalty program is that Flybuys is responsible for supplying the awards to the customer and as such the Group's role is only to arrange for Flybuys to provide the goods or services.

Notes to the financial statements: Group performance

For the year ended 30 June 2021

2. EXPENSES FROM CONTINUING OPERATIONS

	Consolidated	
	2021 \$m	2020 \$m
Remuneration, bonuses and on-costs	5,084	4,573
Superannuation expense	355	325
Share-based payments expense	61	92
Employee benefits expense	5,500	4,990
Short-term and low-value lease payments	28	23
Contingent rental payments	37	30
Outgoings and other	396	393
Occupancy-related expenses	461	446
Depreciation	393	433
Depreciation of right-of-use assets	972	964
Amortisation of intangibles	69	61
Amortisation other	75	70
Depreciation and amortisation	1,509	1,528
Impairment of plant, equipment and other assets	16	168
Impairment of goodwill and intangible assets	12	551
Impairment of right-of-use assets	26	198
Impairment of trade and other receivables	16	24
Impairment expenses	70	941
Repairs and maintenance	247	209
Utilities and office expenses	510	486
Insurance expenses	47	53
Merchant fees	132	103
Other	521	478
Other expenses	1,457	1,329
Interest on interest-bearing loans and borrowings	90	113
Discount rate adjustment	2	3
Amortisation of debt establishment costs	8	5
Other finance-related costs	18	12
Other finance costs	118	133

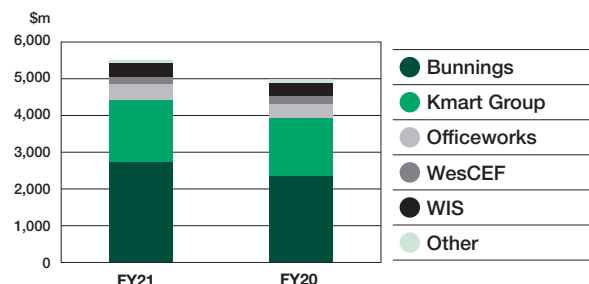
RECOGNITION AND MEASUREMENT

Employee benefits expense

The Group's accounting policy for liabilities associated with employee benefits is set out in note 13. The policy relating to share-based payments is set out in note 31.

The majority of employees in Australia and New Zealand are party to a defined contribution superannuation scheme and receive fixed contributions from Group companies and the Group's legal or constructive obligation is limited to these contributions. Contributions to defined contribution funds are recognised as an expense as they become payable. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payment is available. The Group also operates a defined benefit superannuation scheme, the membership of which is now closed.

Employee benefits expense by segment



Depreciation and amortisation

Refer to notes 8, 9 and 12 for details on depreciation and amortisation.

Impairment

Impairment expenses are recognised to the extent that the carrying amounts of assets exceed their recoverable amounts. Refer to note 5 for details on the impairment of trade and other receivables, including a reconciliation of the allowance for credit losses, and note 21 for further details on impairment of non-financial assets.

Other finance costs

Other finance costs are recognised as an expense when they are incurred, except for interest charges attributable to major projects with substantial development and construction phases.

Provisions and other payables are discounted to their present value when the effect of the time value of money is significant. The impact of the unwinding of these discounts and any changes to the discounting is shown as a discount rate adjustment in finance costs.

Capitalisation of borrowing costs

To determine the amount of borrowing costs to be capitalised as part of the costs of major construction projects, the Group uses the weighted average interest rate applicable to its outstanding borrowings, including lease liabilities, during the year. For FY2021, the weighted average interest rate applicable was 3.57 per cent.

Notes to the financial statements: Group performance

For the year ended 30 June 2021

3. TAX EXPENSE

	Consolidated	
	2021	2020
The major components of tax expense are:	\$m	\$m
Income statement (continuing operations)		
Current income tax expense		
Current year (paid or payable)	996	932
Adjustment for prior years	(21)	(4)
Deferred income tax expense		
Temporary differences	9	(193)
Adjustment for prior years	9	17
Income tax expense reported in the income statement	993	752
Statement of changes in equity		
Net loss on revaluing cash flow hedges	38	(37)
Net gain on revaluing financial assets	(1)	9
Income tax benefit reported in equity	37	(28)
Tax reconciliation (continuing operations)		
Profit before tax	3,373	2,374
Income tax rate at the statutory rate of 30%	1,012	712
Adjustments relating to prior years	(12)	13
Non-deductible items	10	156
Share of results of associates and joint ventures	5	2
Non-assessable dividends	(12)	(34)
Utilisation of previously unrecognised tax losses	-	(80)
Other	(10)	(17)
Income tax on profit before tax	993	752
Deferred income tax in the balance sheet relates to the following:		
Provisions	239	271
Employee benefits	293	250
Accruals and other payables	76	58
Interest-bearing loans and borrowings	146	161
Leases	225	229
Derivatives	14	26
Inventories	57	52
Property, plant and equipment	165	144
Other individually insignificant balances	66	70
Deferred tax assets	1,281	1,261
Accelerated depreciation for tax purposes	172	128
Derivatives	130	128
Accrued income and other	237	222
Intangible assets	14	16
Other individually insignificant balances	115	97
Deferred tax liabilities	668	591
Net deferred tax asset	613	670
Deferred income tax in the income statement relates to the following:		
Provisions	35	(139)
Depreciation, amortisation and impairment	20	(21)
Other individually insignificant balances	(37)	(16)
Deferred tax expense	18	(176)

RECOGNITION AND MEASUREMENT

Current taxes

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to taxation authorities at the tax rates and tax laws enacted or substantively enacted by the balance sheet date.

Deferred taxes

Deferred income tax is provided using the full liability balance sheet method. Deferred income tax assets are recognised for all deductible temporary differences, carried forward unused tax assets and unused tax losses, to the extent it is probable that taxable profit will be available to utilise them.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date.

Deferred income tax is provided on temporary differences at the balance sheet date between accounting carrying amounts and the tax bases of assets and liabilities, other than for the following:

- Where they arise from the initial recognition of an asset or liability in a transaction that is not a business combination and at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- Where taxable temporary differences relate to investments in subsidiaries, associates and interests in joint ventures:
 - i. Deferred tax liabilities are not recognised if the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.
 - ii. Deferred tax assets are not recognised if it is not probable that the temporary differences will reverse in the foreseeable future and taxable profit will not be available to utilise the temporary differences.

Deferred tax liabilities are also not recognised on recognition of goodwill.

Income taxes relating to items recognised directly in equity are recognised in equity and not in the income statement.

Offsetting deferred tax balances

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

Key judgement: unrecognised deferred tax assets

Capital losses: The Group has unrecognised benefits relating to carried forward capital losses, which can only be offset against eligible capital gains. The Group has determined that at this stage future eligible capital gains to utilise the tax assets are not currently sufficiently probable. The unrecognised deferred tax assets of \$34 million (2020: \$30 million) relate wholly to capital losses in Australia.

Key judgement: unrecognised deferred tax liability

A deferred tax liability has not been recognised on indefinite life intangibles for which the carrying value has been assessed as recoverable through sale, consistent with the Group's practice and strategy to maximise shareholder returns through value-adding transactions.

Notes to the financial statements: Group balance sheet

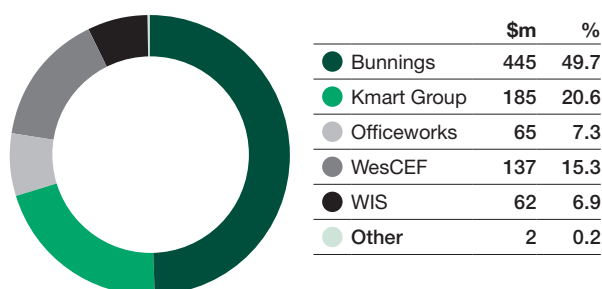
For the year ended 30 June 2021

4. CASH AND CASH EQUIVALENTS

	Consolidated	
	2021 \$m	2020 \$m
For the purpose of the cash flow statement, cash and cash equivalents comprise the following:		
Cash held in joint operation	50	5
Cash on hand and in transit	228	172
Cash at bank and on deposit	2,745	2,736
	3,023	2,913
Reconciliation of net profit after tax to net cash flows from operations		
Net profit	2,380	1,697
Adjusted for		
Depreciation and amortisation	1,509	1,528
Impairment and writedown of assets	70	941
Net gain/(loss) on disposal of non-current assets including investments and associates	38	(495)
Share of net profits of associates and joint ventures	(103)	(213)
Dividends and distributions received from associates	51	159
Gain on disposal of business	2	-
Discount adjustment in borrowing costs	2	3
Other	2	6
(Increase)/decrease in assets		
Receivables - trade and other	(226)	(34)
Inventories	(665)	443
Prepayments	(18)	(32)
Deferred tax assets	21	(225)
Other assets	(4)	(7)
Increase/(decrease) in liabilities		
Trade and other payables	214	346
Current tax payable	(43)	173
Provisions	115	224
Other liabilities	38	32
Net cash flows from operating activities	3,383	4,546

	Consolidated	
	2021 \$m	2020 \$m
Cash capital expenditure		
Payment for property	194	243
Payment for plant and equipment	503	483
Payment for intangibles	146	118
Payment for mineral exploration	22	23
Payment for mine properties	31	-
	896	867
Proceeds from sale of property, plant, equipment and intangibles	264	299
Net cash capital expenditure	632	568

Cash capital expenditure by segment for FY2021



RECOGNITION AND MEASUREMENT

Cash at bank and on deposit

Cash and short-term deposits in the balance sheet comprise cash at bank and on hand, and short-term deposits with an original maturity of three months or less and are classified as financial assets held at amortised cost.

Cash at bank earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective deposit rates.

Cash at bank and on deposit is held with banks and financial institutions with investment grade credit ratings. Refer to note 19(d) for credit risk disclosures.

Cash held in joint operation

Cash held in joint operation is only available for use within the joint operation.

Notes to the financial statements: Group balance sheet

For the year ended 30 June 2021

5. RECEIVABLES

	Consolidated	
	2021	2020
	\$m	\$m
Trade and other		
Trade receivables	1,070	890
Allowance for credit losses	(33)	(23)
Other debtors	210	170
	1,247	1,037
Allowance for credit losses		
Movements in the allowance account for expected credit losses were as follows:		
Carrying amount at beginning of year	23	47
Allowance for credit losses recognised	19	26
Write-offs	(6)	(48)
Unused allowance for credit losses reversed	(3)	(2)
Carrying amount at the end of the year	33	23

RECOGNITION AND MEASUREMENT

Trade receivables and other debtors are all classified as financial assets held at amortised cost on the basis they are held with the objective of collecting contractual cash flows and the cash flows relate to payments of principal and interest on the principal amount outstanding.

Trade receivables

Trade receivables generally have terms of up to 30 days. They are recognised initially in accordance with the Group's revenue policy and subsequently measured at amortised cost using the effective interest method, less an allowance for credit losses. Refer to note 19(d) for a description of the application of the simplified approach to determine lifetime expected credit loss (ECL) on trade receivables and details of the Group's credit risk exposure.

Other debtors

These amounts generally arise from transactions outside the usual operating activities of the Group. They do not contain impaired assets and are not past due. It is expected that other debtors' balances will be received when due.

6. INVENTORIES

	Consolidated	
	2021	2020
	\$m	\$m
Raw materials	28	30
Finished goods	4,465	3,806
Right-of-return assets	9	8
	4,502	3,844

Inventories recognised as an expense from continuing operations for the year ended 30 June 2021 totalled \$21,731 million (2020: \$20,084 million).

RECOGNITION AND MEASUREMENT

Inventories are valued at the lower of cost and net realisable value. The net realisable value of inventories is the estimated selling price in the ordinary course of business less estimated costs to sell.

6. INVENTORIES (CONTINUED)

Costs incurred in bringing each product to its present location and condition are accounted for as follows:

- *Raw materials*: purchase cost on a weighted average basis.
- *Manufactured finished goods and work in progress*: cost of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity.
- *Retail and wholesale merchandise finished goods*: purchase cost on a weighted average basis, after deducting any settlement discounts and supplier rebates, and including logistics expenses incurred in bringing the inventories to their present location and condition.

Volume-related supplier rebates, and supplier promotional rebates where they exceed spend on promotional activities, are accounted for as a reduction in the cost of inventory and recognised in the income statement when the inventory is sold.

Key estimate: net realisable value

The key assumptions, which require the use of management judgement, are the variables affecting costs recognised in bringing the inventory to their location and condition for sale, estimated costs to sell and the expected selling price. These key assumptions are reviewed at least annually. The total net expense relating to inventory writedowns during the year was \$36 million (2020: \$42 million). Any reasonably possible change in the estimate is unlikely to have a material impact.

Key estimate: supplier rebates

The recognition of certain supplier rebates in the income statement requires management to estimate both the volume of purchases that will be made during a period of time and the related product that was sold and remains in inventory at the reporting date. Management's estimates are based on existing and forecast inventory turnover levels and sales. Reasonably possible changes in these estimates are unlikely to have a material impact.

7. OTHER FINANCIAL ASSETS

	Consolidated	
	2021	2020
	\$m	\$m
Financial assets measured at FVOCI	1,124	1,122
Other	-	1
	1,124	1,123

The carrying value of the Group's 4.9 per cent interest in Coles at 30 June 2021 was \$1,117 million (2020: \$1,122 million). Dividends received from Coles for the year ended 30 June 2021 totalled \$40 million (2020: nil).

RECOGNITION AND MEASUREMENT

The Group's other financial assets primarily comprise equity instruments measured at fair value through other comprehensive income (FVOCI). Fair value gains and losses are presented in other comprehensive income and there is no subsequent reclassification of fair value gains and losses to profit and loss on the derecognition. Dividends are recognised in profit or loss as other revenue when the Group's right to payment is established.

Notes to the financial statements: Group balance sheet

For the year ended 30 June 2021

8. PROPERTY, PLANT AND EQUIPMENT

Consolidated	Land \$m	Buildings \$m	Leasehold improvements \$m	Plant, vehicles and equipment \$m	Total \$m
Year ended 30 June 2021					
Gross carrying amount - at cost	369	506	870	6,985	8,730
Accumulated depreciation and impairment	-	(182)	(493)	(4,559)	(5,234)
Net carrying amount	369	324	377	2,426	3,496
Movement					
Net carrying amount at beginning of year	392	404	409	2,418	3,623
Additions	42	153	62	452	709
Disposals and write-offs	(65)	(219)	(19)	(18)	(321)
Impairment	-	-	-	(16)	(16)
Depreciation and amortisation	-	(19)	(75)	(374)	(468)
Acquisition of controlled entities	-	-	-	1	1
Transfers	-	5	-	(36)	(31)
Other including foreign exchange movements	-	-	-	(1)	(1)
Net carrying amount at the end of the year	369	324	377	2,426	3,496
Assets under construction included above:	-	120	40	258	418
Year ended 30 June 2020					
Gross carrying amount - at cost	392	555	864	6,960	8,771
Accumulated depreciation and impairment	-	(151)	(455)	(4,542)	(5,148)
Net carrying amount	392	404	409	2,418	3,623
Movement					
Net carrying amount at beginning of year	448	371	442	2,617	3,878
Additions	33	210	70	405	718
Disposals and write-offs	(107)	(146)	(3)	(26)	(282)
Impairment	-	-	(34)	(134)	(168)
Depreciation and amortisation	-	(12)	(71)	(420)	(503)
Acquisition of controlled entities	-	-	-	27	27
Transfers	18	(18)	5	(45)	(40)
Other including foreign exchange movements	-	(1)	-	(6)	(7)
Net carrying amount at the end of the year	392	404	409	2,418	3,623
Assets under construction included above:	-	211	50	189	450

RECOGNITION AND MEASUREMENT

The carrying value of property, plant and equipment is measured as the cost of the asset, less accumulated depreciation and impairment. The cost of the asset also includes the cost of replacing parts that are eligible for capitalisation, and the cost of major inspections.

Depreciation and amortisation

Items of property, plant and equipment are depreciated on a straight-line basis over their useful lives. The estimated useful life of buildings is between 20 and 40 years and plant, vehicles and equipment is between three and 40 years. Land is not depreciated.

Leasehold improvements are amortised over the period of the lease or the anticipated useful life of the improvements, whichever is shorter.

Impairment

Refer to note 21 for details on impairment testing.

Derecognition

An item of property, plant and equipment is derecognised when it is sold or otherwise disposed of, or when its use is expected to bring no future economic benefits. Any gain or loss from derecognising the asset (the difference between the proceeds of disposal and the carrying amount of the asset) is included in the income statement in the period the item is derecognised.

Key estimates: property, plant and equipment

The estimations of useful lives, residual value and amortisation methods require management judgement and are reviewed annually. If they need to be modified, the change is accounted for prospectively from the date of reassessment until the end of the revised useful life (for both the current and future years). Such revisions are generally required when there are changes in economic circumstances impacting specific assets or groups of assets, such as changes in store performance or changes in the long-term commodity price forecasts. These changes are limited to specific assets and as such, any reasonably possible change in the estimate is unlikely to have a material impact on the estimations of useful lives, residual value or amortisation methods.

Notes to the financial statements: Group balance sheet

For the year ended 30 June 2021

9. GOODWILL AND INTANGIBLE ASSETS

Consolidated	Goodwill \$m	Brand \$m	Contractual and non-contractual relationships ¹ \$m	Software \$m	Total \$m
Year ended 30 June 2021					
Gross carrying amount - at cost	3,461	875	66	609	5,011
Accumulated amortisation and impairment	(494)	(258)	(37)	(320)	(1,109)
Net carrying amount	2,967	617	29	289	3,902
Movement					
Net carrying amount at beginning of year	2,966	618	42	188	3,814
Additions	-	-	-	144	144
Disposals and write-offs	-	-	-	-	-
Impairment	-	-	-	(12)	(12)
Amortisation for the year	-	(1)	(8)	(60)	(69)
Acquisition of controlled entities	1	-	-	-	1
Transfers	-	-	(5)	29	24
Other including foreign exchange movements	-	-	-	-	-
Net carrying amount at end of year	2,967	617	29	289	3,902
Year ended 30 June 2020					
Gross carrying amount - at cost	3,459	875	71	468	4,873
Accumulated amortisation and impairment	(493)	(257)	(29)	(280)	(1,059)
Net carrying amount	2,966	618	42	188	3,814
Movement					
Net carrying amount at beginning of year	3,090	831	22	133	4,076
Additions	-	-	5	115	120
Disposals and write-offs	-	-	-	(12)	(12)
Impairment	(270)	(231)	-	(50)	(551)
Amortisation for the year	-	(2)	(7)	(52)	(61)
Acquisition of controlled entities	148	20	22	12	202
Transfers	(2)	-	-	42	40
Other including foreign exchange movements	-	-	-	-	-
Net carrying amount at end of year	2,966	618	42	188	3,814

¹ Contractual and non-contractual relationships are intangible assets that have arisen through business combinations. They represent the value of pre-existing customer relationships in the acquired company.

RECOGNITION AND MEASUREMENT

Goodwill

Goodwill acquired in a business combination is initially measured at cost. Cost is measured as the cost of the business combination minus the net fair value of the acquired and identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Refer to note 21 for further details on impairment.

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition.

Following initial recognition, intangible assets are carried at cost less amortisation and any impairment losses. Intangible assets with finite lives are amortised on a straight-line basis over their useful lives and tested for impairment whenever there is an indication that they may be impaired.

The amortisation period and method is reviewed at each financial year-end. Intangible assets with indefinite useful lives are tested for impairment in the same way as goodwill. Refer to note 21 for further details on impairment.

A summary of the useful lives of intangible assets is as follows:

Intangible asset	Useful life
Brand ¹	Indefinite and finite (up to 20 years)
Contractual and non-contractual relationships	Finite (up to 15 years)
Software	Finite (up to 10 years)

¹ Includes trade names and other intangible assets with characteristics of a brand.

Assets with an assumed indefinite useful life are reviewed at each reporting period to determine whether this assumption continues to be appropriate. If not, it is changed to a finite life and accounted for prospectively as a change in accounting estimate.

Notes to the financial statements: Group balance sheet

For the year ended 30 June 2021

9. GOODWILL AND INTANGIBLE ASSETS (CONTINUED)

	Consolidated	
	2021	2020
	\$m	\$m
Allocation of goodwill to groups of cash generating units		
Carrying amount of goodwill		
Bunnings	876	876
Kmart Group	856	856
Officeworks	816	816
WesCEF	2	2
WIS	417	416
	2,967	2,966
Allocation of indefinite life intangible assets to groups of cash generating units		
Carrying amount of intangibles		
Bunnings	1	1
Kmart Group	434	435
Officeworks	160	160
WIS	22	22
	617	618

Key judgement: useful lives of intangible assets

Certain brands have been assessed as having indefinite lives on the basis of strong brand strength, ongoing expected profitability and continuing support. The brand incorporates complementary assets such as store formats, networks and product offerings.

Key judgement: capitalisation of software costs

In April 2021, the IFRS Interpretations Committee published its final agenda decision on accounting for configuration and customisation costs in a Software-as-a-Service (SaaS) arrangement.

The Group has considered the final agenda decision and whilst the Group does not have material configuration and customisation costs relating to SaaS arrangements capitalised on its balance sheet, it has clarified its respective accounting policy to ensure that where an SaaS arrangement is a service agreement, costs relating to configuration and customisation are only capitalised when the Group has the power to obtain the future economic benefits flowing from the underlying resource and to restrict the access of others to those benefits in accordance with the requirements of AASB 138 *Intangible Assets*.

10. MINERAL RIGHTS

	Consolidated	
	2021	2020
	\$m	\$m
Gross carrying amount - at cost	1	813
	1	813
Movement		
Net carrying amount at the beginning of the year	813	-
Acquisitions	-	790
Additions	22	23
Transfers to mine properties	(834)	-
Net carrying amount at end of year	1	813

RECOGNITION AND MEASUREMENT

Exploration and evaluation

Exploration activity involves the search for mineral resources, the determination of technical feasibility and the assessment of commercial viability of an identified resource.

Exploration and evaluation expenditure in relation to separate areas of interest for which rights of tenure are current, is capitalised and carried forward as an asset in the balance sheet where it is expected that the expenditure will be recovered through the successful development and exploitation of an area of interest, or by its sale; or where exploration activities have not yet reached a stage which permits a reasonable estimate of the existence or otherwise of economically recoverable reserves. \$834 million of mineral rights were reclassified to mine properties when technical feasibility and commercial viability was demonstrable, refer to note 11 for further details.

Refer to note 21 for details on impairment testing.

11. MINE PROPERTIES

	2021
Consolidated	\$m
Mine under construction - at cost	865
	865
Movement	
Net carrying amount at the beginning of the year	-
Transfers from mineral rights	834
Additions	31
Net carrying amount at end of year	865

Key judgement: reclassification of mineral rights

When technical feasibility and commercial viability of extracting the resource is demonstrable, associated expenditure classified as a 'Mineral right' accounted for in accordance with AASB 6 *Exploration for and Evaluation of Mineral Resources* is reclassified to 'Mine properties' and accounted for under AASB 116 *Property, Plant and Equipment*. The reclassification threshold was met in respect of the Mt Holland lithium project upon the announcement of FID on 17 February 2021. On reclassification, the project was tested for impairment, refer to note 21 for further details.

Notes to the financial statements: Group balance sheet

For the year ended 30 June 2021

12. LEASES

Group as a lessee

The Group has leases primarily in relation to retail and distribution properties, in addition to offices, motor vehicles and office equipment. The lease terms vary significantly and can include escalation clauses, renewal or purchase options and termination rights. Escalation clauses vary between fixed rate, inflation-linked, market rent and combination reviews. Changes to rental terms linked to inflation or market rent reviews typically occur on an annual or five-yearly basis.

Set out below are the carrying amounts of the right-of-use assets and the movements during the year.

	Right-of-use assets			
	Land	Buildings	Vehicles	Total
	\$m	\$m	\$m	\$m
Consolidated				
Year ended 30 June 2021				
Gross carrying amount - at cost	57	7,916	49	8,022
Accumulated depreciation and impairment	(9)	(1,967)	(11)	(1,987)
Net carrying amount	48	5,949	38	6,035
Movement				
Net carrying amount at the beginning of the year	42	6,147	23	6,212
Net additions ¹	10	791	23	824
Impairment	-	(26)	-	(26)
Depreciation expense	(4)	(960)	(8)	(972)
Other including foreign exchange movements	-	(3)	-	(3)
Net carrying amount at the end of the year	48	5,949	38	6,035
Year ended 30 June 2020				
Gross carrying amount - at cost	46	7,263	27	7,336
Accumulated depreciation and impairment	(4)	(1,116)	(4)	(1,124)
Net carrying amount	42	6,147	23	6,212
Movement				
Net carrying amount at the beginning of the year	48	6,287	17	6,352
Net additions ¹	(2)	992	10	1,000
Acquisition of controlled entities	-	32	-	32
Impairment	-	(198)	-	(198)
Depreciation expense	(4)	(956)	(4)	(964)
Other including foreign exchange movements	-	(10)	-	(10)
Net carrying amount at the end of the year	42	6,147	23	6,212

¹ Includes new leases, reassessments and remeasurements, net of terminated leases.

Notes to the financial statements: Group balance sheet

For the year ended 30 June 2021

12. LEASES (CONTINUED)

Set out below are the carrying amounts of the lease liabilities and the movements during the year.

	Consolidated	
	2021	2020
	\$m	\$m
Current	969	1,019
Non-current	6,136	6,223
	7,105	7,242
Movement		
Net carrying amount at the beginning of the year	7,242	7,275
Net additions ¹	852	896
Acquisition of controlled entities	-	38
Accretion of interest	226	237
Lease payments	(1,212)	(1,192)
Other including foreign exchange movements	(3)	(12)
Net carrying amount at the end of the year	7,105	7,242

¹ Includes new leases, reassessments and remeasurements, net of terminated leases.

The maturity profile of the Group's lease liabilities based on contractual undiscounted payments is provided in note 19(b).

The Group has a number of lease contracts that include extension options. Management exercises significant judgement in determining whether these extension options are reasonably certain to be exercised. Further details on this key judgement are provided on the following page.

Lease extension options are available in respect of 82 per cent (2020: 83 per cent) of the Group's land and building leases. The number and extent of available lease extension options differs considerably between leases. Where the Group has deemed the exercise of available option periods to be reasonably certain, those option periods have been included in the lease term and are therefore incorporated in the recorded lease liability of \$7,105 million (2020: \$7,242 million). A number of available option periods, which are exercisable at the discretion of the Group as lessee, have not been included in the recorded lease liability on the basis that they are not reasonably certain to be exercised, and do not represent liabilities or contingent liabilities of the Group at 30 June 2021.

The following are the lease-related amounts recognised in the income statement.

	Consolidated	
	2021	2020
	\$m	\$m
Depreciation of right-of-use assets	972	964
Interest on lease liabilities	226	237
Included in occupancy-related expenses:		
Short-term and low-value lease payments	28	23
Contingent rental payments	37	30
Outgoings and other	396	393
Total amount recognised in the income statement	1,659	1,647

RECOGNITION AND MEASUREMENT

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are initially measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets. The estimated useful lives of the right-of-use land and building assets are between one and 40 years and right-of-use plant, vehicles and equipment assets are between one and 20 years. The right-of-use assets are also subject to impairment, assessed in accordance with the Group's impairment policy.

Lease liabilities

Lease liabilities are recognised by the Group at the commencement date of the lease. Lease liabilities are measured at the present value of lease payments to be made over the lease term.

The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group. Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate (IBR) at the lease commencement date where the interest rate implicit in the lease is not readily determinable. After the commencement date, the lease liability is increased to reflect the accretion of interest and reduced for lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g. changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment to purchase the underlying asset.

Short-term leases and lease of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases, which are defined as those leases that have a lease term of 12 months or less from the commencement date. It also applies the lease of low-value assets recognition exemption to leases that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expenses on a straight-line basis over the lease term.

Lease liabilities by segment

as at 30 June 2021



	\$m	%
● Bunnings	3,738	52.6
● Kmart Group	2,817	39.6
● Officeworks	334	4.7
● WesCEF	23	0.3
● WIS	160	2.3
● Other	33	0.5

Notes to the financial statements: Group balance sheet

For the year ended 30 June 2021

12. LEASES (CONTINUED)

Key judgements and estimates: leases

Lease term

The lease term is considered to be a key judgement. At lease commencement, Wesfarmers considers an option to extend a lease to be reasonably certain when there is a clear economic incentive for extension, such as:

- favourable contractual terms and conditions in the option period compared to market rates;
- leasehold improvements have recently been undertaken and are likely to have significant residual value at the end of the current lease period;
- significant termination costs exist; or
- the underlying asset is important to the Group's operations.

After lease commencement, the lease term is reassessed upon the occurrence of a significant event or change in circumstance.

Discount rate

The discount rates applied in measuring the lease liability are a key estimate area. As at 30 June 2021, the rates were between 1.0 and 3.7 per cent (2020: 1.8 and 3.8 per cent). On commencement of a lease, the future lease payments are discounted using the IBR where the interest rate implicit in the lease is not readily available. The lessee's IBR reflects the Group's IBR adjusted for lease tenure and the currency of the lease. Where there is a lease modification, a revised discount rate is applied in remeasuring the lease liability.

Stand-alone price of lease and non-lease components

As applicable, the calculated lease liability excludes an estimate of the gross lease payments allocated to non-lease components. This estimate is determined on a lease-by-lease basis on inception of the lease.

In determining the stand-alone price of the lease and non-lease components, consideration is given to benchmark property outgoings and historical information of the Group's lease portfolio.

13. PROVISIONS

	Consolidated	
	2021	2020
	\$m	\$m
Current		
Employee benefits	889	723
Self-insured risks	151	149
Restructuring and make good	56	124
Other	56	82
	1,152	1,078
Non-current		
Employee benefits	105	97
Self-insured risks	118	116
Restructuring and make good	148	125
Other	3	8
	374	346
Total provisions	1,526	1,424

Recognition and measurement

Provisions are recognised when:

- the Group has a present obligation (legal or constructive) as a result of a past event;
- it is probable that resources will be expended to settle the obligation; and
- a reliable estimate can be made of the amount of the obligation.

Key estimate: discounting

Provisions, other than employee benefits, are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability to the extent they are not included in the cash flows.

Employee benefits provision balances are calculated using discount rates derived from the high-quality corporate bond (HQC) market in Australia provided by Milliman Australia.

Employee benefits provisions have been calculated using discount rates of between 0.2 and 2.8 per cent (2020: between 0.6 and 2.7 per cent).

Notes to the financial statements: Group balance sheet

For the year ended 30 June 2021

13. PROVISIONS (CONTINUED)

Employee benefits

The provision for employee benefits represents annual leave, long service leave entitlements and incentives accrued by employees.

Wages and salaries

Liabilities for wages and salaries, including non-monetary benefits expected to be settled within 12 months of the reporting date, are recognised in provisions and other payables in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled.

Annual leave and long service leave

The liability for annual leave and long service leave is recognised in the provision for employee benefits. It is measured as the present value of expected future payments for the services provided by employees up to the reporting date. Expected future payments are discounted using market yields at the reporting date on HQCB with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

Key estimate: long service leave

Long service leave is measured using the projected unit credit method. Management judgement is required in determining the following key assumptions used in the calculation of long service leave at the balance sheet date:

- future increases in salaries and wages;
- future on-cost rates; and
- future probability of employee departures and period of service.

The total long service leave liability is \$390 million (2020: \$364 million). Given the magnitude of the liability and the nature of the key assumptions, any reasonably possible change in one or a combination of the estimates is unlikely to have a material impact.

Key estimate: self-insured risks

The self-insured risk liability is based on a number of management estimates including, but not limited to:

- future inflation;
- investment return;
- average claim size;
- claim development; and
- claim administration expenses.

These assumptions are reviewed periodically and any reassessment of these assumptions will affect workers' compensation or claims expense (either increasing or decreasing the expense). Any reasonable change in these assumptions will not have a significant impact on the Group.

Make good

The Group recognises the present value of the estimated costs that may be incurred in restoring leased premises to their original condition at the end of the respective lease terms as a provision for make good. The costs are recognised as the obligation is incurred either at commencement of the lease or as a consequence of using the asset and are included in the cost of the right-of-use assets. This estimate is reviewed at each reporting date and adjusted for any known changes in the initial cost estimate.

Restructuring

Provisions for restructuring are recognised where steps have been taken to implement a detailed plan, including discussions with those impacted by it and relate principally to:

- the closure of retail outlets or distribution centres;
- restructuring; and
- associated redundancies.

Self-insured risks

The Group is self-insured for workers' compensation and general liability claims. Provisions are recognised based on claims reported, and an estimate of claims incurred but not reported. These provisions are determined on a discounted basis, using an actuary valuation performed at each reporting date.

	Employee benefits \$m	Self-insured risks \$m	Restructuring and make good \$m	Other \$m	Total \$m
Carrying amount at 1 July 2020	820	265	249	90	1,424
Arising and acquired during year	618	65	4	48	735
Utilised	(444)	(61)	(49)	(79)	(633)
Carrying amount at 30 June 2021	994	269	204	59	1,526
Carrying amount at 1 July 2019	688	236	52	72	1,048
Arising during year	409	107	220	41	777
Utilised	(281)	(78)	(23)	(23)	(405)
Acquisition of controlled entities	4	-	-	-	4
Carrying amount at 30 June 2020	820	265	249	90	1,424

Notes to the financial statements: Capital

For the year ended 30 June 2021

14. CAPITAL MANAGEMENT

The Group's capital management objectives

The primary objective of Wesfarmers is to provide a satisfactory return to its shareholders. The Group aims to achieve this objective by:

- improving returns on invested capital relative to that cost of capital; and
- ensuring a satisfactory return is made on any new capital invested.

Capital is defined as the combination of shareholders' equity, reserves and net debt. The Board is responsible for monitoring and approving the capital management framework within which management operates. The purpose of the framework is to safeguard the Group's ability to continue as a going concern while optimising its debt and equity structure. Wesfarmers aims to maintain a capital structure that is consistent with a stable investment grade credit rating.

		Consolidated	
	Note	2021 \$m	2020 \$m
Equity and reserves			
Issued capital	16	15,826	15,818
Reserved shares	16	(102)	(89)
Retained earnings		60	(245)
Reserves	16	(6,069)	(6,140)
		9,715	9,344
Net debt - exclusive of lease liabilities			
Total interest-bearing loans and borrowings	18	3,022	2,656
Less: cash and cash equivalents	4	(3,023)	(2,913)
		(1)	(257)
Total capital employed		9,714	9,087

The Group manages its capital through various means, including:

- adjusting the amount of dividends paid to shareholders;
- maintaining a dividend investment plan;
- raising or returning capital; and
- raising or repaying debt for working capital requirements, capital expenditure and acquisitions.

Wesfarmers regularly monitors its capital requirements using various benchmarks, with the main internal measures being free cash flow, debt cover and net debt/operating cash flow. The principal external measures are the Group's credit ratings from Standard & Poor's, and Moody's.

	Consolidated	
	2021 \$m	2020 \$m
Free cash flow		
Net cash flows from operating activities	3,383	4,546
Less:		
Capital expenditure	(896)	(867)
Net acquisition and disposals	(10)	(988)
Add:		
Proceeds from sale of property, plant and equipment and intangibles	264	299
Net proceeds from disposals of interest in associates and other investments	-	2,198
Free cash flow	2,741	5,188
Debt cover		
Total interest-bearing loans and borrowings	3,022	2,656
Total lease liabilities	7,105	7,242
Less:		
Cash and cash equivalents	(3,023)	(2,913)
Net financial debt (A)	7,104	6,985
Profit before income tax	3,373	2,374
Interest on lease liabilities	226	237
Other finance costs	118	133
Depreciation and amortisation	1,509	1,528
EBITDA (B)	5,226	4,272
Debt cover (times) (A/B)	1.4	1.6
Adjusted EBITDA ^{1,2} (C)	5,285	4,707
Debt cover (times) (A/C) (applying adjusted EBITDA)	1.3	1.5
Net debt/operating cash flow		
Cash at bank, on deposit and held in joint operation	2,795	2,741
Less:		
Total interest-bearing loans and borrowings	(3,022)	(2,656)
Total lease liabilities	(7,105)	(7,242)
Net debt (D)	(7,332)	(7,157)
Operating cash flows (E)	3,383	4,546
Net debt/operating cash flow (times) (D/E)	2.2	1.6
Group credit ratings		
Standard & Poor's	A-(stable)	A-(stable)
Moody's	A3(stable)	A3(stable)

¹ The FY2021 adjusted EBITDA excludes restructuring costs of \$59 million in the Kmart Group.

² The FY2020 adjusted EBITDA excludes impairments of the Target brand name and other assets of \$525 million, restructuring costs and provisions of \$110 million in the Kmart Group and an impairment to WIS of \$310 million, offset by a gain of \$290 million on the sale of 10.1 per cent of the interest in Coles and a gain of \$220 million on the revaluation of the retained 4.9 per cent interest in Coles.

Notes to the financial statements: Capital

For the year ended 30 June 2021

15. DIVIDENDS AND DISTRIBUTIONS

	Consolidated	
	2021 \$m	2020 \$m
Determined and paid during the period (fully-franked at 30 per cent)		
Interim dividend for 2021: \$0.88 (2020: \$0.75)	998	850
Final dividend for 2020: \$0.77 (2019: \$0.78)	873	884
Special dividend for 2020: \$0.18 ¹	204	-
	2,075	1,734
Proposed and unrecognised as a liability (dividends fully-franked at 30 per cent)		
Final dividend for 2021: \$0.90 (2020: \$0.77)	1,020	873
Special dividend for 2021: nil (2020: \$0.18) ¹	-	204
Capital return for 2021: \$2.00 ²	2,268	-
	3,288	1,077
Franking credit balance		
Franking credits available for future years at 30 per cent adjusted for debits and credits arising from the payment of income tax payable and from recognised dividends receivable or payable	619	558
Impact on the franking account of dividends proposed before the financial report was issued but not recognised as a distribution to equity holders during the year	(437)	(462)

¹ The fully-franked special dividend reflects the distribution of profits on the sale of the Group's 10.1 per cent interest in Coles during FY2020.

² A capital return to shareholders of 200 cents per share has been proposed by the directors. Subject to shareholder approval, the capital return is proposed to be paid on 2 December 2021.

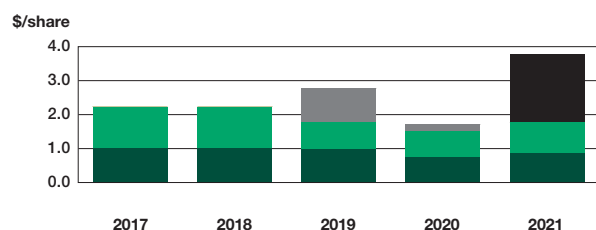
Wesfarmers' dividend policy considers availability of franking credits, current earnings and future cash flow requirements and targeted credit metrics.

The Group operates a dividend investment plan which allows eligible shareholders to elect to invest dividends in ordinary shares. All holders of Wesfarmers ordinary shares with addresses in Australia or New Zealand are eligible to participate in this plan. The allocation price for shares is based on the average of the daily volume-weighted average price of Wesfarmers ordinary shares sold on the Australian Securities Exchange, calculated with reference to a period of not less than five consecutive trading days as determined by the directors.

An issue of shares under the dividend investment plan results in an increase in issued capital unless the Group elects to purchase the required number of shares on-market.

Shareholder distributions

- Interim dividend
- Final dividend (FY21: proposed)
- Special dividend
- Capital return (FY21: proposed)



16. EQUITY AND RESERVES

The nature of the Group's contributed equity

Ordinary shares are fully paid and have no par value. They carry one vote per share and the right to dividends. They bear no special terms or conditions affecting income or capital entitlements of the shareholders and are classified as equity.

Reserved shares are ordinary shares that have been repurchased by the company and are being held for future use. They include employee reserved shares, which are shares issued to employees under the share loan plan. Once the share loan has been paid in full, they are converted to ordinary shares and issued to the employee.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds. There are no shares authorised for issue that have not been issued at the reporting date.

Movement in shares on issue	Ordinary shares		Reserved shares	
	'000	\$m	'000	\$m
At 1 July 2020	1,133,840	15,818	(2,535)	(89)
Exercise of in-substance options	-	-	120	-
Acquisition of shares-on-market for WLTP	-	-	-	-
Acquisition of shares-on-market for KEEPP	-	-	(215)	(10)
Acquisition of shares-on-market for Performance shares	-	-	(61)	(3)
KEEPP vested during the year	-	-	208	-
Transfer from other reserves	-	8	-	-
At 30 June 2021	1,133,840	15,826	(2,483)	(102)
At 1 July 2019	1,133,840	15,809	(2,709)	(81)
Exercise of in-substance options	-	-	105	-
Acquisition of shares-on-market for WLTP	-	-	(17)	-
Acquisition of shares-on-market for KEEPP	-	-	(185)	(8)
KEEPP vested during the year	-	-	271	-
Transfer from other reserves	-	9	-	-
At 30 June 2020	1,133,840	15,818	(2,535)	(89)

Notes to the financial statements: Capital

For the year ended 30 June 2021

16. EQUITY AND RESERVES (CONTINUED)

	2021 \$m	2020 \$m	Nature and purpose
Capital reserve	24	24	The capital reserve was used to accumulate capital profits. The reserve can be used to pay dividends or issue bonus shares.
Cash flow hedge reserve	24	(60)	The hedging reserve records the portion of the gain or loss on a hedging instrument in a cash flow hedge that is determined to be in an effective hedge relationship. The change in cash flow hedge reserve for the year ended 30 June 2021 includes the after-tax net increase in the market value of cash flow hedges from 30 June 2020, and comprised \$64 million (2020: \$(68) million) of foreign exchange rate contracts, \$13 million (2020: \$(7) million) of interest rate swaps, \$5 million (2020: \$12 million) of commodity swaps and a \$2 million (2020: nil) movement in associates and joint venture reserves.
Demerger reserve	(5,860)	(5,860)	The demerger reserve is used to recognise the gain on demerger of Coles and the demerger dividend.
Financial assets reserve	24	26	The financial assets reserve records fair value changes on financial assets measured at fair value through other comprehensive income.
Foreign currency translation reserve	45	53	The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.
Leasing reserve	(518)	(518)	The leasing reserve is used to recognise the cumulative effect of applying AASB 16 at the date of initial application.
Restructure tax reserve	150	150	The restructure tax reserve is used to record the recognition of tax losses arising from the equity restructuring of the Group under the 2001 Ownership Simplification Plan. These tax losses were generated on adoption by the Group of the tax consolidation regime.
Share-based payments reserve	42	45	The share-based payments reserve is used to recognise the value of equity-settled share-based payments provided to employees, including key management personnel, as part of their remuneration.
Total reserves	(6,069)	(6,140)	

17. EARNINGS PER SHARE

	Consolidated	
	2021	2020
Profit attributable to ordinary equity holders of the parent (\$m)	2,380	1,697
WANOS ¹ used in the calculation of basic EPS (shares, million) ²	1,131	1,131
WANOS ¹ used in the calculation of diluted EPS (shares, million) ²	1,132	1,132
- Basic EPS (cents per share)	210.4	150.0
- Diluted EPS (cents per share)	210.2	149.9

¹ Weighted average number of ordinary shares.

² The variance in the WANOS used in the calculation of the basic EPS and the diluted EPS is attributable to the dilutive effect of in-substance options and restricted shares.

There have been no transactions involving ordinary shares between the reporting date and the date of completion of these financial statements, apart from the normal conversion of employee-reserved shares (treated as in-substance options) to unrestricted ordinary shares.

CALCULATION OF EARNINGS PER SHARE

Basic earnings per share

Basic earnings per share is calculated as net profit attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends), divided by the weighted average number of ordinary shares, adjusted for any bonus element.

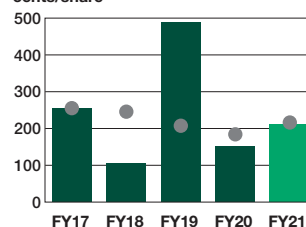
Diluted earnings per share

Diluted earnings per share is calculated as per basic earnings per share with an adjustment for the weighted average number of ordinary shares that would be issued on conversion of all dilutive potential ordinary shares. Dilution arises as a result of the employee reserved shares issued under the employee share plan being accounted for as in-substance options and unvested restricted shares.

Basic earnings per share

210.4 cents

cents/share



■ Reported basic EPS
● Basic EPS adjusted for significant items

	Reported basic EPS	Adjusted basic EPS
FY21 ¹	210.4	214.1
FY20 ²	150.0	183.4
FY19 ³	487.2	206.8
FY18 ⁴	105.8	245.1
FY17	254.7	254.7

¹ FY2021 EPS of 210.4 cents per share includes significant items relating to the restructure of the Kmart Group. Excluding these items, adjusted basic EPS is 214.1 cents per share.

² FY2020 EPS of 150.0 cents per share includes significant items relating to non-cash impairments, write-offs and provisions for the Kmart Group, the non-cash impairment of WIS, the finalisation of tax positions on prior year disposals and the gain on sale of 10.1 per cent interest in Coles and subsequent revaluation of the retained interest. Excluding these items, adjusted basic EPS is 183.4 cents per share.

³ FY2019 EPS of 487.2 cents per share includes significant items relating to the gains on disposal of Bengalla, Kmart Tyre and Auto Service and Quadrant Energy, the gain on demerger of Coles and the provision for Coles' supply chain automation. Excluding these items, adjusted basic EPS is 206.8 cents per share.

⁴ FY2018 EPS of 105.8 cents per share includes significant items relating to non-cash impairments and write-offs and store closure provisions at BUKI, loss on disposal of BUKI and Target's non-cash impairment, offset by the gain on disposal of the Curragh Coal Mine. Excluding these items, adjusted basic EPS is 245.1 cents per share.

Notes to the financial statements: Capital

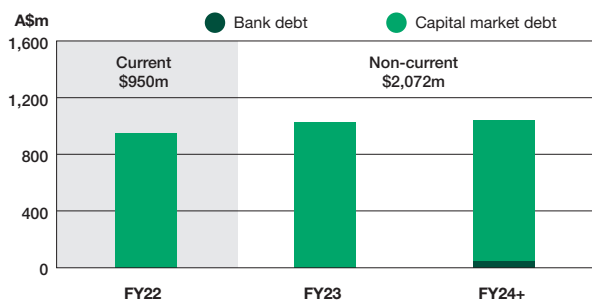
For the year ended 30 June 2021

18. INTEREST-BEARING LOANS AND BORROWINGS

	Consolidated	
	2021 \$m	2020 \$m
Current		
Unsecured		
Capital market debt	950	503
	950	503
Non-current		
Unsecured		
Bank debt	48	111
Capital market debt	2,024	2,042
	2,072	2,153
Total interest-bearing loans and borrowings	3,022	2,656

The illustration below provides details, including the principal repayment obligations, of all loans and borrowings on issue at 30 June 2021.

Outstanding loans and borrowings



Funding activities

The Group continues its strategy of maintaining diversity of funding sources, pre-funding upcoming maturities (if required) and seeking to maintain a presence in key financing markets.

In November 2020, \$500 million of domestic bonds matured and were repaid from available cash balances. In June 2021, the Group issued \$650 million of seven-year domestic sustainability-linked bonds at an interest rate of 1.94 per cent per annum and \$350 million of 10-year domestic sustainability-linked bonds at an interest rate of 2.55 per cent per annum. The bonds have two sustainable performance targets (SPTs):

- SPT1: Wesfarmers' retail businesses (Bunnings, Kmart Group and Officeworks) to source 100 per cent of their electricity requirements from renewable sources by 31 December 2025.
- SPT2: WesCEF Nitric Acid Ammonium Nitrate production facility (NAAN Facility) to limit the average emission intensity to 0.25 tonne CO₂e per tonne of ammonium nitrate produced, or lower, during the SPT Measurement Period, which captures the emissions intensity for the 24 months to 31 December 2025.

If the SPTs are not met, there will be a maximum coupon step-up of 25 basis points (12.5 basis points per SPT), effective from the first interest payment date after the occurrence of the relevant trigger event until the maturity of the bond. The SPTs will be measured and reported annually.

Throughout the period, a number of bank bilateral agreements have been extended. The Group had unused financing facilities available at 30 June 2021 of \$5,094 million (2020: \$5,005 million).

Recognition and measurement

Capital market debt includes foreign and domestic corporate bonds. All loans and borrowings are initially recognised at fair value, less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised.

The carrying values of liabilities that are the hedged items in fair value hedge relationships, which are otherwise carried at amortised cost, are adjusted to record changes in the fair values attributable to the risks that are being hedged.

	Liabilities from financing activities		Assets held to hedge long-term borrowings	Total
	Borrowings due within one year	Borrowings due after one year		
	\$m	\$m	\$m	\$m
Net debt as at 1 July 2020	503	2,153	(386)	2,270
Cash inflows	-	1,000	-	1,000
Cash outflows	(500)	(71)	-	(571)
Transfers	981	(981)	-	-
Foreign exchange adjustments	(31)	(34)	65	-
Fair value changes, relating to hedged risk	(3)	-	3	-
Other non-cash movements	-	5	(17)	(12)
Net debt as at 30 June 2021	950	2,072	(335)	2,687
Net debt as at 1 July 2019	356	2,673	(384)	2,645
Cash outflows	(356)	(25)	-	(381)
Transfers	508	(508)	-	-
Foreign exchange adjustments	-	13	(17)	(4)
Fair value changes, relating to hedged risk	(5)	-	4	(1)
Other non-cash movements	-	-	11	11
Net debt as at 30 June 2020	503	2,153	(386)	2,270

Notes to the financial statements: Risk

For the year ended 30 June 2021

19. FINANCIAL RISK MANAGEMENT

The Group holds financial instruments for the following purposes:

- *Financing*: to raise finance for the Group's operations or, in the case of short-term deposits, to invest surplus funds. The types of instruments used include bank loans, bank accepted bills, capital market debt, corporate bonds, cash and short-term deposits.
- *Operational*: the Group's activities generate financial instruments, including cash, trade receivables, trade payables and finance advances.
- *Risk management*: to reduce risks arising from the financial instruments described above, including forward exchange contracts and interest rate swaps.

It is, and has been throughout the year, the Group's policy that no speculative trading in financial instruments shall be undertaken.

The Group's holding of these financial instruments exposes it to risk. The Board reviews and agrees the Group's policies for managing each of these risks, which are summarised in the table below:

Risk	Nature	Management
Liquidity risk (note 19(b))		
	<p>Wesfarmers is exposed to liquidity risk primarily due to its capital management policies, which view debt as a key element of the Group's capital structure (see note 14). To facilitate effective use of debt as part of the capital structure, the Group continues to maintain investment grade credit ratings from Standard & Poor's, and Moody's. These policies expose the Group to risk including the sufficiency of available unused facilities and the maturity profile of existing financial instruments.</p>	<p>Liquidity risk is managed centrally by Group Treasury, by considering over a period of time the operating cash flow forecasts of the underlying businesses and the degree of access to debt and equity capital markets. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans, bank accepted bills, commercial paper, corporate bonds and the overnight money market across a range of maturities. Although the bank debt facilities have fixed maturity dates, from time to time they are reviewed and extended, thus deferring the repayment of the principal. The Group aims to spread maturities to avoid excessive refinancing in any period.</p>
Market risk (note 19(c))		
Foreign currency risk	<p>The Group's primary currency exposure is to the US dollar and arises from sales or purchases by a division in currencies other than the division's functional currency. The Group is also exposed to the Euro through its borrowing facilities.</p> <p>As a result of operations in New Zealand, the Group's balance sheet can also be affected by movements in the AUD/NZD exchange rate. The Group mitigates the effect of its translational currency exposure by borrowing in NZ dollars in New Zealand.</p>	<p>The objective of the Group's policy on foreign exchange hedging is to protect the Group from adverse currency fluctuations. Hedging is implemented for the following reasons:</p> <ul style="list-style-type: none"> • protection of competitive position; and • greater certainty of earnings due to protection from sudden currency movements. <p>The Group manages foreign currency risk centrally by hedging material foreign exchange exposures for firm commitments relating to sales or purchases or when highly probable forecast transactions have been identified.</p> <p>The Group aims to hedge approximately 30 to 100 per cent of its non-capital expenditure-related foreign currency purchases for which firm commitments or highly probable forecast transactions exist, up to 24 months forward. The Group also aims to hedge 100 per cent of capital expenditure-related foreign currency purchases, above divisional defined limits, to match expected payment dates and these may extend beyond 12 months. The current hedge contracts extend to April 2023. The Group has also hedged 100 per cent of its Euro borrowing facilities.</p>
Interest rate risk	<p>The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's debt obligations that have floating interest rates.</p>	<p>The policy of the Group is to limit its exposure to adverse fluctuations in interest rates, which could erode the Group's profitability and adversely affect shareholder value. Management reviews interest rate risk exposure on an ongoing basis (at least once each quarter) or whenever a major change in debt levels is anticipated. The review includes a reference to ongoing cash flow forecasts and considers future mergers, acquisitions, divestments, capital management and capital expenditure as appropriate. Recommendations in relation to interest rate hedging are provided to the Wesfarmers Chief Financial Officer for approval, as required.</p> <p>To manage the interest rate exposure, the Group generally enters into interest rate swaps, in which it agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amount. These swaps are designated to hedge interest costs associated with underlying debt obligations.</p> <p>Although Wesfarmers has issued Euro bonds, cross-currency swaps are in place that remove any exposure to Euro interest rates. These cross-currency swaps ensure that the effective interest rate to Wesfarmers is referenced to Australian interest rates.</p>

Notes to the financial statements: Risk

For the year ended 30 June 2021

19. FINANCIAL RISK MANAGEMENT (CONTINUED)

Risk	Nature	Management
Commodity price risk	The Group's exposure to commodity price risk is operational and arises from the purchase of inventory with commodity price as a significant input, such as natural gas and Brent oil.	<p>To manage commodity price risk, the Group enters into Brent oil future contracts to hedge the variability in cash flows arising from movements in the natural gas price applicable to forecast natural gas purchases. In December 2017, three year hedges were taken out which ended in December 2020. An additional hedge was taken out in December 2020, ending in December 2021.</p> <p>The Group does not enter into any financial instruments that vary with movements in other commodity prices. Excluding the foreign exchange risk component, which is managed as part of the Group's overall foreign exchange risk management policies and procedures referred to previously, these exposures are not hedged.</p> <p>No commodity price sensitivity analysis is provided as a reasonable change in the Brent oil future would not have had a material impact to the Group this financial year and the Group's other commodity 'own use contracts' are outside the scope of AASB 9 <i>Financial Instruments</i>.</p>
Credit risk (note 19(d))		
	<p>Credit risk is the risk that a contracting entity will not complete its obligation under a financial instrument or customer contract that will result in a financial loss to the Group.</p> <p>The Group is exposed to credit risk from its operating activities (primarily from customer receivables) and from its financing activities, including deposits with financial institutions, foreign exchange transactions and other financial instruments.</p>	<p>Customer credit risk is managed by each division subject to established policies, procedures and controls relating to customer credit risk management. The Group trades primarily with recognised, creditworthy third parties. Customers who wish to trade on credit terms are subject to credit verification procedures, including an assessment of their independent credit rating, financial position, past experience and industry reputation.</p> <p>Receivables</p> <p>Credit risk management practices include reviews of trade receivables aging by days past due, the timely follow-up of past due amounts and the use of credit securities such as credit insurance, retention of title and letters of credit.</p> <p>Financial instruments and cash deposits</p> <p>Credit risk from balances with banks and financial institutions is managed by Group Treasury in accordance with Board-approved policy. Investments of surplus funds are made only with approved counterparties who have investment grade credit ratings. Surplus funds are invested within credit limits assigned to each counterparty, unless appropriate approval is provided.</p> <p>The carrying amount of financial assets represents the maximum credit exposure. There are no significant concentrations of credit risk within the Group.</p>

19(A) OFFSETTING FINANCIAL INSTRUMENTS

The Group presents its derivative assets and liabilities on a gross basis. Derivative financial instruments entered into by the Group are subject to enforceable master netting arrangements, such as an International Swaps and Derivatives Association (ISDA) master netting agreement. In certain circumstances, for example, when a credit event such as a default occurs, all outstanding transactions under an ISDA agreement are terminated, the termination value is assessed and only a single net amount is payable in settlement of all transactions.

The amounts set out in note 20 represent the derivative financial assets and liabilities of the Group, that are subject to the above arrangements, and are presented on a gross basis.

19(B) LIQUIDITY RISK

The Group endeavours to maintain funding flexibility by keeping committed credit lines available with a variety of counterparties. Surplus funds are generally invested in instruments that are tradeable in highly liquid markets with highly rated counterparties. As at 30 June 2021, the Group has total undrawn financing facilities available of \$5,094 million (2020: \$5,005 million).

The table on the following page analyses the Group's financial liabilities, including net and gross settled financial instruments and lease liabilities, into relevant maturity periods based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the tables are the contractual undiscounted cash flows and will not necessarily reconcile with the amounts disclosed in the balance sheet.

Expected future interest payments on loans and borrowings and derivative cash flows exclude accruals recognised in trade and other payables at the reporting date. For foreign exchange derivatives, cross-currency interest rate swaps and hedged commodity swaps, the amounts disclosed are the gross contractual cash flows to be paid. For interest rate swaps, the cash flows are the net amounts to be paid at each quarter, excluding accruals included in trade and other payables at the reporting date, and have been estimated using forward interest rates applicable at the reporting date.

Notes to the financial statements: Risk

For the year ended 30 June 2021

19(B) LIQUIDITY RISK (CONTINUED)

	< 3 months, or on demand	3-12 months	1-2 years	2-3 years	3-4 years	4-5 years	>5 years	Total contractual cash flows	Carrying amount (assets)/ liabilities
Consolidated	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Year ended 30 June 2021									
Trade and other payables	3,988	246	-	-	-	-	-	4,234	4,234
Loans and borrowings before swaps	-	951	1,037	-	48	-	1,000	3,036	3,022
Expected future interest payments on loans and borrowings	3	976	136	(1,014)	22	22	70	215	-
Lease liabilities	305	910	1,193	1,125	1,025	907	2,619	8,084	7,105
Hedged commodity swaps (net settled)	(2)	(2)	-	-	-	-	-	(4)	(4)
Cross-currency interest rate swaps (gross settled)	1	(55)	(279)	-	-	-	-	(333)	(335)
Hedge forward exchange contracts (gross settled)	(6)	(19)	(25)	-	-	-	-	(50)	(50)
Total	4,289	3,007	2,062	111	1,095	929	3,689	15,182	13,972
Year ended 30 June 2020									
Trade and other payables	3,768	234	6	-	-	-	-	4,008	4,008
Loans and borrowings before swaps	-	500	1,113	1,085	-	-	-	2,698	2,656
Expected future interest payments on loans and borrowings	3	9	43	30	-	-	-	85	-
Lease liabilities	308	901	1,128	1,061	989	899	2,932	8,218	7,242
Hedge interest rate swaps (net settled)	-	(3)	-	-	-	-	-	(3)	(3)
Hedged commodity swaps (net settled)	2	1	-	-	-	-	-	3	3
Cross-currency interest rate swaps (gross settled)	1	51	(104)	(329)	-	-	-	(381)	(383)
Hedge forward exchange contracts (gross settled)	10	29	1	-	-	-	-	40	41
Total	4,092	1,722	2,187	1,847	989	899	2,932	14,668	13,564

19(C) MARKET RISK

Foreign exchange risk

The Group's exposure to the US dollar and Euro (prior to hedging contracts) at the reporting date were as follows:

Consolidated	2021		2020	
	USD A\$m	EUR A\$m	USD A\$m	EUR A\$m
Financial assets				
Cash and cash equivalents	25	-	6	-
Trade and other receivables	24	-	18	-
Cross-currency interest rate swap	-	335	-	383
Hedge foreign exchange derivative assets	49	-	-	-
Commodity derivative asset	4	-	-	-
Financial liabilities				
Trade and other payables	(1,288)	(42)	(995)	(36)
Interest-bearing loans and borrowings	-	(1,979)	-	(2,045)
Commodity derivative liability	-	-	(3)	-
Hedge foreign exchange derivative liabilities	-	-	(40)	(1)
Net exposure	(1,186)	(1,686)	(1,014)	(1,699)

Notes to the financial statements: Risk

For the year ended 30 June 2021

19(C) MARKET RISK (CONTINUED)

Group's sensitivity to foreign exchange movements

The sensitivity analysis below shows the impact that a reasonably possible change in foreign exchange rates over a financial year would have on profit after tax and equity, based solely on the Group's foreign exchange risk exposures existing at the balance sheet date. The Group has used the observed range of actual historical rates for the preceding five-year period, with a heavier weighting placed on recently observed market data, in determining reasonably possible exchange movements to be used for the current year's sensitivity analysis. Past movements are not necessarily indicative of future movements. The following exchange rates have been used in performing the sensitivity analysis.

Consolidated	2021		2020	
	USD	EUR	USD	EUR
Actual	0.75	0.63	0.69	0.61
+10% (2020: +10%)	0.83	0.69	0.76	0.67
-10% (2020: -10%)	0.68	0.57	0.62	0.55

The impact on profit and equity is estimated by applying the hypothetical changes in the US dollar and Euro exchange rate to the balance of financial instruments at the reporting date.

Differences from the translation of financial statements into the Group's presentation currency are not taken into consideration in the sensitivity analysis and as such the NZ dollar has no material impact. The results of the foreign exchange rate sensitivity analysis are driven by three main factors, as outlined below:

- the impact of applying the above foreign exchange movements to financial instruments that are not in hedge relationships will be recognised directly in profit;
- to the extent that the foreign currency denominated derivatives on the balance sheet form part of an effective cash flow hedge relationship, any fair value movements caused by applying the above sensitivity movements will be deferred in equity and will not affect profit; and
- movements in financial instruments forming part of an effective fair value hedge relationship will be recognised in profit. However, as a corresponding entry will be recognised for the hedged item, there will be no net effect on profit.

At 30 June 2021, had the Australian dollar moved against the US dollar and Euro, as illustrated in the table above, with all other variables held constant, the Group's profit after tax and other equity would have been affected by the change in value of its financial assets and financial liabilities as shown in the table below.

Consolidated	2021 A\$m	2020 A\$m
AUD/USD +10% (2020: +10%)		
- impact on profit	7	10
- impact on equity	(145)	(143)
AUD/USD -10% (2020: -10%)		
- impact on profit	11	3
- impact on equity	178	175
AUD/EUR +10% (2020: +10%)		
- impact on profit	2	3
- impact on equity	48	47
AUD/EUR -10% (2020: -10%)		
- impact on profit	(2)	(3)
- impact on equity	(59)	(57)

Interest rate risk

As at the reporting date, the Group had financial assets and liabilities with exposure to interest rate risk as shown in the table below. Interest on financial instruments, classified as floating rate, is repriced at intervals of less than one year. Interest on financial instruments, classified as fixed rate, is fixed until maturity of the instrument. The classification between fixed and floating interest takes into account applicable hedge instruments.

Consolidated	2021 \$m	2020 \$m
Financial assets		
Fixed rate		
Finance advances and loans	3	3
Floating rate		
Cash at bank, on deposit and held in joint operation	2,795	2,741
Financial liabilities		
Fixed rate		
Capital market debt	2,974	2,042
Floating rate		
Unsecured bank debt	48	111
Capital market debt	-	503

At 30 June 2021, after taking into account the effect of interest rate swaps, economic hedging relationships and early repayment of a portion of core debt facilities, approximately two per cent of the Group's core borrowings are exposed to movements in variable rates (2020: approximately 28 per cent).

Group's sensitivity to interest rate movements

The following sensitivity analysis shows the impact that a reasonably possible change in interest rates would have on Group profit after tax and equity. The impact is determined by assessing the effect that such a reasonably possible change in interest rates would have had on the interest income/(expense) and the impact on financial instrument fair values. This sensitivity is based on reasonably possible changes over a financial year, determined using observed historical interest rate movements for the preceding five-year period, with a heavier weighting given to more recent market data.

The results of the sensitivity analysis are driven by three main factors, as outlined below:

- for unhedged floating rate financial instruments, any increase or decrease in interest rates will impact profit;
- to the extent that derivatives form part of an effective cash flow hedge relationship, there will be no impact on profit and any increase/(decrease) in the fair value of the underlying derivative instruments will be deferred in equity; and
- movements in the fair value of derivatives in an effective fair value hedge relationship will be recognised directly in profit. However, as a corresponding entry will be recognised for the hedged item, there will be no net impact on profit.

Notes to the financial statements: Risk

For the year ended 30 June 2021

19(C) MARKET RISK (CONTINUED)

The following sensitivity analysis is based on the Australian variable interest rate risk exposures in existence at balance sheet date. If interest rates had moved by +/-50bps (basis points) (2020: +/- 50bps) and with all other variables held constant, profit after tax and equity would be affected as follows.

	2021	2020
Consolidated	\$m	\$m
+50bps (2020: +50bps)		
- impact on profit	9	7
- impact on equity	4	10
-50bps (2020: -50bps)		
- impact on profit	(9)	(7)
- impact on equity	(4)	(10)

19(D) CREDIT RISK

The carrying amount of current receivables represents the Group's maximum credit exposure.

The Group applies the simplified approach in measuring ECLs for trade receivables and other short-term debtors, whereby an allowance for impairment is considered across all trade receivables and other short-term debtors, regardless of whether a credit event has occurred, based on the expected losses over the lifetime of the receivable. Therefore, the Group does not track changes in credit risk but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established the following provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to debtors and the economic climate.

Trade receivables - days past due	Estimated total gross carrying amount at default (\$m)	Expected credit loss rate (%)	Lifetime expected credit loss (\$m)
2021			
Current	896	1.0	9
Under one month	261	1.9	5
One to two months	72	2.8	2
Two to three months	13	7.7	1
Over three months	38	42.1	16
Total	1,280		33
2020			
Current	853	0.3	3
Under one month	133	1.6	2
One to two months	18	8.3	1
Two to three months	28	9.3	3
Over three months	28	52.9	14
Total	1,060		23

The Group's exposure to bad debts is not significant and default rates have historically been very low. Trade receivables are written off when there is no reasonable expectation of recovery, which may be indicated by the debtor failing to engage in a payment plan or the debtor failing to make timely contractual payments.

19(E) FAIR VALUES

The carrying amounts and estimated fair values of all the Group's financial instruments carried at amortised cost in the financial statements are materially the same with the exception of the following:

Consolidated	2021 \$m	2020 \$m
Capital market debt: carrying amount	2,974	2,545
Capital market debt: fair value	2,987	2,574

The methods and assumptions used to estimate the fair value of financial instruments are as follows.

Cash

The carrying amount is fair value due to the asset's liquid nature.

Receivables/payables

Due to the short-term nature of these financial rights and obligations, carrying amounts are estimated to represent fair values.

Other financial assets/liabilities

The fair values of capital market debt have been calculated by discounting the expected future cash flows at prevailing interest rates using market observable inputs. The fair values other financial assets have been calculated using market interest rates. The fair values of listed investments, classified as financial assets held at FVOCI, have been calculated using quoted share prices (Level 1).

Derivatives

The Group enters into derivative financial instruments with various counterparties, principally financial institutions with investment grade credit ratings. Foreign exchange forward contracts, interest rate swap contracts, cross-currency interest rate swaps and the commodity future contract are all valued using forward pricing techniques. This includes the use of market observable inputs, such as foreign exchange spot and forward rates, yield curves of the respective currencies, interest rate curves and forward rate curves of the underlying commodity. Accordingly, these derivatives are classified as Level 2 in the fair value measurement hierarchy.

Valuation of financial instruments

For all fair value measurements and disclosures, the Group uses the following to categorise the method used:

- Level 1: the fair value is calculated using quoted prices in active markets.
- Level 2: the fair value is estimated using inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).
- Level 3: the fair value is estimated using inputs for the asset or liability that are not based on observable market data.

The Group's financial instruments were primarily valued using market observable inputs (Level 2), with the exception of financial assets measured at FVOCI (Level 1) and shares in unlisted companies at fair value (Level 3) which were nil at 30 June 2021 (2020: \$1 million).

For financial instruments that are carried at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. There were no transfers between Level 1 and Level 2 during the year. There were no Level 3 fair value movements during the year.

Notes to the financial statements: Risk

For the year ended 30 June 2021

20. HEDGING

Types of hedging instruments

The Group is exposed to risk from movements in foreign exchange, interest rates and commodity prices. As part of the risk management strategy set out in note 19, the Group holds the following types of derivative instruments:

Forward exchange contracts: contracts denominated in US dollar and Euro to hedge highly probable sale and purchase transactions (cash flow hedges).

Interest rate swaps: to optimise the Group's exposure to fixed and floating interest rates arising from borrowings. These hedges incorporate cash flow hedges, which fix future interest payments, and fair value hedges, which reduce the Group's exposure to changes in the value of its assets and liabilities arising from interest rate movements.

Cross-currency interest rate swaps: to either reduce the Group's exposure to exchange rate variability in its interest repayments of foreign currency denominated debt (cash flow hedges) or to hedge against movements in the fair value of those liabilities due to exchange and interest rate movements (fair value hedges). The borrowing margin on cross-currency interest rate swaps has been treated as a 'cost of hedging' and deferred into equity. These costs are then amortised to the profit and loss as a finance cost over the remaining life of the borrowing.

Brent oil future contract: to reduce the Group's exposure to price variability in its forecast purchase of natural gas (cash flow hedge).

	2021				2020			
	Notional \$m	Weighted average hedged rate	Asset \$m	Liability \$m	Notional \$m	Weighted average hedged rate	Asset \$m	Liability \$m
Foreign exchange contracts								
Cash flow hedge - sales (AUD)	US\$28	Asset: 0.71 Liability: 0.76	-	-	US\$14	Asset: 0.65 Liability: Nil	1	-
Cash flow hedge - purchases (AUD)	US\$2,488	Asset: 0.78 Liability: 0.71	87	(42)	US\$2,044	Asset: 0.71 Liability: 0.66	37	(76)
Cash flow hedge - purchases (NZD)	US\$186	Asset: 0.72 Liability: 0.67	8	(2)	US\$146	Asset: 0.67 Liability: 0.62	3	(5)
Cash flow hedge - purchases (AUD)	€ 15	Asset: 0.64 Liability: 0.58	-	(1)	€ 8	Asset: 0.61 Liability: 0.57	-	(1)
Interest rate swap contracts								
Fair value hedge	A\$ nil	-	-	-	A\$300	BBSW + 0.82% floating	3	-
Cross-currency interest rate swaps								
Cash flow hedge	€ 1,250	5.32% fixed	335	-	€ 1,250	5.32% fixed	383	-
Brent oil contract								
Cash flow hedge	0.138m barrels	AU\$65.49 per barrel	4	-	0.257m barrels	AU\$70.34 per barrel	-	(3)
Total derivative asset/(liability)			434	(45)			427	(85)

RECOGNITION AND MEASUREMENT

Recognition

Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured to fair value per note 19(e). The method of recognising any remeasurement gain or loss depends on the nature of the item being hedged. For hedging instruments, any hedge ineffectiveness is recognised directly in the income statement in the period in which it is incurred. This was immaterial in the current year.

Hedge accounting

At the start of a hedge relationship, the Group formally designates and documents the hedge relationship, including the risk management strategy for undertaking the hedge. This includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). Hedge accounting is only applied where there is an economic relationship between the hedged item and the hedging instrument and the hedge ratio of the hedging relationship is the same as that resulting from actual quantities of the hedged item and hedging instrument used.

For the purposes of hedge accounting, hedges are classified as:

- Fair value hedges when they hedge the exposure to changes in the fair value of a recognised asset, liability or firm commitment that could affect profit or loss; or
- Cash flow hedges when they hedge a particular risk associated with the cash flows of recognised assets and liabilities and highly probable forecast transactions. A hedge of the foreign currency risk of a firm commitment is accounted for as a cash flow hedge.

Wesfarmers will discontinue hedge accounting prospectively only when the hedging relationship, or part of the hedging relationship no longer qualifies for hedge accounting, which includes where there has been a change to the risk management objective and strategy for undertaking the hedge and instances when the hedging instrument expires or is sold, terminated or exercised. For these purposes, the replacement or rollover of a hedging instrument into another hedging instrument is not an expiration or termination if such a replacement or rollover is consistent with our documented risk management objective.

Notes to the financial statements: Risk

For the year ended 30 June 2021

20. HEDGING (CONTINUED)

Hedges that meet the criteria for hedge accounting are classified and accounted for as follows:

Fair value hedges

The Group uses fair value hedges to mitigate the risk of changes in the fair value of foreign currency borrowings from foreign currency and interest rate fluctuations over the hedging period. Where these fair value hedges qualify for hedge accounting, gains or losses from remeasuring the fair value of the hedging instrument are recognised within finance costs in the income statement, together with gains or losses in relation to the hedged item where those gains or losses relate to the risk intended to be hedged. The net amount recognised in the income statement in FY2021 was less than \$1 million (2020: less than \$1 million).

The maturity profile of the fair value hedges is shown in note 19(b).

If the hedged item is a firm commitment (and therefore not recognised), the subsequent cumulative change in the fair value of the hedged risk is recognised as an asset or liability with a corresponding gain or loss recognised in profit or loss. The changes in the fair value of the hedging instrument are also recognised in profit or loss.

The accumulated amount of fair value adjustments which are included in the carrying amount of interest bearing loans and borrowings in the balance sheet is as follows:

	2021		2020	
	Foreign bonds	Domestic bonds	Foreign bonds	Domestic bonds
	\$m	\$m	\$m	\$m
Face value at inception	1,630	1,000	1,630	500
Change arising from revaluation to spot rates at 30 June	349	-	415	-
	1,979	1,000	2,045	500
Balance of unamortised discount/premium	(1)	(4)	(3)	-
Amortised cost	1,978	996	2,042	500
Accumulated amount of fair value hedge adjustment attributable to hedged risk	-	-	-	3
Carrying amount	1,978	996	2,042	503

There was no material ineffectiveness relating to financial instruments in designated fair value hedge relationships during the year (2020: nil).

Cash flow hedges

The Group uses cash flow hedges to mitigate the risk of variability of future cash flows attributable to foreign currency fluctuations over the hedging period associated with our foreign currency borrowings and ongoing business activities, predominantly where we have highly probable purchase or settlement commitments in foreign currencies. The Group also uses cash flow hedges to hedge variability in cash flows due to interest rate or natural gas price movements associated with some of our domestic borrowings or forecast natural gas purchases respectively.

For cash flow hedges, the portion of the gain or loss on the hedging instrument that is effective is recognised directly in equity, while the ineffective portion is recognised in profit or loss. The maturity profile of these hedges is shown in note 19(b) with the recognition of the gain or loss expected to be consistent with this profile.

	2021				2020			
	Trade	Foreign bonds	Foreign debt	Commodity hedge	Trade	Foreign bonds	Foreign debt	Commodity hedge
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Change in the fair value of the hedged item	90	(48)	-	7	(129)	5	-	(17)

Amounts recognised in equity are transferred to the income statement when the hedged transaction affects profit or loss, such as when hedged income or expenses are recognised or when a forecast sale occurs. When the hedged item is the cost of a non-financial asset or liability, the amounts taken to equity are transferred to the initial carrying amount of the non-financial asset or liability.

If the forecast transaction is no longer expected to occur, amounts previously recognised in equity are transferred to the income statement. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, amounts previously recognised in equity remain in equity until the forecast transaction occurs.

Notes to the financial statements: Risk

For the year ended 30 June 2021

21. IMPAIRMENT OF NON-FINANCIAL ASSETS

Testing for impairment

The Group tests property, plant and equipment, goodwill, intangibles and right-of-use assets for impairment:

- at least annually for indefinite life intangibles and goodwill; and
- where there is an indication that the asset may be impaired (which is assessed at least each reporting date); or
- where there is an indication that previously recognised impairment (on assets other than goodwill) may have changed.

Annual impairment testing of intangibles and goodwill is performed at 31 March each year to coincide with the timing of the annual corporate plan and business forecast process.

The carrying values of mineral rights and capitalised exploration and evaluation assets are reviewed at each reporting date for indicators of impairment in accordance with AASB 6 *Exploration for and Evaluation of Mineral Resources* (AASB 6), and, when indicators are identified, tested for impairment in accordance with AASB 136 *Impairment of Assets* (AASB 136). Subsequent to technical feasibility and commercial viability of extracting the resource being demonstrable, the mineral rights asset shall be reclassified to mine properties and tested for impairment in accordance with AASB 136.

If the asset does not generate independent cash inflows and its value in use cannot be estimated to be close to its fair value, the asset is tested for impairment as part of the cash generating unit (CGU) to which it belongs. Mineral rights or exploration and evaluation assets are allocated to the CGU to which the exploration activity relates.

Assets are impaired if their carrying value exceeds their recoverable amount. The recoverable amount of an asset or CGU is determined as the higher of its fair value less costs of disposal (FVL COD) and value in use (VIU).

Impairment calculations

In assessing VIU, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. In determining FVL COD, a discounted cash flow model is used based on a methodology consistent with that applied by the Group in determining the value of potential acquisition targets, maximising the use of market observed inputs. These calculations, classified as Level 3 on the fair value hierarchy, are compared to valuation multiples, or other fair value indicators where available, to ensure reasonableness.

Inputs to impairment calculations

For VIU calculations, cash flow projections are based on Wesfarmers' corporate plans and business forecasts prepared by management and approved by the Board. The corporate plans are developed annually with a five-year outlook and, for these calculations, are adjusted to exclude the costs and benefits of expansion capital and on the understanding that actual outcomes may differ from the assumptions used.

In determining FVL COD, the valuation model incorporates the cash flows projected over the balance of the current corporate plan period. These projections are discounted using a risk-adjusted discount rate commensurate with a typical market participant's assessment of the risk associated with the projected cash flows.

For both the VIU and FVL COD models, cash flows beyond the five-year corporate plan period are extrapolated using estimated growth rates, which are based on Group estimates, taking into consideration historical performance as well as expected long-term operating conditions. Growth rates do not exceed the consensus forecasts of the long-term average growth rate for the industry in which the CGU operates.

The potential impacts of climate change and COVID-19 have been considered in the Group's impairment testing through downside scenario analysis.

Discount rates used in both calculations are based on the weighted average cost of capital determined by prevailing or benchmarked market inputs, risk adjusted where necessary. Other assumptions are determined with reference to external sources of information and use consistent estimates for variables such as terminal cash flow multiples. Increases in discount rates or changes in other key assumptions, such as operating conditions or financial performance, may cause the recoverable amounts to fall below carrying values.

Recognised impairment

During FY2021, impairment of \$54 million was recognised in respect of non-financial assets.

Previously recognised impairment

Industrial and Safety

During FY2020, a pre-tax impairment of \$40 million (\$28 million post-tax) was recognised on other assets where the recoverable amount of the assets was determined to be nil. In addition, the Industrial and Safety CGU was tested for impairment and as the carrying value exceeded its recoverable amount, a pre-tax impairment of \$270 million was recognised against goodwill.

The methodology and key assumptions applied in assessing the recoverable amount of the Industrial and Safety CGU for FY2021 are outlined on the following page.

Kmart Group - Target business

The Target trading store CGUs, including associated distribution centre and support office assets, were tested for impairment during FY2020, resulting in total pre-tax impairments to store plant and equipment of \$133 million and lease right-of-use assets of \$161 million. As the remaining significant asset associated with Target was the Target brand name, the value of which is supported by the cash flows of the underlying stores, an impairment test was performed for the Target brand name, resulting in a pre-tax impairment of \$231 million.

The total impairment recognised in FY2020 on Target assets as described above totalled \$525 million (\$437 million post-tax).

Reversal of impairment

Where there is an indication that previously recognised impairment losses may no longer exist or have decreased, the asset is tested. If there has been a change to the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised, the carrying value of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying value that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss and the depreciation charge is adjusted in future periods to allocate the asset's revised carrying value, less any residual value, on a systematic basis over its remaining useful life. Impairments recognised against goodwill are not reversed.

There were no material reversals of impairment during FY2021.

Notes to the financial statements: Risk

For the year ended 30 June 2021

21. IMPAIRMENT OF NON-FINANCIAL ASSETS (CONTINUED)

Key estimates: impairment of non-financial assets

Industrial and Safety CGU

The key assumptions used for assessing the recoverable amount of the Industrial and Safety CGU are set out below. The recoverable value has been determined using the FVLCO method.

Earnings growth over the forecast period is supported by a transformation program, including investment in a new enterprise-wide resource planning (ERP) system and data and digital systems to realise productivity improvements and improve the customer value proposition to increase market share. The ERP implementation is in progress and is expected to be completed during FY2022.

The post-tax discount rates incorporate a risk-adjustment relative to the risks associated with the net post-tax cash flows being achieved, while the growth rates beyond FY2026 are based on market estimates of the long-term average industry growth rate.

	Industrial and Safety	
	2021	2020
Discount rate (post-tax)	11.1%	11.1%
Growth rate beyond corporate plan (nominal)	2.5%	2.5%
Headroom as a percentage of the CGU's net carrying value	9.4%	-
Terminal value as a percentage of the CGU's recoverable value	88.7%	86.4%

The Industrial and Safety CGU's carrying value was impaired to its recoverable amount at 30 June 2020.

The recoverable value of Industrial and Safety is sensitive to changes in its post-tax discount rate and its forecast terminal cash flow that drives terminal value. A 70 basis point increase in discount rate or a 10 per cent reduction in its forecast terminal cash flow eliminates the headroom in the recoverable value. Despite the headroom evident at 30 June 2021, the impairment expense of \$270 million recognised in FY2020 related to goodwill, and cannot be reversed.

Kmart Group CGU - Target business (including brand, store and other assets)

Trading store CGUs and associated assets are reviewed for indicators of impairment using both external and internal sources of information. Detailed impairment testing is completed when the existence of an indication of impairment is identified. Where detailed impairment testing is required, the recoverable amount of the store CGU is determined using VIU calculations, based on forecast cash flows for the store over its remaining life. Each trading store CGU primarily comprises leasehold improvements, store plant and equipment and right-of-use assets. As a result of impairment testing in FY2020, total pre-tax impairments to store plant and equipment of \$133 million and lease right-of-use assets of \$161 million were recognised. The store CGU impairment tests are most sensitive to changes in revenue growth assumptions. No impairment was required to be recognised for trading store CGU's in FY2021, as there were no indicators of impairment, and no previously recognised impairment was reversed.

As part of the impairment assessment of the Target business in FY2020, the recoverable amount of the Target brand was assessed on a FVLCO basis, using the relief from royalty methodology. The key assumptions applied in the valuation were forecast revenue, a post-tax discount rate of 12.0 per cent, a royalty rate of 0.7 per cent and a nominal terminal growth rate of 2.5 per cent. As a result, the Target brand's carrying value was impaired to its recoverable amount of \$62 million at 30 June 2020.

During FY2021, the impairment testing performed resulted in no impairment being recognised or the reversal of previously recognised impairment.

Mt Holland lithium project (the Project)

Upon reclassification to mine properties (refer to note 11), the Project was tested for impairment. The reclassification threshold was met upon the announcement of FID on 17 February 2021. At that time the recoverable amount of the Project exceeded its carrying value. The recoverable value was determined using a VIU discounted cash flow model based on defined feasibility study assumptions. Key assumptions in the calculation included a post-tax discount rate of 9.6 per cent, a long-term lithium hydroxide price at the lower end of the range of available independent broker forecasts, a AUD/USD exchange rate of 70.0 cents and total proved and probable reserves of 94 million tonnes.

Other CGUs

The Group has assessed the recoverable amounts of other CGUs with goodwill and other indefinite life intangible assets using FVLCO calculations and considered potential downside scenarios in respect of the continued impact of COVID-19. Post-tax discount rates applied in the impairment testing for the Bunnings, Kmart Group and Officeworks CGUs and associated assets ranged from 9.9 per cent to 11.6 per cent. Terminal growth rates ranging from 2.0 per cent to 2.7 per cent were also applied. Based on current economic conditions and CGU performances, other than as noted above, no reasonably possible change in a key assumption used in the determination of the recoverable value of CGUs would result in a material impairment to the Group.

Notes to the financial statements: Group information

For the year ended 30 June 2021

22. ASSOCIATES AND JOINT ARRANGEMENTS

	Consolidated	
	2021 \$m	2020 \$m
Investment in associates	660	625
Interest in joint ventures	115	85
	775	710
Movement in investment in associates		
Net carrying amount at the beginning of the year	625	3,337
Share of net profit from operations of associates	86	193
Dividends	(51)	(157)
Capital returns	-	(50)
Associates disposed of during the year	-	(1,819)
Associates derecognised during the year	-	(879)
Net carrying amount at the end of the year	660	625
Total comprehensive income from associates and joint ventures		
Share of net profit from associates	86	193
Other comprehensive loss of associates	-	-
Share of profits from joint ventures	17	20
Other comprehensive income of joint ventures	5	(1)
Total comprehensive income for the year	108	212

RECOGNITION AND MEASUREMENT

Investment in associates

The Group's investments in its associates, being entities in which the Group has significant influence and are neither subsidiaries or joint arrangements, are accounted for using the equity method. Under this method, the investment in the associates are carried in the balance sheet at cost plus any post-acquisition changes in the Group's share of the net assets of the associate.

Goodwill relating to associates is included in the carrying amount of the investment and is not amortised. After application of the equity method, the Group determines whether it is necessary to recognise any additional impairment loss with respect to the Group's investment. The income statement reflects the Group's share of the results of the operations of the associate.

Where there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes and discloses this in the statement of comprehensive income.

Where the reporting dates of the associates and the Group vary, the associates' management accounts for the period to the Group's balance date are used for equity accounting. The accounting policies of associates are consistent with those used by the Group for like transactions and events in similar circumstances.

Investment properties owned by associates are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the balance sheet date. Gains or losses arising from changes in the fair values of investment properties are recognised in profit or loss of the associate, in the year in which they arise. This is consistent with the Group's policy.

BWP Trust

The Group has a 24.8 per cent interest in BWP Trust. The Group's interest in BWP Trust is accounted for using the equity method in the consolidated financial statements. The fair value of the Group's interest, by reference to the closing share price of BWP Trust on 30 June 2021, was \$679 million (2020: \$610 million) (Level 1 in the fair value hierarchy). The following table summarises the financial information of the Group's investment in BWP Trust.

	2021 \$m	2020 \$m
Summarised balance sheet		
Current assets	53	68
Non-current assets	2,557	2,419
Current liabilities	(83)	(78)
Non-current liabilities	(475)	(506)
Net assets	2,052	1,903
Group's share of BWP Trust's net assets	509	472
Summarised income statement		
Revenue	152	156
Expenses	(38)	(39)
Unrealised gains in fair value	149	94
Profit attributable to the unit holders of BWP Trust	263	211
Group's share of profit for the period	65	52

Interests in joint arrangements

The Group recognises its share of the assets, liabilities, expenses and income from the use and output of its joint operations. The Group's investments in its joint ventures are accounted for using the equity method.

Notes to the financial statements: Group information

For the year ended 30 June 2021

22. ASSOCIATES AND JOINT ARRANGEMENTS (CONTINUED)

Key judgement: control and significant influence

The Group has a number of management agreements with associates and joint arrangements it considers when determining whether it has control, joint control or significant influence. The Group assesses whether it has the power to direct the relevant activities of the investee by considering the rights it holds to appoint or remove key management and the decision-making rights and scope of powers specified in the contract.

Where the Group has the unilateral power to direct the relevant activities of an investee, the Group then assesses whether the power it holds is for its own benefit (acting as principal) or for the benefit of others (acting as agent). This determination is based on a number of factors including an assessment of the magnitude and variability of the Group's exposure to variable returns associated with its involvement with the investee. In an agency capacity, the Group is considered to be acting on behalf of other parties and therefore does not control the investee when it exercises its decision-making powers.

Interests in associates and joint arrangements

Associates	Principal activity	Reporting date	Country of incorporation/place of business	Ownership	
				2021 %	2020 %
BWP Trust	Property investment	30 June	Australia	24.8	24.8
Gresham Partners Group Limited	Investment banking	30 September	Australia	50.0	50.0
Queensland Nitrates Management Pty Ltd	Chemical manufacture	30 June	Australia	50.0	50.0
Queensland Nitrates Pty Ltd	Chemical manufacture	30 June	Australia	50.0	50.0
Wespine Industries Pty Ltd	Pine sawmillers	30 June	Australia	50.0	50.0
Joint operations					
Sodium Cyanide	Sodium cyanide manufacture	30 June	Australia	75.0	75.0
Mt Holland Lithium	Lithium development	31 December	Australia	50.0	50.0
Joint ventures					
BPI NO 1 Pty Ltd	Property management	30 June	Australia	(a)	(a)
Covalent Lithium Pty Ltd	Management company	31 December	Australia	50.0	50.0
Loyalty Pacific Pty Ltd ¹	Loyalty programs	27 June	Australia	50.0	50.0

¹ A wholly-owned subsidiary, Wesfarmers Loyalty Management Pty Ltd, has a 50.0 per cent interest in Loyalty Pacific Pty Ltd (Flybuys).

(a) BPI NO 1 Pty Ltd: While the Group owns the only equity share in BPI NO 1 Pty Ltd, the Group's effective interest approximates 50.0 per cent and joint control is effected through contractual arrangements with the joint venture partner.

Notes to the financial statements: Group information

For the year ended 30 June 2021

23. SUBSIDIARIES

The consolidated financial statements include the financial statements of Wesfarmers Limited and the subsidiaries listed in the following table:

Entity	2021 %	2020 %	Entity	2021 %	2020 %		
A.C.N. 003 921 873 Pty Limited	100	100	BWP Management Limited	<	100	100	
A.C.N. 004 191 646 Pty Ltd	100	100	C S Holdings Pty Limited	+	100	100	
A.C.N. 007 870 484 Pty Ltd	100	100	Campbells Hardware & Timber Pty Limited		100	100	
A.C.N. 008 734 567 Pty Ltd	~	-	100		100	100	
A.C.N. 061 462 593 Pty Ltd	100	100	Casey Exploration Pty Ltd	~	-	100	
A.C.N. 092 194 904 Pty Ltd	100	100	Catch Essentials Pty Ltd		100	100	
A.C.N. 112 719 918 Pty Ltd	100	100	Catch Group Holdings Limited	+	100	100	
A.C.N. 645 670 711 Pty Ltd	@	100	-		100	100	
A.C.N. 645 674 102 Pty Ltd	@	100	-		100	100	
AEC Environmental Pty Ltd	100	100	Catch.com.au Pty Ltd	+	100	100	
ANKO Global Holdings Pty Ltd	+	100	100	CGNZ Finance Limited	■	100	100
ANKO Retail Incorporated	▶	100	100	Chemical Holdings Kwinana Pty Ltd	+	100	100
Australian Gold Reagents Pty Ltd	75	75	CMNZ Investments Pty Ltd		100	100	
Australian Graphics Pty Ltd	100	100	ConsortiumCo Pty Ltd		100	100	
Australian International Insurance Limited	+	100	100	Coo-ee Investments Pty Limited		100	100
Australian Light Minerals Pty Ltd	100	100	Coregas NZ Limited	■	100	100	
Australian Underwriting Holdings Limited	+	100	100	Coregas Pty Ltd	+	100	100
Australian Underwriting Services Pty Ltd	100	100	Crowl Creek Exploration Pty Ltd		100	100	
Australian Vinyls Corporation Pty Ltd	+	100	100	CSBP Ammonia Terminal Pty Ltd		100	100
AVC Holdings Pty Ltd	+	100	100	CSBP Limited	+	100	100
AVC Trading Pty Ltd	+	100	100	CTE Pty Ltd		100	100
BBC Hardware Limited	+	100	100	Cuming Smith and Company Limited	+	100	100
BBC Hardware Properties (NSW) Pty Ltd	100	100	Dairy Properties Pty Ltd		100	100	
BBC Hardware Properties (Vic) Pty Ltd	100	100	Dowd Corporation Pty Ltd		100	100	
Blacksmith Jacks Pty Ltd	100	100	Eastfarmers Pty Ltd		100	100	
Blackwoods 4PL Pty Ltd	100	100	ECC Pty Ltd		100	100	
Blackwoods Training Pty Ltd	100	100	ENV.Australia Pty Ltd		100	100	
Blackwoods Xpress Pty Ltd	100	100	Environmental and Licensing Professionals Pty Ltd		100	100	
BPI Management Pty Ltd	100	100	FIF Investments Pty Limited		100	100	
BrandsExclusive (Australia) Pty Ltd	100	100	Forrestania Lithium Pty Ltd	~	-	100	
BUKI (Australia) Pty Ltd	+	100	100	Fosseys (Australia) Pty Ltd	+	100	100
Bullivants International Pty Ltd	100	100	Geeks2U Holdings Pty Limited		100	100	
Bullivants Pty Limited	+	100	100	Geeks2U International Pty Limited		100	100
Bunnings (NZ) Limited	■	100	100	Geeks2U IP Pty Limited		100	100
Bunnings Group Limited	+	100	100	Geeks2U NZ Limited	■	100	100
Bunnings Joondalup Pty Ltd	100	100	Geeks2U Pty Limited		100	100	
Bunnings Limited	# ■	100	100	GPML Pty Ltd		100	100
Bunnings Management Services Pty Ltd	+	100	100	Greencap Holdings Limited		100	100
Bunnings Manufacturing Pty Ltd	~	-	100	Greencap Pty Ltd		100	100
Bunnings Properties Pty Ltd	+	100	100	HouseWorks Co Pty Ltd		100	100
Bunnings Technologies India Private Limited	●	100	100	Howard Smith Limited	+	100	100
				Incorporatewear Limited	# ~ ▲	-	100
				Incorporatewear, Unipessoal LDA	< ~ ♦	-	100
				J Blackwood & Son Pty Ltd	+	100	100
				James Patrick & Co Pty Ltd (in liquidation)		100	100

Notes to the financial statements: Group information

For the year ended 30 June 2021

23. SUBSIDIARIES (CONTINUED)

Entity		2021 %	2020 %	Entity		2021 %	2020 %
KAS Direct Sourcing Private Limited	# •	100	100	Relationship Services Pty Limited		100	100
KAS Global Trading Pty Limited	♦	100	100	Retail Australia Consortium Pty Ltd		100	100
KAS International Sourcing Bangladesh Pvt Ltd	▲	100	100	Retail Investments Pty Ltd		100	100
KAS International Trading (Shanghai) Company Limited	▶	100	100	SBS Rural IAMA Pty Limited	~	-	100
KAS Pty Limited	◆	100	100	Scones Jam n Cream Pty Ltd		100	100
KAS Services India Private Limited	•	100	100	Sellers (SA) Pty Ltd		100	100
Kidman Barrow Creek Pty Ltd		100	100	Share Nominees Limited		100	100
Kidman Gold Pty Ltd	~	-	100	Sotico Pty Ltd		100	100
Kidman Mining Pty Ltd	~	-	100	Target Australia Pty Ltd	+	100	100
Kleenheat Pty Ltd		100	100	Target Australia Sourcing (Shanghai) Co Ltd	# ▶	100	100
Kmart Australia Limited	+	100	100	Target Australia Sourcing Limited	# ◆	100	100
Kmart Group Asia Pty Ltd		100	100	Target Holdings Pty Ltd	+	100	100
Kmart Holdings Pty Ltd	+	100	100	TheActive Pty Ltd		100	100
Kmart NZ Holdings Limited	■	100	100	The Builders Warehouse Group Pty Limited		100	100
Kwinana Nitrogen Company Proprietary Limited		100	100	The Franked Income Fund		100	100
Lawvale Pty Ltd		100	100	The Westralian Farmers Limited	+	100	100
Liftco Pty Limited	+	100	100	The Workwear Group HK Limited	# ◆	100	100
Loggia Pty Ltd	+	100	100	The Workwear Group Holding Pty Ltd	+	100	100
Manacol Pty Limited	+	100	100	The Workwear Group Pty Ltd	+	100	100
MC2 Pacific Pty Ltd		100	100	Tincorp Holdings Pty Ltd		100	100
Meredith Distribution (NSW) Pty Ltd		100	100	Trimevac Pty Ltd		100	100
Meredith Distribution Pty Ltd		100	100	Tyremaster (Wholesale) Pty Ltd		100	100
MH Gold Pty Limited		100	100	Ucone Pty Ltd	+	100	100
Millars (WA) Pty Ltd		100	100	Validus Group Pty Ltd		100	100
Modwood Technologies Pty Ltd		100	100	Valley Investments Pty Ltd	+	100	100
Montague Resources Australia Pty Ltd		100	100	Viking Direct Pty Limited		100	100
Moonyoora Minerals Pty Ltd	@	100	-	W4K.World 4 Kids Pty Ltd		100	100
Mumgo Pty Ltd		100	100	Wesfarmers Agribusiness Limited	+	100	100
Neat N' Trim Uniforms Pty Ltd		100	100	Wesfarmers A Plus Pty Ltd	@	100	-
NZ Finance Holdings Pty Limited	■	100	100	Wesfarmers Bengalla Management Pty Ltd		100	100
Officeworks Businessdirect Pty Ltd		100	100	Wesfarmers Bengalla Pty Ltd	+	100	100
Officeworks Holdings Pty Ltd	+	100	100	Wesfarmers Bunnings Limited	+	100	100
Officeworks Ltd	+	100	100	Wesfarmers Chemical US Holdings Corp	▶	100	100
Officeworks NZ Limited	■	100	100	Wesfarmers Chemicals, Energy & Fertilisers Limited	+	100	100
Officeworks Property Pty Ltd		100	100	Wesfarmers Coal Resources Pty Ltd	+	100	100
Pailou Pty Ltd	+	100	100	Wesfarmers Department Stores Holdings Pty Ltd	+	100	100
Patrick Operations Pty Ltd		100	100	Wesfarmers Emerging Ventures Pty Ltd		100	100
Petersen Bros Pty Ltd		100	100	Wesfarmers Energy (Gas Sales) Limited	+	100	100
Premier Power Sales Pty Ltd		100	100	Wesfarmers Energy (Industrial Gas) Pty Ltd		100	100
Protector Alsafe Pty Ltd		100	100	Wesfarmers Fertilizers Pty Ltd	+	100	100
Protex Healthcare (Aus) Pty Ltd		100	100	Wesfarmers Gas Limited	+	100	100
PT Blackwoods Indonesia	○	100	100				
R & N Palmer Pty Ltd		100	100				
Rapid Evacuation Training Services Pty Ltd		100	100				

Notes to the financial statements: Group information

For the year ended 30 June 2021

23. SUBSIDIARIES (CONTINUED)

Entity		2021 %	2020 %
Wesfarmers Holdings Pty Ltd		100	100
Wesfarmers Industrial & Safety Holdings NZ Limited	# ■	100	100
Wesfarmers Industrial & Safety NZ Limited	■	100	100
Wesfarmers Industrial and Safety Pty Ltd	+	100	100
Wesfarmers Insurance Investments Pty Ltd	+	100	100
Wesfarmers International Holdings Pty Ltd		100	100
Wesfarmers Investments Pty Ltd		100	100
Wesfarmers Kleenheat Gas Pty Ltd	+	100	100
Wesfarmers Lithium Pty Ltd		100	100
Wesfarmers LNG Pty Ltd	+	100	100
Wesfarmers Loyalty Management Pty Ltd	+	100	100
Wesfarmers LPG Pty Ltd	+	100	100
Wesfarmers New Energy Holdings Pty Ltd		100	100
Wesfarmers Oil & Gas Pty Ltd		100	100
Wesfarmers Online Retail Holdings Pty Ltd	+	100	100
Wesfarmers Provident Fund Pty Ltd		100	100
Wesfarmers Resources Pty Ltd	+	100	100
Wesfarmers Retail Holdings Pty Ltd	+	100	100
Wesfarmers Retail Pty Ltd	+	100	100
Wesfarmers Risk Management (Singapore) Pte Ltd	⌘	100	100
Wesfarmers Risk Management Limited	# ~ ◀	-	100
Wesfarmers Securities Management Pty Ltd		100	100
Wesfarmers Superannuation Pty Ltd		100	100
Wesfarmers Transport Limited	+	100	100
Weskem Pty Ltd		100	100
Westralian Farmers Superphosphates Limited	+	100	100
WEV Capital Investments Pty Ltd		100	100
WFCL Investments Pty Ltd		100	100
WFM Investments Pty Ltd	@	100	-
WIS International Pty Ltd		100	100
WIS Solutions Pty Ltd		100	100
WIS Supply Chain Management (Shanghai) Co Ltd	▶	100	100
WPEQ Pty Ltd		100	100
WPP Holdings Pty Ltd		100	100
WW E-Services Australia Pty Limited		100	100
WWG Middle East Apparel Trading LLC	▼	49	49
XCC (Retail) Pty Ltd	~	-	100
Yakka Pty Limited		100	100

Entity acquired/incorporated during the year	@
Entity dissolved/deregistered during the year	~
Audited by firms of Ernst & Young International	#
Audited by other firms of accountants	<
An ASIC-approved deed of cross guarantee has been entered into by Wesfarmers Limited and these entities	+
All subsidiaries are incorporated in Australia unless identified by one of the following symbols:	
Bangladesh	▶
Bermuda	◀
China	▶
Hong Kong	◆
India	●
Indonesia	○
New Zealand	■
Portugal	✦
Singapore	⌘
United Arab Emirates	▼
United Kingdom	▲
United States of America	▾

All entities utilise the functional currency of the country of incorporation with the exception of Wesfarmers Risk Management Limited, which utilises the Australian dollar and KAS International Trading (Shanghai) Company Limited, PT Blackwoods Indonesia and Wesfarmers Oil & Gas Pty Ltd, which utilise the US dollar.

Notes to the financial statements: Group information

For the year ended 30 June 2021

24. PARENT DISCLOSURES

	Parent	
	2021 \$m	2020 \$m
Assets		
Current assets	11,667	11,194
Non-current assets	5,981	6,113
Total assets	17,648	17,307
Liabilities		
Current liabilities	1,623	1,235
Non-current liabilities	2,170	2,187
Total liabilities	3,793	3,422
Net assets	13,855	13,885
Equity		
Equity attributable to equity holders of the parent		
Issued capital	15,719	15,724
Employee reserved shares	3	2
Retained earnings	1,425	1,460
Dividends reserve	292	292
Restructure tax reserve	150	150
Hedging reserve	(9)	(23)
Share-based payments reserve	39	44
Demerger reserve	(3,764)	(3,764)
Total equity	13,855	13,885
Profit attributable to members of the parent	2,040	2,471
Total comprehensive income for the year, net of tax, attributable to members of the parent	2,053	2,464
Contingencies¹		
Trading guarantees	150	157

¹ Contingent liabilities at balance date are not included in this financial report.

Wesfarmers is party to various legal actions that have arisen in the normal course of business. It is expected that any liabilities arising from such legal action would not have a material adverse effect on the Group's financial report.

DIVIDENDS RESERVE

The dividends reserve was created by the parent entity for the purposes of segregating profits from which dividends to shareholders can be paid.

GUARANTEES

Wesfarmers Limited and certain Australian controlled entities are parties to a Deed of Cross Guarantee (the Deed).

PARENT ENTITY FINANCIAL INFORMATION

The financial information for the parent entity has been prepared on the same basis as the consolidated financial statements, except as set out below.

Investments in subsidiaries, associates and joint venture entities

Investments in subsidiaries, associates and joint venture entities are accounted for at cost in the financial statements of the parent. Dividends received from associates are recognised in the parent entity's profit or loss when its right to receive the dividend is established.

25. DEED OF CROSS GUARANTEE

The subsidiaries identified with a '+' in note 23 are parties to a Deed of Cross Guarantee under which each party has guaranteed to pay any deficiency in the event of the winding up of any of the members in the Closed Group. By entering into the Deed, the wholly-owned entities have been relieved from the requirement to prepare a financial report and directors' report under ASIC Corporations (Wholly-owned companies) Instrument 2016/785.

These subsidiaries and Wesfarmers Limited together referred to as the 'Closed Group', either originally entered into the Deed on 27 June 2008, or have subsequently joined the Deed by way of an Assumption Deed.

The consolidated income statement and retained earnings of the entities that are members of the Closed Group is as follows:

	Deed	
	2021 \$m	2020 \$m
Consolidated income statement and retained earnings		
Profit from continuing operations before income tax	3,264	2,542
Profit from discontinued operations before income tax	-	-
Income tax expense	(901)	(671)
Net profit for the year	2,363	1,871
Retained earnings at beginning of year	(648)	(304)
Adjustment for companies transferred into/out of the Closed Group	-	(481)
Total available for appropriation	1,715	1,086
Dividends provided for or paid	(2,075)	(1,734)
Retained earnings at end of year	(360)	(648)

	Deed	
	2021 \$m	2020 \$m
Consolidated statement of comprehensive income		
Profit for the year	2,363	1,871
Other comprehensive income		
Items that may be reclassified to profit or loss:		
Exchange differences on translation of foreign operations	-	-
Changes in the fair value of cash flow hedges, net of tax	84	(87)
Items that will not be reclassified to profit or loss:		
Changes in the fair value of financial assets designated at FVOCI, net of tax	(4)	16
Remeasurement loss on defined benefit plan	-	-
Other comprehensive loss for the year, net of tax	80	(71)
Total comprehensive income for the year, net of tax	2,443	1,800

Notes to the financial statements: Group information

For the year ended 30 June 2021

25. DEED OF CROSS GUARANTEE (CONTINUED)

The consolidated balance sheet of the entities that are members of the Closed Group is as follows:

Consolidated balance sheet	Deed	
	2021 \$m	2020 \$m
Assets		
Current assets		
Cash and cash equivalents	2,767	2,707
Receivables - trade and other	1,078	909
Receivables - related parties	933	956
Inventories	4,125	3,443
Derivatives	152	41
Other	154	206
Total current assets	9,209	8,262
Non-current assets		
Investment in controlled entities	3,058	3,093
Investment in associates and joint ventures	268	239
Other financial assets	1,124	1,123
Deferred tax assets	741	727
Property, plant and equipment	3,336	3,313
Goodwill and intangible assets	3,826	3,739
Right-of-use assets	5,446	5,844
Derivatives	282	386
Other	2	2
Total non-current assets	18,083	18,466
Total assets	27,292	26,728
Liabilities		
Current liabilities		
Trade and other payables	3,664	3,590
Interest-bearing loans and borrowings	893	503
Lease liabilities	950	920
Income tax payable	333	384
Provisions	1,079	997
Derivatives	43	81
Other	219	158
Total current liabilities	7,181	6,633
Non-current liabilities		
Payables	963	973
Interest-bearing loans and borrowings	5,693	2,033
Lease liabilities	2,023	5,932
Provisions	336	328
Derivatives	2	4
Other	-	81
Total non-current liabilities	9,017	9,351
Total liabilities	16,198	15,984
Net assets	11,094	10,744
Equity		
Issued capital	15,809	15,809
Reserved shares	(102)	(89)
Retained earnings	(360)	(648)
Reserves	(4,253)	(4,328)
Total equity	11,094	10,744

26. RELATED PARTY TRANSACTIONS

	Consolidated	
	2021 \$'000	2020 \$'000
Transactions with related parties		
Associates		
Lease rent paid	136,505	140,982
Operating lease rent received	-	(13,255)
Financial advisory fees paid	10	9
Management fees received	(14,730)	(14,364)
Sales of goods and services	-	(36,546)
Purchases of goods and services	149	2,889
Joint arrangements		
Lease rent paid	25,601	25,202
Payments for loyalty program	29,873	24,507
Receipts from loyalty program redemption	(40,039)	(33,439)
Sales of goods and services	(1,152)	(1,402)
Purchases of goods and services	782	503
Outstanding balances with related parties		
Associates		
Amounts receivable from associates	10,131	10,528
Amounts owing to associates	(163)	(195)
Joint arrangements		
Amounts receivable from joint ventures	6,680	7,123
Amounts owing to joint ventures	(186,694)	(169,425)

The Group entered into transactions with related parties during the year as follows:

- Rent for retail stores and warehouses has been paid by the Group to an associated entity, BWP Trust, and to a joint arrangement, BPI NO 1 Pty Ltd.
- Management fees have been received from an associated entity, BWP Trust, on normal commercial terms and conditions for staff and other services provided to associates.
- Amounts have been paid to and received from Loyalty Pacific Pty Ltd for the operation of the Flybuys loyalty program.
- Partly-owned subsidiaries of an associate of the Group, Gresham Partners Group Limited, have provided advisory services to Wesfarmers and were paid fees of \$10,300 in 2021 (2020: \$9,159).
- Other related party transactions include sales and purchases to associates and joint arrangements on normal commercial terms and conditions.

Coles Group Limited was a related party for the period in which it was an associate, being 1 July 2019 to 30 March 2020.

Notes to the financial statements: Other

For the year ended 30 June 2021

27. COMMITMENTS AND CONTINGENCIES

	Consolidated	
	2021 \$m	2020 \$m
Capital commitments¹		
Within one year	359	270
	359	270
Other expenditure commitments¹		
Within one year	112	85
Greater than one year but not more than five years	120	93
More than five years	69	75
	301	253
Contingencies¹		
Trading guarantees	150	157

¹ Commitments arising for capital expenditure and other expenditure contracted for at balance date and contingent liabilities at balance date are not included in this financial report.

At 30 June 2021, the Group has commitments relating to lease agreements that have not yet commenced, which are not included in the above. The future lease payments (undiscounted) for non-cancellable periods are \$28 million within one year, \$157 million between one and five years and \$258 million thereafter. The commitments relate to lease agreements associated with new stores.

Guarantees

The Group has issued a number of bank guarantees to third parties for various operational and legal purposes. It is not expected that these guarantees will be called on.

Contingent liabilities

Certain companies within the Group are party to various legal actions that have arisen in the normal course of business. It is expected that any liabilities arising from such legal action would not have a material effect on the Group's financial performance.

28. EVENTS AFTER THE REPORTING PERIOD

Dividends

A fully-franked final dividend of 90 cents per share resulting in a dividend payment of \$1,020 million was determined with a payment date of 7 October 2021. The dividend has not been provided for in the 30 June 2021 full-year financial statements.

Capital Management

The directors have also recommended a return of capital to shareholders of 200 cents per share. The recommended return of capital is subject to shareholder approval at the 2021 Annual General Meeting on 21 October 2021.

If approved, the total amount of the distribution will be approximately \$2,268 million and will be paid on 2 December 2021. The form of the distribution is dependent on a final ruling by the ATO, but is likely to be entirely capital in nature, with no dividend component. Shareholders will be unable to elect to participate in the Dividend Investment Plan in relation to the capital return.

The distribution has not been provided for in the 30 June 2021 full-year financial statements.

28. EVENTS AFTER THE REPORTING PERIOD (CONTINUED)

Proposal to acquire Australian Pharmaceutical Industries Limited

On 12 July 2021, Wesfarmers announced that it had submitted a non-binding, indicative offer to acquire 100 per cent of the shares outstanding in Australian Pharmaceutical Industries Limited (API, ASX:API) for \$1.38 cash per share by way of a scheme of arrangement (the Proposal).

The Proposal price corresponds to a total equity value for API of approximately \$687 million. If the transaction proceeds, it will be funded through Wesfarmers' existing balance sheet capacity and debt facilities. The Proposal is conditional upon the satisfaction of conditions including the completion of confirmatory due diligence, entry into a Scheme Implementation Deed, obtaining ACCC clearance, API Board approval and the approval of API shareholders. There is no certainty as to whether the proposed transaction will proceed.

COVID-19

Subsequent to year-end, sales in the Group's retail divisions have been affected by recent lockdowns that have required store closures and restricted trading across multiple regions.

29. AUDITORS' REMUNERATION

	Consolidated	
	2021 \$'000	2020 \$'000
Fees to Ernst & Young (Australia)		
Fees for the audit and review of the financial reports of the Group and any controlled entities	4,591	4,005
Fees for other assurance and agreed-upon-procedures services	503	588
Fees for other services		
- tax compliance	632	465
- other	-	-
	5,726	5,058
Fees to other overseas network firms of Ernst & Young (Australia)		
Fees for the audit and review of the financial reports of the Group and any controlled entities	527	473
Fees for other assurance and agreed-upon-procedures services	197	215
Fees for other services		
- tax compliance	120	140
	844	828
Total auditors' remuneration	6,570	5,886

Other assurance and agreed-upon-procedures services and other services represent 22.1 per cent (2020: 23.9 per cent) of the total fees paid or payable to Ernst & Young and related practices for the year ended 30 June 2021.

Auditors' remuneration includes amounts reimbursed to the auditors for incidental costs incurred in completing their services.

Notes to the financial statements: Other

For the year ended 30 June 2021

30. OTHER ACCOUNTING POLICIES

(A) NEW AND AMENDED ACCOUNTING STANDARDS AND INTERPRETATIONS ADOPTED FROM 1 JULY 2020

All new and amended Australian Accounting Standards and Interpretations mandatory to the Group as at 1 July 2020 have been adopted and include:

Reference	Description
The effects of the following standards were not material:	
AASB 2018-7 <i>Amendments to Australian Accounting Standards - Definition of Material</i>	This standard makes amendments to the definition of 'material' to reference the effect of obscuring information to be similar to omitting or misstating information and states that an entity assesses materiality in the context of the financial statements as a whole.
<i>Conceptual Framework for Financial Reporting</i>	The revised conceptual framework includes a new chapter on measurement; guidance on reporting financial performance; improved definitions and guidance, in particular, the definitions of an asset and a liability; and clarifications in important areas, such as the roles of stewardship, prudence and measurement uncertainty in financial reporting.
AASB 2019-1 <i>Amendments to Australian Accounting Standards - References to the Conceptual Framework</i>	The standard makes amendments to a number of Australian Accounting Standards, Interpretations and other pronouncements to reflect the issuance of the <i>Conceptual Framework for Financial Reporting (Conceptual Framework)</i> .
AASB 2018-6 <i>Amendments to Australian Accounting Standards - Definition of a Business</i>	This standard amends the definition of a business in AASB 3 <i>Business Combinations</i> .
AASB 2019-3 <i>Amendments to Australian Accounting Standards - Interest Rate Benchmark Reform</i>	These amendments to AASB 7 <i>Financial Instruments: Disclosures</i> , AASB 9 and AASB 139 <i>Financial Instruments: Recognition and Measurement</i> were issued in response to the effects of Interbank Offered Rates reform on financial reporting. They provide mandatory temporary relief enabling hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark with an alternative 'nearly risk-free' benchmark.
AASB 2019-5 <i>Amendments to Australian Accounting Standards - Disclosures of the Effect of New IFRS Standards Not Yet Issued in Australia</i>	This standard amends AASB 1054 <i>Australian Additional Disclosures</i> by adding a requirement for entities complying with IFRS standards to disclose the potential effect of an IFRS standard that has not yet been issued by the AASB so that an entity complying with Australian Accounting Standards can assert compliance with IFRS standards.

Notes to the financial statements: Other

For the year ended 30 June 2021

30. OTHER ACCOUNTING POLICIES (CONTINUED)

(B) NEW AND AMENDED STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The following new and amended accounting standards and interpretations issued but not yet effective are relevant to current operations. They are available for early adoption but have not been applied by the Group in this financial report.

Reference	Description
The effects of these standards and interpretations are not expected to be material:	
AASB 2020-8 <i>Amendments to Australian Accounting Standards - Interest Rate Benchmark Reform (Phase 2)</i>	The application of this amendment is effective from 1 January 2021, and will be adopted by the Group on 1 July 2021. This standard makes amendments to AASB 9 <i>Financial Instruments</i> , AASB 139 <i>Financial Instruments: Recognition and Measurement</i> , AASB 7 <i>Financial Instruments: Disclosures</i> , AASB 4 <i>Insurance Contracts</i> and AASB 16 <i>Leases</i> to address issues that arise during the reform of an interest rate benchmark, including the replacement of one benchmark with an alternative one.
AASB 2021-3 <i>Amendments to Australian Accounting Standards - COVID-19-Related Rent Concessions beyond 30 June 2021</i>	The application of this amendment is effective from 1 April 2021, and will be adopted by the Group on 1 July 2021. This standard extends the availability of the practical expedient by one year. The practical expedient applies to rent concessions for which any reduction in lease payments affects only the payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met.
AASB 2021-2 <i>Amendments to Australian Accounting Standards - Disclosure of Accounting Policies</i>	The application of this amendment is effective from 1 January 2023, and will be adopted by the Group on 1 July 2023. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirements for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adds guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.
AASB 2021-2 <i>Amendments to Australian Accounting Standards - Definition of Accounting Estimates</i>	The application of this amendment is effective from 1 January 2023, and will be adopted by the Group on 1 July 2023. The amended standard clarifies that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors.
AASB 2020-3 <i>Amendments to Australian Accounting Standards - Annual Improvements 2018-2020 and Other Amendments</i>	The application of this amendment is effective from 1 January 2022, and will be adopted by the Group on 1 July 2022. This standard makes amendments to AASB 1 <i>First-time Adoption of Australian Accounting Standards</i> , AASB 3, AASB 9, AASB 116 <i>Property, Plant and Equipment</i> , AASB 137 <i>Provisions, Contingent Liabilities and Contingent Assets</i> and AASB 141 <i>Agriculture</i> .
AASB 2014-10 <i>Amendments to Australian Accounting Standards - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	The application of this amendment is effective from 1 January 2022 (as deferred by AASB 2017-5 <i>Amendments to AASs - Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections</i>), and will be adopted by the Group on 1 July 2022. The amendments require a full gain or loss to be recognised when a transaction involves a business (whether it is housed in a subsidiary or not) and partial gain or loss to be recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.
AASB 2020-1 <i>Amendments to Australian Accounting Standards - Classification of Liabilities as Current or Non-current</i>	The application of this amendment is effective from 1 January 2023 (as deferred by AASB 2020-6 <i>Amendments to AASs - Classification of Liabilities as Current or Non-current - Deferral of Effective Date</i>), and will be adopted by the Group on 1 July 2023. This amendment to AASB 101 <i>Presentation of Financial Statements</i> clarifies the requirements for classifying liabilities as current or non-current.

(C) TAX CONSOLIDATION

Wesfarmers and its 100 per cent owned Australian resident subsidiaries have formed a tax consolidated group with effect from 1 July 2002. Wesfarmers is the head entity of the tax consolidated group. Members of the group have entered into a tax sharing agreement in order to allocate income tax expense to the wholly-owned subsidiaries on a stand-alone basis. The tax sharing arrangement provides for the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. The possibility of such a default is considered remote at the date of this report.

Members of the tax consolidated group have entered into a tax funding agreement. The group has applied the group allocation approach in determining the appropriate amount of current taxes to allocate to members of the tax consolidated group. The tax funding agreement provides for each member of the tax consolidated group to pay a tax equivalent amount to or from the parent in accordance with their notional current tax liability or current tax asset. Such amounts are reflected in amounts receivable from or payable to the parent company in their accounts and are settled as soon as practicable after lodgement of the consolidated return and payment of the tax liability.

Notes to the financial statements: Other

For the year ended 30 June 2021

31. SHARE-BASED PAYMENTS

The Group provides benefits to employees (including the executive director) of the Group through share-based incentives. Employees are paid for their services or incentivised for their performance in part through shares or rights over shares. The expense arising from these transactions is shown in note 2. The total number of ordinary Wesfarmers shares acquired on market during FY2021 to satisfy employee incentive schemes was 1,961,576 (2020: 2,009,216) at an average price of \$49.61 (2020: \$41.79) per share.

RECOGNITION AND MEASUREMENT

Share-based payments can either be equity-settled or cash-settled. If the employee is provided a choice of settlement options then the scheme is considered to be cash-settled.

Equity-settled transactions

The cost of equity-settled transactions with employees is measured using their fair value at the date at which they are granted. In determining the fair value, only performance conditions linked to the price of the shares of Wesfarmers Limited (market conditions) are taken into account.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which any performance conditions (excluding market conditions) are met, ending on the date on which the employees become fully entitled to the award (vesting date). The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects the extent to which the vesting period has expired and the proportion of the awards that are expected to ultimately vest. No expense is recognised for awards that do not ultimately vest due to a non-market performance condition not being met. The expense is recognised in full if the awards do not vest (or are not exercised) due to a market performance condition not being met.

Where the terms of an equity-settled award are modified, as a minimum, an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any increase in the value of the transaction as a result of the modification, as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described above.

Equity-settled awards outstanding

Weighted average share price in FY2021 was \$50.19 (2020: \$39.62). The following table includes shares subject to trading restrictions.

	KEEPP (shares)	WESAP (shares)	WLTIP (shares)	WESP (rights)	WESP (options)
Outstanding at the beginning of the year	1,916,580	6,757,500	229,529	124,538	189,004
Granted during the year	215,406	1,915,401	60,569	-	-
Exercised during the year	(304,854)	(2,579,725)	(114,045)	(124,538)	(19,094)
Lapsed during the year	-	(131,408)	-	-	-
Other adjustments	-	(24,286)	-	-	-
Outstanding at the end of the year	1,827,132	5,937,482	176,053	-	169,910
Exercisable at the end of the year	79,383	5,032,816	233,374	-	863,844

Cash-settled transactions

The ultimate expense recognised in relation to cash-settled transactions will be equal to the actual cash paid to the employees, which will be the fair value at settlement date. The expected cash payment is estimated at each reporting date and a liability recognised to the extent that the vesting period has expired and in proportion to the amount of the awards that are expected to ultimately vest.

ADDITIONAL INFORMATION ON AWARD SCHEMES

Key Executive Equity Performance Plan (KEEPP)

KEEPP was introduced in September 2016. Under the 2020 KEEPP, eligible executive key management personnel (KMP) were introduced to receive performance shares and deferred shares in the company.

KEEPP is a single total incentive established for each executive KMP that operates over seven years. The quantum of the KEEPP award is determined against an individually personalised 12-month scorecard, split into financial performance measures, individual performance objectives and safety performance measures.

The earnings before interest and tax and return on capital (ROC) conditions of the 2017, 2018 and 2019 KEEPP performance shares have been amended to post-AASB 16 earnings before tax and ROC metrics. There has been no incremental change in the fair value of the awards. The share price on the date which the amendment was communicated to participants was \$59.10 per share.

Performance shares - 2020 KEEPP

For the Group Managing Director and the Group Chief Financial Officer, the performance conditions are Wesfarmers' total shareholder return (TSR) relative to the TSR of the ASX 100 (80 per cent weighting) and portfolio management and investment outcomes (20 per cent weighting). For the divisional managing directors, the performance conditions are the divisional financial performance (50 per cent weighting) and Wesfarmers' TSR relative to the TSR of the ASX 100 (50 per cent weighting).

The fair value of the performance shares with a TSR condition is determined using an option pricing model with the following inputs:

Grant date	12 Nov 2020
Grant date share price (\$)	48.78
Volatility (%)	22.68
Risk-free rate (%)	0.20
Fair value (\$)	33.03

Notes to the financial statements: Other

For the year ended 30 June 2021

31. SHARE-BASED PAYMENTS (CONTINUED)

Key Executive Equity Performance Plan (KEEPP) (continued)

Deferred shares - 2020 KEEPP

Eligible executive KMP's also received a deferred shares award under the KEEPP. The 2020 KEEPP deferred shares are subject to a 12-month service condition (the forfeiture period). If an executive resigns or is terminated for cause during the forfeiture period, the Board may decide to cancel that share allocation. The fair value of the award at grant date is expensed over the one-year forfeiture period.

The grant date share price is the fair value of both the deferred shares and the performance shares with divisional financial performance conditions or the portfolio management and investment outcomes condition.

Further details of the KEEPP and of the terms of the grants made during FY2021 are provided in the remuneration report.

Wesfarmers Employee Share Acquisition Plan (WESAP)

Employees other than executives

The WESAP was introduced in October 2009. Under the plan, all eligible employees are invited to acquire fully-paid ordinary shares in the company. The shares are either acquired under a salary sacrifice arrangement or are granted as an award, subject to the Group achieving a net profit after tax performance condition. Eligibility for an award of shares is dependent upon an in-service period with a participating division and being a permanent employee.

The plan qualifies as a non-discriminatory employee share scheme complying with the requirements of Division 83A of the *Income Tax Assessment Act 1997* (as amended) for Australian resident employees. The average fair value of the equity instruments granted was \$50.95 (2020 average: \$39.86) and was determined with reference to the share price on the date of grant.

Executives

In November 2016, WESAP was introduced to eligible executives. Under the 2020 offer, eligible executives are invited to receive performance shares and deferred shares in the company.

Performance shares - 2020 WESAP

The performance condition (with 100 per cent weighting) is Wesfarmers' TSR relative to the TSR of the ASX 100 over a four-year performance period.

The fair value of the performance shares with a TSR condition is determined using an option pricing model with the following inputs:

Grant date	12 Nov 2020
Grant date share price (\$)	48.78
Volatility (%)	22.68
Risk-free rate (%)	0.20
Fair value (\$)	33.03

Deferred shares - 2020 WESAP

Deferred shares are subject to a three-year forfeiture period. If an executive resigns or is terminated for cause within three years, the deferred shares will be forfeited.

The grant date share price is the fair value of the deferred shares and the award is expensed over the forfeiture period.

Annual incentive

In August 2020, eligible executives received a restricted (mandatory deferred) share award under the WESAP as part of their annual incentive. If an executive resigns or is terminated for cause within one year of the share allocation, the Board may decide to cancel that share allocation. The fair value of the award at grant date is expensed over the forfeiture period.

Wesfarmers Long Term Incentive Plan (WLTIP)

2020 performance-tested shares

The Board approved a one-off performance-tested share grant for the Group Managing Director, the Group Chief Financial Officer and the Managing Director, Kmart Group in relation to the restructure of Kmart Group, which was allocated in FY2021 under the WLTIP.

The performance condition (with 100 per cent weighting) is based on the conversion of Target stores to Kmart stores and measured through total cumulative converted store profit for the relevant stores, against the targeted store contribution in the Board-approved proposal.

The fair value of the equity instruments granted was \$48.78 and was determined with reference to the share price on the date of grant.

Further details and the terms of the performance-tested share grants made during FY2021 are provided in the remuneration report.

Wesfarmers Employee Share Plan (WESP)

The last issue under the WESP was made in December 2004. Under the plan, employees were invited to apply for ordinary shares in the company, funded by an interest-free loan from the Group. The employees' obligation for repayment of the loans is limited to the dividends paid and capital returns by the company and, in the event the employee ceases employment, the market price achieved on the sale of the shares.

The plan is accounted for as an in-substance equity-settled award, with the contractual life of each option equivalent to the estimated loan life and no maximum term.

Notes to the financial statements: Other

For the year ended 30 June 2021

32. DIRECTOR AND EXECUTIVE DISCLOSURES

Compensation of key management personnel

The remuneration disclosures are provided in sections one to eight of the remuneration report on pages 94 to 122 of this annual report designated as audited and forming part of the directors' report.

	Consolidated	
	2021 \$'000	2020 \$'000
Short-term benefits	10,752	13,054
Long-term benefits	112	127
Post-employment benefits	221	236
Termination benefits	-	256
Share-based payments	11,482	13,933
	22,567	27,606

Other transactions with key management personnel

From time to time, directors of Wesfarmers or its controlled entities, or their director-related entities, may purchase goods or services from the Group. These purchases are on the same terms and conditions as those entered into by other Group employees or customers and are trivial or domestic in nature.

33. TAX TRANSPARENCY DISCLOSURES

A reconciliation of Wesfarmers' accounting profit to its tax expense and material temporary and non-temporary differences are disclosed in note 3.

A reconciliation of accounting profit to income tax paid or payable and the effective company tax rates for Australian and global operations of the Group are tabled below.

	Consolidated	
	2021 \$m	2020 \$m
Continuing operations		
Tax paid or payable reconciliation		
Accounting profit	3,373	2,374
Income tax at the statutory rate of 30%	1,012	712
Non-deductible items	10	156
Temporary differences: deferred tax	(9)	193
Associates and other	(17)	(49)
Utilisation of previously recognised tax losses	-	(80)
Current year tax paid or payable	996	932
Effective tax rate		
Effective tax rate for Australian operations	29.4%	30.7%
Effective tax rate for global operations	29.7%	31.7%

Directors' declaration

Wesfarmers Limited and its controlled entities

In accordance with a resolution of the directors of Wesfarmers Limited, we state that:

1. In the opinion of the directors:
 - 1.1 the financial statements, notes and the additional disclosures included in the directors' report designated as audited, of the consolidated entity for the full-year ended 30 June 2021 are in accordance with the *Corporations Act 2001*, including:
 - (a) giving a true and fair view of the consolidated entity's financial position as at 30 June 2021 and of its performance for the year ended on that date; and
 - (b) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
 - 1.2 the financial statements and notes comply with International Financial Reporting Standards as disclosed in the notes to the financial statements on page 129 of the 2021 Annual Report; and
 - 1.3 there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.
2. This declaration has been made after receiving the declaration required to be made to the directors in accordance with section 295A of the *Corporations Act 2001* for the financial year ended 30 June 2021.
3. In the opinion of the directors, as at the date of this declaration, there are reasonable grounds to believe that the members of the Closed Group comprising the company and the controlled entities marked '+' as identified in note 23 will be able to meet any obligations or liabilities to which they are or may become subject to by virtue of the Deed of Cross Guarantee referred to in note 25.

On behalf of the Board:



M A Chaney AO
Chairman



R G Scott
Managing Director

Perth
26 August 2021

Independent auditor's report

To the Members of Wesfarmers Limited



**Building a better
working world**

Ernst & Young
11 Mounts Bay Road
Perth WA 6000, Australia
GPO Box M939 Perth WA 6843

Tel: +61 8 9429 2222
Fax: +61 8 9429 2436
ey.com/au

Independent auditor's report to the members of Wesfarmers Limited

Report on the audit of the financial report

Opinion

We have audited the financial report of Wesfarmers Limited ('the Company') and its subsidiaries (collectively 'the Group'), which comprises the consolidated balance sheet as at 30 June 2021, the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the consolidated financial position of the Group as at 30 June 2021 and of its consolidated financial performance for the year ended on that date; and
- b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* ('the Code') that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.

Independent auditor's report

To the Members of Wesfarmers Limited

1. Inventory valuation and existence

Why significant

At 30 June 2021, the Group held inventory balances of \$4,502 million, as disclosed in Note 6 *Inventories*.

Inventories are valued at the lower of cost and net realisable value ('NRV'). The NRV of inventories is the estimated selling price in the ordinary course of business less estimated costs to sell, the determination of which requires significant judgement by the Group.

Key matters of judgement include:

- The variables affecting costs recognised in bringing the inventory to its location and condition for sale
- Estimated costs to sell
- The expected selling price.

In addition, the distribution of the Group's inventory across a high number of locations and the quantum of the inventory balances may result in an increased risk in relation to existence.

2. Supplier rebates

Rebates associated with the Group's retail operations are received from suppliers.

The value and timing of supplier rebates recognised requires judgement and the consideration of a number of factors including:

- The commercial terms of each individual rebate
- The appropriate timing of recognition
- Consideration of the nature of the rebate and whether the amount should be applied against the carrying value of inventory or recognised in the income statement
- The accurate recognition and measurement of rebates in accordance with Australian Accounting Standards and the Group's related processes and controls.

Disclosures relating to the measurement and recognition of supplier rebates can be found in Note 6.

How our audit addressed the key audit matter

Our audit procedures included the following:

- We assessed the inventory management, procurement and commercial income processes, including an evaluation of the effectiveness of relevant controls
- We tested the accuracy of the weighted average costing systems and performed overhead allocation testing on a sample of inventory
- We attended stocktakes at a sample of locations and reviewed stocktake processes for compliance with internal policies
- We tested the subsequent reconciliation of the stock count results into the inventory records and general ledger
- We tested the costs incurred and the accuracy of the costs to sell and pricing assumptions in the NRV testing
- We evaluated management's assessment of stock obsolescence provisions through attendance at stocktakes, enquiries and analytical procedures
- We performed inventory cut-off testing on a sample of transactions either side of year-end
- We reviewed key stock statistics, including sell-through rates, stock ageing and stock turnover
- We performed analysis of shrinkage results and provision calculations.

How our audit addressed the key audit matter

Our audit procedures included the following:

- We gained an understanding of the nature of each material type of supplier rebate including assessing the significant agreements in place
- We assessed the effectiveness of relevant controls in place relating to the recognition and measurement of rebate amounts
- We performed comparisons of the various rebate arrangements against the prior year and budget, including analysis of aging profiles and where material variances were identified, obtained supporting evidence
- We selected a sample of supplier rebates and tested whether documentation existed supporting the recognition and measurement of the rebates in the 30 June 2021 financial statements
- We inspected a sample of material new contracts entered into before and after the balance date and assessed whether the treatment adopted by the Group in respect to rebates was appropriate
- We inquired of legal counsel as to the existence of other rebate contracts or contracts with unusual terms and conditions
- We inquired of business representatives including product category merchandisers, supply chain managers and procurement staff as to the existence of any non-standard agreements or side arrangements
- We considered the adequacy of the financial report disclosures.

Independent auditor's report

To the Members of Wesfarmers Limited

Information other than the financial report and auditor's report thereon

The directors are responsible for the other information. The other information comprises the information included in the Company's 2021 Annual Report, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated to the directors, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Independent auditor's report

To the Members of Wesfarmers Limited

Report on the audit of the Remuneration report

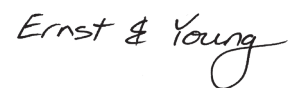
Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 96 to 122 of the directors' report for the year ended 30 June 2021.

In our opinion, the Remuneration Report of Wesfarmers Limited for the year ended 30 June 2021, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.



Ernst & Young



T S Hammond
Partner, Perth

26 August 2021



J K Newton
Partner, Perth

26 August 2021

Five-year financial history

All figures in \$m unless shown otherwise ¹	Post-AASB 16		Pre-AASB 16		
	2021 ²	2020 ³	2019 ⁴	2018 ⁵	2017
Summarised income statement					
Revenue from contracts with customers	33,797	30,753	44,485	69,595	68,099
Other revenue	144	93	199	283	345
Total revenue	33,941	30,846	44,684	69,878	68,444
Operating profit before depreciation and amortisation, finance costs and income tax	5,226	4,272	7,627	4,079	5,668
Depreciation and amortisation	(1,509)	(1,528)	(809)	(1,283)	(1,266)
Interest on lease liabilities	(226)	(237)	-	-	-
EBIT (after interest on lease liabilities)	3,491	2,507	6,818	2,796	4,402
Other finance costs	(118)	(133)	(175)	(221)	(264)
Income tax expense	(993)	(677)	(1,133)	(1,378)	(1,265)
Profit after tax from discontinued operations	-	75	3,570	(1,407)	-
Operating profit after income tax attributable to members of Wesfarmers Limited	2,380	1,697	5,510	1,197	2,873
Capital and dividends					
Ordinary shares on issue (number) 000's as at 30 June	1,133,840	1,133,840	1,133,840	1,133,840	1,133,840
Paid up ordinary capital as at 30 June	15,826	15,818	15,809	22,277	22,268
Fully-franked dividend per ordinary share (declared/determined) (cents)	178	152	178	223	223
Fully-franked special dividend per ordinary share (declared/determined) (cents) ⁶	-	18	100	-	-
Financial performance					
Earnings per share (weighted average) (cents)	210.4	150.0	487.2	105.8	254.7
Earnings per share growth (%)	40.3	(69.2)	360.5	(58.5)	603.6
Return on average ordinary shareholders' equity (R12) (excluding significant items) (%)	26.1	22.1	19.2	11.7	12.4
Financial position as at 30 June					
Total assets	26,214	25,425	18,333	36,933	40,115
Total liabilities	16,499	16,081	8,362	14,179	16,174
Net assets	9,715	9,344	9,971	22,754	23,941
Net tangible asset backing per ordinary share (\$)	5.14	4.89	5.21	4.33	4.44
Net debt to equity (%) ⁷	2.3	(0.9)	25.1	17.3	20.1
Total liabilities/total assets (%)	62.9	63.2	45.6	38.4	40.3
Stock market capitalisation as at 30 June					
	67,010	50,830	41,000	55,966	45,490

¹ All figures are presented as last reported, including discontinued operations.

² The summarised income statement for 2021 includes pre-tax (post-tax) restructuring costs of \$59 million (\$41 million) in the Kmart Group.

³ The summarised income statement for 2020 includes significant items relating to the following pre-tax (post-tax) items: \$525 million (\$437 million) impairment of the Target brand name and other assets, \$110 million (\$83 million) restructuring costs and provisions in the Kmart Group and a \$310 million (\$298 million) impairment to WIS, offset by a gain of \$290 million (\$203 million) on the sale of 10.1 per cent of the interest in Coles, a gain of \$220 million (\$154 million) on the revaluation of the retained 4.9 per cent interest in Coles and a benefit of \$83 million from the finalisation of tax positions on prior year disposals.

⁴ The summarised income statement for 2019 includes significant items relating to the following pre-tax (post-tax) items: \$2,319 million (\$2,264 million) gain on demerger of Coles, the \$679 million (\$645 million) gain on disposal of Bengalla, the \$267 million (\$244 million) gain on disposal of KTAS, the \$138 million (\$120 million) gain on disposal of Quadrant Energy and \$146 million (\$102 million) provision for Coles supply chain automation.

⁵ The summarised income statement for 2018 includes significant items relating to the following pre-tax (post-tax) items: \$306 million (\$300 million) non-cash impairment of Target, BUKI's writedown and store closure provision of \$931 million (\$1,023 million), \$375 million (\$375 million) loss on disposal relating to BUKI, partially offset by \$120 million (\$123 million) gain of the Curragh Coal Mine.

⁶ The 2020 fully-franked special dividend reflects the distribution of after-tax profits on the sale of the Group's 10.1 per cent interest in Coles. The 2019 fully-franked special dividend reflects the demerger dividend representing the fair value of the Coles distribution to shareholders.

⁷ The net debt balance excludes lease liabilities.

Shareholder information

SUBSTANTIAL SHAREHOLDERS

As at the date of this report, the following shareholders are substantial shareholders for the purposes of Part 6C.1 of the *Corporations Act 2001*:

- BlackRock Group (BlackRock Inc. and subsidiaries) holding 6.04 per cent; and
- The Vanguard Group, Inc. holding 6.00 per cent.

VOTING RIGHTS

Wesfarmers fully-paid ordinary shares carry voting rights of one vote per share.

DISTRIBUTION OF MEMBERS AND THEIR HOLDINGS

Size of holdings	Number of shareholders	% of issued capital
1 – 1,000	383,790	10.85
1,001 – 5,000	86,924	16.01
5,001 – 10,000	9,792	5.98
10,001 – 100,000	4,957	8.84
100,001 and over	155	58.32

There were 8,559 shareholders that held less than a marketable parcel of Wesfarmers ordinary shares.

There were 1.01 per cent of shareholders with registered addresses outside Australia.

TWENTY LARGEST SHAREHOLDERS

The 20 largest shareholders of ordinary shares on the company's register as at 26 August 2021 were:

Name	Number of shares	% of issued capital
HSBC Custody Nominees (Australia) Limited	263,107,581	23.20
J P Morgan Nominees Australia Pty Limited	174,979,948	15.43
Citicorp Nominees Pty Limited	64,296,421	5.67
National Nominees Limited	25,567,189	2.25
BNP Paribas Nominees Pty Ltd (Agency Lending DRP A/C)	23,110,009	2.04
HSBC Custody Nominees (Australia) Limited (Nt-Comnwith Super Corp A/C)	9,075,975	0.80
BNP Paribas Noms Pty Ltd (DRP)	8,744,445	0.77
BNP Paribas Nominees Pty Ltd SIX SIS Ltd (DRP A/C)	7,480,629	0.66
Australian Foundation Investment Company Limited	7,372,000	0.65
Citicorp Nominees Pty Limited (Colonial First State Inv A/C)	6,835,527	0.60
Argo Investments Limited	5,040,027	0.44
CPU Share Plans Pty Limited (WESAP DFE Control A/C)	4,303,518	0.38
CPU Share Plans Pty Limited (WES Exu Control A/C)	3,578,549	0.32
Netwealth Investments Limited (Wrap Services A/C)	3,343,925	0.29
Milton Corporation Limited	2,877,375	0.25
BNP Paribas Nominees Pty Ltd HUB24 Custodial Serv Ltd (DRP A/C)	2,301,005	0.20
National Nominees Limited (N A/C)	1,990,856	0.18
Mutual Trust Pty Ltd	1,884,009	0.17
Australian Executor Trustees Limited (IPS Super A/C)	1,613,061	0.14
Mr Peter Alexander Brown	1,552,825	0.14

The percentage holding of the 20 largest shareholders of Wesfarmers ordinary shares was 54.60.

Investor information

MANAGING YOUR SHAREHOLDING

The company's share registry is managed by Computershare Investor Services Pty Limited (Computershare).

The Investor Centre website is the fastest, easiest and most convenient way to view and manage your shareholding. Investor Centre enables a shareholder to:

- view the company share price;
- change your banking details;
- change your address (for non-CHESS sponsored holdings);
- update your dividend instructions;
- update your Tax File Number (TFN), Australian Business Number (ABN) or exemption;
- select your email and communication preferences;
- view your transaction and dividend history; and
- generate a holding balance letter.

Visit www.wesdirect.com.au and click on 'Login' for portfolio membership or click on 'Single Holding' to view your Wesfarmers shareholding information.

When communicating with Computershare or accessing your holding online you will need your Securityholder Reference Number (SRN) or Holder Identification Number (HIN) as shown on your Issuer Sponsored/CHESS statements.

You can also contact Computershare by:

Post GPO Box 2975 Melbourne, Victoria 3001 Australia

Telephone Australia 1300 558 062

Telephone International (+61 3) 9415 4631

Website www.investorcentre.com/contact

TAX FILE NUMBERS

While it is not compulsory to provide a TFN, if shareholders have not provided a TFN and Wesfarmers pays an unfranked or partly-franked dividend, the company will be required to deduct tax from the unfranked portion of the dividend at the top marginal rate plus the Medicare Levy. Shareholders can go online to update their TFN by visiting www.wesdirect.com.au

CHANGE OF NAME OR CONSOLIDATION OF HOLDINGS

Name changes or consolidation of multiple holdings into one single holding must be made in writing by using the required forms, which can be downloaded from www.wesdirect.com.au and clicking on the 'Printable Forms' button.

Uncertificated Share Register: The Wesfarmers share register is uncertificated. Two forms of uncertificated holdings are available to shareholders:

- *Issuer-sponsored holdings* – these holdings are sponsored by Wesfarmers and there is no need for shareholders to be sponsored by a stockbroker; and
- *Broker-sponsored holdings* – shareholders may arrange to be sponsored by a stockbroker who will require a signed sponsorship agreement.

Holding statements are issued to shareholders within five business days after the end of any month in which transactions occur that alter the balance of their holding. Shareholders can also access details of their shareholdings and dividends paid on their holdings by visiting www.wesdirect.com.au

INFORMATION ON WESFARMERS

Wesfarmers website

Up-to-date information on the company can be obtained from the company's website www.wesfarmers.com.au

Securities Exchange listing

Wesfarmers shares are listed on the Australian Securities Exchange under the code WES.

Share prices can be accessed from major Australian newspapers, on the Wesfarmers website or at www.asx.com.au

Dividend investment plan

The company's dividend investment plan was reinstated with effect from 27 February 2007. Details of the plan can be obtained from Computershare or the Wesfarmers website.

Privacy

A copy of the Wesfarmers Privacy Policy is available on the Wesfarmers website.

Wesfarmers Corporate Affairs department

Further information and publications about the company's operations are available from the Corporate Affairs department on (08) 9327 4428 (within Australia) or (+61 8) 9327 4428 (international) or from the Wesfarmers website.

Corporate directory

Wesfarmers Limited ABN 28 008 984 049

REGISTERED OFFICE

Level 14, Brookfield Place Tower 2
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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

Alan Cransberg (from 1 October 2021)

The Right Honourable Sir Bill English KNZM

Wayne Osborn

Mike Roche

Anil Sabharwal (from 1 February 2021)

Vanessa Wallace

Sharon Warburton

Alison Watkins (from 1 September 2021)

Jennifer Westacott AO

CHIEF FINANCIAL OFFICER

Anthony Gianotti

COMPANY SECRETARY

Vicki Robinson

SHARE REGISTRY

Computershare Investor Services Pty Limited
Yarra Falls, 452 Johnston Street
Abbotsford, Victoria 3067

Telephone Australia 1300 558 062

Telephone International (+61 3) 9415 4631

Facsimile Australia (03) 9473 2500

Facsimile International (+61 3) 9473 2500

Website www.investorcentre.com/wes

FINANCIAL CALENDAR*

Record date for final dividend	2 September 2021
Final dividend paid	7 October 2021
Annual general meeting	21 October 2021
Half-year end	31 December 2021
Half-year profit announcement	February 2022
Record date for interim dividend	February 2022
Interim dividend payable	March 2022
Year-end	30 June 2022

* Timing of events is subject to change.

ANNUAL GENERAL MEETING

The 40th Annual General Meeting of Wesfarmers Limited will be held on Thursday 21 October 2021 at 1:00pm (Perth time) at the Perth Exhibition and Convention Centre and shareholders will also be able to participate in the meeting through an online platform. Further details will be provided in the 2021 Notice of Meeting.

WEBSITE

To view the 2021 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 businesses

Bunnings



Kmart Group



Officeworks



Chemicals, Energy and Fertilisers



Industrial and Safety



Other activities



This annual report has been printed utilising solar electricity onto sustainable FSC-certified paper. Both printer and paper manufacturer are ISO 14001 certified, the highest environmental standard. Papers used in this year's annual report are:

- Pacesetter Coated, an FSC Mix-certified paper, which ensures that all virgin pulp is derived from well-managed forests and controlled sources. It contains elemental chlorine free bleached pulp and is manufactured by an ISO 14001 certified mill.
- Sumo Laser, an environmentally responsible paper manufactured under the ISO 14001 Environmental Management System, using elemental chlorine-free pulp. Sumo Laser is FSC Certified Mix pulp.

Designed by Clarity Communications

