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APPOINTMENT OF COLES MANAGING DIRECTOR

Wesfarmers has appointed Ian McLeod, a leading United Kingdom retailer, as Managing Director of Coles supermarkets, liquor and fuel and convenience businesses.

Mr McLeod (49) is currently Chief Executive Officer of Halfords Group plc.

Ian McLeod is a very experienced retail chief executive with a long track record of achievement in the UK since joining the Asda supermarket chain in 1981. He played a leading role in Asda's recovery and turnaround programme in the 1990s through key roles in both merchandising and store operations. After the successful sale of the business to Wal-Mart in 1999, Ian continued with the company and became part of the executive leadership of Wal-Mart's German operations.

In 2001 he was appointed Chief Executive of Celtic Football Club in Scotland prior to joining Halfords in 2003. He was one of a small team responsible for Halfords' performance improvement under private equity ownership and subsequent successful listing on the London Stock Exchange.

Wesfarmers Managing Director Richard Goyder said Ian McLeod had the international retailing expertise needed to lead the performance turnaround of Coles.

"Ian has lived and breathed retail from his early days working in Asda stores and then through a range of managerial responsibilities encompassing merchandising, the supply chain, store operations and productivity improvement," said Mr Goyder.

"I've said previously that the person we'd put into this job would need a track record of performance in retail, preferably including supermarkets, and would be a leader with a passion for the job as well as possessing a demonstrable and genuine people and customer focus.

"Ian McLeod meets all these criteria and with his most recent experience as head of a significant publicly-listed company he has the added advantage of understanding the needs of shareholders, an absolutely central tenet of the way in which Wesfarmers runs its businesses."

“We have always said that it will take time to turn around the Coles supermarkets which have been performing poorly relative to the competition. Ian’s remuneration, which we’ve referred to separately, is appropriately structured to reward success over the next three to five years. It reflects what is needed to attract a person of his calibre in a very competitive international employment marketplace while ensuring that performance rewards are aligned to the interests of Wesfarmers’ shareholders.”

Mr McLeod said he was very pleased to have been invited to lead the Coles transformation.

“I am delighted to take on what I see as one of the most exciting opportunities in global retailing and I very much look forward to working with all Coles team members to deliver the results that will justify Wesfarmers’ confidence in this acquisition,” he said.

“It would be premature to offer any detailed comment on the Coles operation until I have had the opportunity to hear first hand from team members and customers on the ground. But from what I saw during my recent visit to Australia there is not only significant challenge but also enormous potential. The transformation will clearly take both time and hard work. It will be multi-faceted, requiring both strategic development and sustainable, consistent execution. It will require changes across the business to ensure we provide the kind of food retail service and the total shopping experience our customers deserve.

“This will mean moving the focus back on to stores and away from the previous centralised and remote decision-making model. Store managers and their teams will be the most influential players in the new Coles retail operation.”

Mr Goyder said Ian McLeod would be based in Melbourne and commence his appointment in May following release from his current contract with Halfords. Until that time, Coles’ Chief Operating Officer Mick McMahon and Finance Director Terry Bowen would continue to report to Mr Goyder.

“Ian will want to consider the structure of his senior management team and that will involve further external appointments,” he said.

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Note: Photographs of Ian McLeod are available from kfrancis@wesfarmers.com.au

Career Biographical Note on Ian McLeod:

Ian McLeod has been Chief Executive Officer of Halfords Group plc since February 2005. Halfords is the UK's leading retailer of car parts, leisure and cycling products, employing almost 11,000 people with 437 stores in the UK and Ireland and three in the Czech Republic. Since joining Halfords in 2003, like-for-like sales growth has been achieved each reporting period and cumulatively has exceeded 30 per cent, one of the strongest performances in UK retail over that period. Earnings have been in line with or ahead of consensus each half year.

He had two years before going to Halfords as CEO of Celtic plc, the listed company controlling Celtic Football Club whose team is one of the most renowned in Europe. During this time the club improved its financial position and enjoyed considerable on-field success.

He was on the Executive Board of Wal-Mart, Germany, as Chief Merchandise Officer in 2000 and 2001 and immediately before that was managing director of Asda's largest operating division with responsibility for 40 superstores and about 20,000 employees where he guided its performance to be the strongest in the company. Prior to the Wal-Mart takeover in June 1999 he held various senior roles and Asda Management Board positions including Productivity Director, Trading Director responsible for Ambient Grocery (the company's biggest trading division) and Trading Director for bakery, frozen food, dairy and in-store restaurants. He was one of only two Asda managers promoted to this level after Archie Norman took over as Asda CEO.

Ian had experience in Asda's beer, wine and spirits division, as a buyer and in store management after he joined the company in 1981 as a graduate trainee.

He completed the Advanced Management Program at Harvard Business School in 1999.

Remuneration

Ian McLeod will receive base remuneration of \$2 million per annum (reviewed each year), plus an annual incentive and will be eligible for a long-term incentive after the end of three years, the amount of which will be based on performance against benchmarks. The annual short-term incentive arrangement is in line with that of other divisional managing directors of Wesfarmers and will be provided for achievement of key financial and non-financial targets, with payment of 60 per cent of fixed remuneration for target performance and up to 120 per cent for stretch performance. He is foregoing significant incentives that would otherwise vest under his current employment contract and a commencement payment of \$2 million will be made in a combination of cash and Wesfarmers shares to partially offset this forfeiture. He intends to personally invest in a minimum holding of Wesfarmers equity of \$2 million over the next three years.

Long Term Incentive (LTI)

At the Wesfarmers Annual General Meeting in November last year, Chairman Trevor Eastwood told shareholders that the Board intended to create a remuneration structure to attract top people to Coles, in a highly competitive global market, which would be similar to that applying in private equity models. He foreshadowed creation of an incentive plan related to performance meeting or exceeding expectations set for the Coles division which would benefit shareholders while making it clear to executives the hurdles they needed to clear.

The LTI for Ian McLeod is structured to reward performance against target Earnings Before Interest and Tax (EBIT) performance of the Coles division over the period from FY09 to FY13. The potential rewards under the LTI reflect:

- the scale of the Coles business;
- the need to offer significant performance-based incentives to attract the appropriate person to the role; and
- alignment with the interest of Wesfarmers' shareholders.

The key characteristics include annual accruals to a cumulative compensation pool. These accruals will:

- be based on performance against target Earnings Before Interest and Tax (EBIT) performance of the Coles division;
- be uncapped to ensure appropriate incentives to deliver performance above target; and
- be subject to financial and non-financial performance hurdles encompassing revenue, return on capital, customer and employee satisfaction and succession plan metrics to ensure short-term performance is aligned with long-term sustainable success. If the performance hurdles are not met the annual accrual for that year will be reduced proportionately.

The pool may be allocated in a combination of cash and Wesfarmers shares, held in trust, with a proportion paid at the end of years three, four and five. Except in extraordinary circumstances, if Ian McLeod leaves before the end of the third year there is no entitlement to the accrued pool.

It is Wesfarmers' practice not to disclose divisional budgets but it should be noted that for these payments to vest, a very strong improvement in the financial performance of Coles is required.