

CORPORATE GOVERNANCE STATEMENT 2018



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2018 Wesfarmers Annual Report
is available at
www.wesfarmers.com.au

2018 Wesfarmers Sustainability Report
is available at
sustainability.wesfarmers.com.au



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.

This statement details the key aspects of the governance framework and practices of Wesfarmers. Wesfarmers regularly reviews its governance framework and practices so as to ensure it consistently reflects market practice and stakeholder expectations.



Board members

Back row from left to right: Bill English KNZM, Jennifer Westacott AO, Paul Bassat, Rob Scott, James Graham AM*, Wayne Osborn.
Front row from left to right: Diane Smith-Gander, Michael Chaney AO, Vanessa Wallace, Tony Howarth AO.

*Mr Graham retired from the Board on 23 July 2018.

1. Roles and responsibilities of the Board and management

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

In performing its role, the Board is committed to a high standard of corporate governance practice and to fostering a culture of compliance which values ethical behaviour, personal

and corporate integrity, accountability, transparency and respect for others.

The Board has a charter which clearly sets out its role and responsibilities and describes those matters expressly reserved for the Board's determination and those matters delegated to management. Management takes primary ownership of, and is responsible for, implementing sound risk management and controls which accord with the Board's risk appetite.

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 the company's 2018 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.

In fulfilling its roles and responsibilities, the key focus areas of the Board during the 2018 financial year are set out below.

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

Overseeing the implementation of strategy to address areas of underperformance and reposition the portfolio to deliver growth in shareholder returns

Approving the proposed demerger of Coles and overseeing the proposed leadership change with Steven Cain to be appointed as the next Managing Director of Coles to succeed John Durkan (March 2018)

Overseeing a comprehensive review of strategic options to improve shareholder returns for the Bunnings United Kingdom and Ireland business and approving the divestment (May 2018)

Approving the sale of the Curragh coal mine in Queensland for \$700 million with a post-tax gain on sale of approximately \$123 million (December 2017)

Overseeing management's performance in strategy implementation

Monitoring the Group's operating and cash flow performance, financial position and key metrics, including financial covenants and credit ratings

Reviewing business operations and the development plans of each division likely to impact long-term shareholder value creation whether through portfolio management, consideration of divestment options or other strategies

Monitoring the Group's safety performance and overseeing implementation of strategies to improve safety performance and enhance workplace safety awareness

Reviewing talent management and development

Monitoring and evaluating growth opportunities to complement the existing portfolio

Reviewing policies, reporting and processes to improve the Group's system of corporate governance

2. Structure and composition of the Board

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

The Board currently comprises nine directors, including eight non-executive directors. Details of the directors, including their qualifications and date of appointment are set out below. Detailed biographies of the directors as at 30 June 2018 are set out on pages 66 and 67 of the company's 2018 annual report.

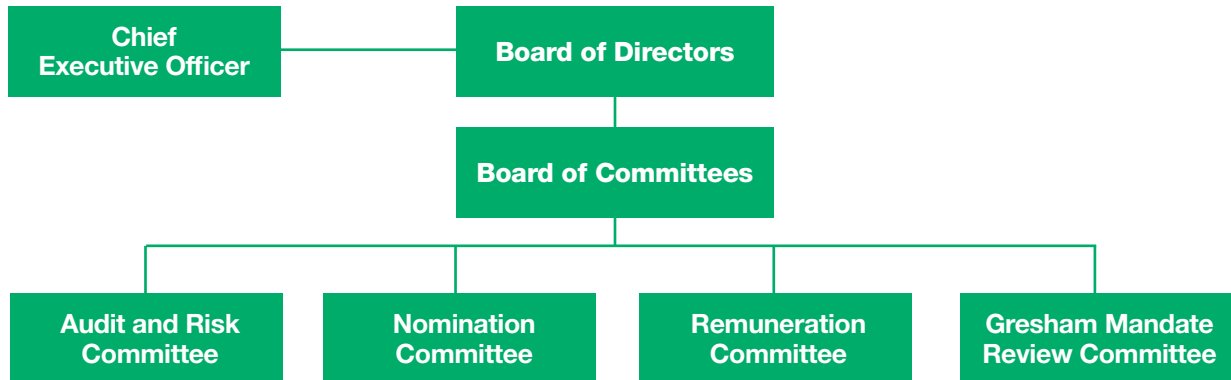
Rob Scott was appointed as Wesfarmers Deputy Chief Executive Officer in February 2017, and joined the Board and assumed the role of Group Managing Director in November 2017.

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

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

The Board is of the view that the tenure profile, represented by the length of service of each of its directors on the Board, is appropriately balanced such that Board succession and renewal planning is managed over the medium to longer term. The current directors possess an appropriate mix of skills, experience, expertise and diversity to enable the Board to discharge its responsibilities and deliver the company's strategic priorities as a diversified corporation with current businesses operating in supermarkets, liquor, hotels and convenience stores; home improvement; department stores; office supplies; and an industrial division with businesses in chemicals, energy and fertilisers, industrial and safety products, and coal.

GOVERNANCE FRAMEWORK



Board Tenure & Qualifications		
Name of director	Term in office	Qualifications
Michael Chaney AO	Director since June 2015 and Chairman since November 2015	BSc, MBA, FTSE
Rob Scott	Director since November 2017	B.Comm, MAppFin, CA, GradDipAppFin
Paul Bassat	Director since November 2012	B.Comm, LL.B.
Bill English KNZM	Director since April 2018	BA (Hons), BCom
Tony Howarth AO	Director since July 2007	SF Fin, FAICD
Wayne Osborn	Director since March 2010	Dip Elect Eng, MBA, FAICD, FTSE
Diane Smith-Gander	Director since August 2009	B.Ec, MBA, FAICD, FGIA
Vanessa Wallace	Director since July 2010	B.Comm, MBA, MAICD
Jennifer Westacott AO	Director since April 2013	BA (Honours), FAICD, FIPAA

2. Structure and composition of the Board cont.

SKILLS, EXPERIENCE AND EXPERTISE

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

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

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

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

CEO level experience

ASX-listed company experience

Capital markets

Finance and banking

Strategy and risk management

E-commerce and digital

Governance

Human resources and executive remuneration

Financial acumen and transaction experience

Marketing/customers/retail

Regulatory and government policy

Resources and industrial

International business experience

Corporate sustainability

International and domestic political experience

Crisis and disaster management and recovery

Community engagement

International trade experience

2. Structure and composition of the Board cont.

2.1 Independence of the Chairman

The Chairman is elected from the independent non-executive directors. The responsibilities of the Chairman are set out in the Board Charter.

Michael Chaney is the present serving Chairman. Further information on Mr Chaney is set out on page 66 of the company's 2018 annual report.

2.2 Director independence

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

Prior to accepting an invitation to become a director of an external company, each non-executive director is required to notify the Chairman. In considering the new appointment, the Chairman is to consider:

- any Board policies on multiple directorships;
- the terms of Wesfarmers' Conflicts of Interest Policy; and
- the time commitment required of the director to properly exercise his or her powers and discharge his or her duties as a director and member of any Board committees.

An independent director is a non-executive director who is not a member of management and free of any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the independent exercise of their judgement.

The Board regularly assesses the independence of each non-executive director in light of the information which each director is required to disclose in relation to any material contract or other relationship with Wesfarmers in accordance with the director's terms of appointment, the *Corporations Act 2001*, the Board Charter and Wesfarmers' Conflicts of Interest Policy. Each non-executive director may be involved with other companies or professional firms which may from time to time have dealings with Wesfarmers. Details of some of the offices held by directors with other organisations are set out on pages 66 and 67 of the company's 2018 annual report and on the company's website.

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

The Board considers a relationship to materially interfere with, or that could reasonably be perceived to materially interfere with, a director's independent judgement, where it is of such substance and consequence and there is a real and sensible possibility that it would affect the director's judgement across all aspects of the director's role.

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

Non-executive directors

Independent

Michael Chaney (Chairman)

Paul Bassat

Bill English

Tony Howarth

Wayne Osborn

Diane Smith-Gander

Vanessa Wallace

Jennifer Westacott

2. Structure and composition of the Board cont.

2.3 Directors' rights and obligations

The key rights and obligations of the directors are set out below:

Retirement and re-election

One third of directors (other than the Managing Director) must retire at each annual general meeting

Directors filling casual or additional vacancies must have their appointment confirmed at the next annual general meeting

The Nomination Committee makes recommendations on the re-appointment of directors

The Chairman must retire from this position at the expiration of 10 years unless the Board decides otherwise

The Chairman's appointment is formally reviewed at the end of each three-year period

Conflicts of interest

Directors have a duty not to place themselves in a position which gives rise to a real or substantial possibility of conflict of interest or duty, in relation to any matter which is or is likely to be brought before the Board

Directors have an ongoing obligation to disclose to the Board immediately any real or substantial possibility of conflict of interest or duty

Directors are required to declare material personal interests or other conflicts requiring disclosure by formal standing notices

The Conflicts of Interest Policy sets out disclosure obligations and procedures to be followed by directors in the event of a conflict or potential conflict of interest or duty

Access to information and independent advice

Directors are entitled to the following:

- Unrestricted access to employees and records, subject to law
- Independent professional advice at Wesfarmers' expense, where reasonable and necessary to fulfil their duties, and subject to prior consultation with the Chairman, and for the Chairman, with the Chairman of the Audit and Risk Committee

Related party transactions

Related party transactions are disclosable in accordance with the relevant Accounting Standards and the *Corporations Act 2001*. These are presently reported in note 26 of the 2018 financial statements.

2. Structure and composition of the Board cont.

2.4 Committees of the Board

The Board has established a Nomination Committee, a Remuneration Committee, an Audit and Risk Committee, and a Gresham Mandate Review Committee as standing committees to assist with the discharge of its responsibilities. Following the resignation of Mr Graham from the Board in July 2018, the Gresham Mandate Review Committee was disbanded in August 2018.

All directors have a standing invitation to attend committee meetings where there is no conflict of interest. These committees review matters on behalf of the Board and (subject to the terms of the relevant committee's charter):

- refer matters to the Board for decision, with a recommendation from the committee (where the committee acts in an advisory capacity); or
- determine matters (where the committee acts with delegated authority), which it then reports to the Board.

Details of the current membership and composition of each committee are set out below. Details of meeting attendance for members of each committee are set out in the directors' report on page 73 of the company's 2018 annual report.

The roles and responsibilities of each committee are set out in the respective committee charters.

Committee	Members	Composition
Audit and Risk Committee	Tony Howarth (Chairman) Bill English Diane Smith-Gander Jennifer Westacott	<ul style="list-style-type: none"> • Three or more non-executive directors • Members who between them have accounting and financial expertise and a sufficient understanding of the industries in which the Group operates, to be able to discharge the Committee's mandate effectively • A majority of independent non-executive directors • Chaired by an independent director who is not the chair of the Board
Nomination Committee	Michael Chaney (Chairman) All other non-executive directors	<ul style="list-style-type: none"> • All non-executive directors • A majority of independent non-executive directors • Chaired by an independent director
Remuneration Committee	Wayne Osborn (Chairman) Paul Bassat Michael Chaney Vanessa Wallace	<ul style="list-style-type: none"> • Three or more non-executive directors • A majority of independent non-executive directors • Chaired by an independent director
Gresham Mandate Review Committee*	Any two of: Diane Smith-Gander (Chairman) Wayne Osborn Jennifer Westacott	<ul style="list-style-type: none"> • Such members as the Board determines from time to time

*Following the resignation of Mr Graham, the Gresham Mandate Review Committee was disbanded in August 2018

2.5 The role of the Company Secretary

Linda Kenyon is the Company Secretary of Wesfarmers and a member of the Wesfarmers Leadership Team. Ms Kenyon's qualifications and experience are set out in the directors' report on page 74 of the company's 2018 annual report.

The Company Secretary is accountable to the Board, through the Chairman, on all matters to do with the proper functioning of the Board. The Company Secretary works closely with the Chairman to manage the flow of information between the Board, its committees and senior executives across the Group. Further details on the role of the Company Secretary are set out in Wesfarmers' Board Charter.

3. Board succession planning

3.1 Appointment of new non-executive directors

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.

Where a candidate is recommended by the Nomination Committee, the Board will assess that candidate against a range of criteria including background, experience, professional qualifications, personal qualities, the potential for the candidate's skills to augment the existing Board and the candidate's availability to commit to the Board's activities. Wesfarmers also undertakes appropriate checks before a candidate is recommended to the Board. If these criteria are met and the Board appoints the candidate as a director, the director will enter into a written contract with the company, setting out the terms of his or her appointment consistent with the ASX Principles, and that director must seek to have their appointment approved by shareholders at the next annual general meeting.

The Board aims through the notices of meeting for annual general meetings to provide shareholders with all material information known to the Board and relevant to a decision on whether or not to elect or re-elect a director.

The Board Charter requires a director to hold, directly or indirectly, a minimum of 1,000 ordinary shares in Wesfarmers within two months of their appointment and at all times during the director's period of office, and increase that shareholding to an amount equivalent in approximate value to the gross annual base fee paid to each non-executive director within five years of appointment.

3.2 Induction of new non-executive directors and ongoing director development

As part of a comprehensive induction program covering Wesfarmers' financial, strategic, operational and risk management position, a new director meets with the Chairman, the Audit and Risk Committee Chairman, the Group Managing Director, divisional managing directors and other key executives, to gain an insight into the values and culture of Wesfarmers, the Group's structure, business operations, history and regulatory and legal framework. The program also includes site visits to a number of Wesfarmers' key operations.

All directors are expected to maintain the skills required to discharge their obligations to the company.

On an ongoing basis, directors are provided with papers, presentations and briefings on matters which may affect the business or operations of Wesfarmers. Directors are also encouraged to undertake continuing education and training relevant to the discharge of their obligations as directors of the company, typically arranged by the Nomination Committee. Subject to consultation with the Company Secretary, the reasonable cost of continuing education and training is met by Wesfarmers.

To assist the directors in maintaining an appropriate level of knowledge of the operations of the company, directors undertake site visits each year to some of Wesfarmers' businesses.

3.3 Evaluation of the Board and its committees

The Nomination Committee is responsible for scheduling formal performance reviews of the Board and its committees at least every two years. The Board then undertakes an evaluation process to review its performance which is facilitated by an external consultant.

The review process for both the Board and its committees involves:

- (i) completion of a questionnaire/survey by each director or member of the committee and nominated senior executives who have regular interaction with the Board, facilitated by an external consultant;
- (ii) the preparation and provision of a report to each director with feedback on the performance of the Board or committees of the Board based on the survey results; and

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

Identification and nomination of Bill English as a new non-executive director for election to the Board bringing skills, experience and expertise to augment those of current directors

Identification and nomination of Chairman-elect and non-executive directors for the proposed Coles demerged entity

Consideration of feedback from major shareholders during the Chairman's Roadshow conducted prior to the 2017 Annual General Meeting

- (iii) the Board /committee members meeting to discuss areas for improvement and identify actions to be taken for improvement.

A performance review of the Board was conducted with the assistance of an external consultant in February 2018. The next performance review of the Board committees will be undertaken by the end of the 2019 financial year. The Nomination Committee is also responsible for scheduling performance reviews of each non-executive director. In relation to the re-appointment of a non-executive director, the Nomination Committee reviews the performance of each non-executive director during their term of office and makes recommendations to the Board.

Annual performance reviews for each non-executive director were conducted in February 2018. The performance review process comprises:

- completion by each director of a survey prepared and distributed by an external consultant; and
- an individual feedback session conducted by the Chairman with each non-executive director, covering his or her performance based on the survey results. A non-executive director is nominated by the Board to conduct a similar feedback session with the Chairman.

4. Remuneration and evaluation of senior executives

4.1 Remuneration

Full details of the remuneration paid to non-executive and executive directors, and senior executives, are set out in the remuneration report on pages 77 to 96 of the company's 2018 annual report.

4.2 Evaluation of the performance of senior executives

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

KEEPP allocations are based on achievements against annual scorecards that are set at the start of the financial year and that consist of financial and strategic measures. Awards are determined after the preparation of the financial statements at the end of the financial year (in respect of the financial measures) and after a review of performance against the strategic measures has been carried out by the Wesfarmers Group Managing Director. In the case of the Group Managing Director, this review is conducted by the Chairman and the results are reported to the Board. The Board confirms final awards based on overall financial and strategic performance after the reviews have been completed in August each year.

The Performance Shares allocated under KEEPP in the 2018 financial year will vest subject to a four-year performance period. For the Group Managing Director and Group Chief Financial Officer the performance hurdles are based on relative total shareholder return, absolute return on equity and strategic targets. For the remaining KEEPP participants, the performance hurdles are based on the relevant divisional corporate plan and relative total shareholder return.

The Board will test the KEEPP performance conditions following finalisation of the annual accounts at the end of the relevant four-year performance period.

Each senior executive has a written contract with the company, setting out the terms of his or her appointment, including remuneration entitlements and performance requirements. Wesfarmers also undertakes appropriate checks before a senior executive is appointed.

The Securities Trading Policy reflects the *Corporations Act 2001* prohibition on key management personnel and their closely related parties entering into any arrangement that would have the effect of limiting the key management personnel'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 of their immediate family members and controlled entities are prohibited from dealing in Wesfarmers securities and engaging in short selling, short-term trading, security interests, margin loans and hedging relating to Wesfarmers securities unless approval has been sought and clearance obtained from the Company Secretary.

As part of the annual performance and development review process, the potential future development of an executive is discussed, along with any training required to enhance the prospects of both the development objectives being achieved and overall progression within Wesfarmers. Annual performance reviews of each member of the Wesfarmers Leadership Team, including the Group Managing Director, for the 2018 financial year have been undertaken in accordance with the process described above.

The remuneration report, which details Wesfarmers' policy on the remuneration of senior executives, is set out on pages 77 to 96 of the company's 2018 annual report.

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

Reviewing and making a recommendation to the Board in relation to the fixed and variable remuneration of the Group Managing Director and his direct reports

Reviewing and making recommendations to the Board in relation to the Wesfarmers variable remuneration plans, including recommending to the Board the vesting outcomes of the 2014 Wesfarmers Long Term Incentive Plan shares, based on the achievement of the performance conditions as at 30 June 2018

Reviewing the succession and transition plans for the Wesfarmers Leadership Team, including the transition plans for the newly appointed Group Managing Director and Group Chief Financial Officer

Reviewing the senior executive remuneration framework and policies, including terms of employment such as notice periods, restraint and non-solicitation clauses

Reviewing the expected implications of the proposed demerger of Coles from the Wesfarmers Group on the long-term incentive plans in operation within the Group

Reviewing and making a recommendation to the Board on non-executive director fees

Reviewing and monitoring diversity targets and gender pay equity

5. Governance policies

The Board believes that the governance policies and practices adopted by Wesfarmers during the reporting period for the year ended 30 June 2018 follow the recommendations contained in the third edition of the ASX Principles released on 27 March 2014. This Corporate Governance Statement is current as at the date of the company's 2018 annual report, and has been approved by the Board. Wesfarmers' compliance with the recommendations contained in the ASX Principles is set out

in the company's Appendix 4G which is available on the corporate governance section of the company's website at www.wesfarmers.com.au/cg

Details of Wesfarmers' corporate governance policies are summarised in the table below. The corporate governance section of the company's website (details above) contains access to all relevant corporate governance information, including Board and committee charters, and Group policies referred to below.

Conflicts of Interest Policy (revised February 2017)

Sets out the obligations of each director to disclose conflicts of interest to the Board and the procedures to be followed where a director has disclosed a conflict of interest in accordance with the policy; or the Board has identified a matter which is, or is likely to be, brought before the Board which may place a particular director in a position of conflict.

Complements the Board's ongoing use of formal standing notice registers to notify the Board of the nature and extent of any material personal interests or other conflicts.

Code of Conduct (revised February 2018)

References Wesfarmers' policies, procedures and guidelines aimed at ensuring anyone who is employed by or works in the Group complies with a set of guiding principles, consistent with the principles of honesty, integrity, fairness and respect.

Whistleblower Policy (revised August 2018)

Promotes and supports a culture of honest and ethical behaviour. The policy encourages reporting of suspected unethical, illegal, fraudulent or undesirable conduct, either with management within the division or with a Protected Disclosure Officer.

Anti-bribery Policy (revised August 2016)

Prohibits directors and employees of the Group from engaging in activity that constitutes bribery or corruption, and provides guidelines as to what constitutes bribery or corruption.

Securities Trading Policy (revised August 2018)

Sets out a policy designed to ensure compliance with insider trading laws and protect Wesfarmers' reputation in relation to trading in securities by its directors and employees. It also reflects the *Corporations Act 2001* prohibition on hedging and prohibits, without consent, specific types of transactions by Wesfarmers directors, the Wesfarmers Leadership Team and certain of their immediate family members and controlled entities which may not be in accordance with market expectations or may otherwise give rise to reputational risk.

Market Disclosure Policy (revised August 2018)

Requires immediate internal reporting of market sensitive information, and includes processes to manage confidentiality and engagements with the media and investment community. Appoints a disclosure officer to administer the policy, and a disclosure committee to manage and make determinations with respect to the Group's continuous disclosure obligations.

Investor Engagement (revised June 2018)

Establishes Wesfarmers' program for engaging and communicating with shareholders, including at the company's annual general meetings, regular investment briefings and strategy days, and the annual report, shareholder review and shareholder quick guide documents lodged with the ASX.

Gender Diversity Policy (revised August 2016)

Designed to foster gender diversity at all levels within the Group.

See pages 18 to 21 of this corporate governance statement on diversity disclosures.

Environment Policy (revised August 2016)

Sets out the minimum level of controls and standards required across the Group to ensure compliance with environmental law, regulatory requirements and environmental licence conditions, and demonstrate a commitment to operate the business sustainably.

Ethical Sourcing Policy (revised August 2016)

To ensure the Group sources products in a responsible and consistent manner while working with suppliers to improve their social and environmental practices. Each business must adopt policies and procedures to ensure that suppliers engaged to supply goods for resale through its retail networks comply with all applicable laws and regulations in the areas in which they operate and take all reasonable steps to meet minimum employment standards.

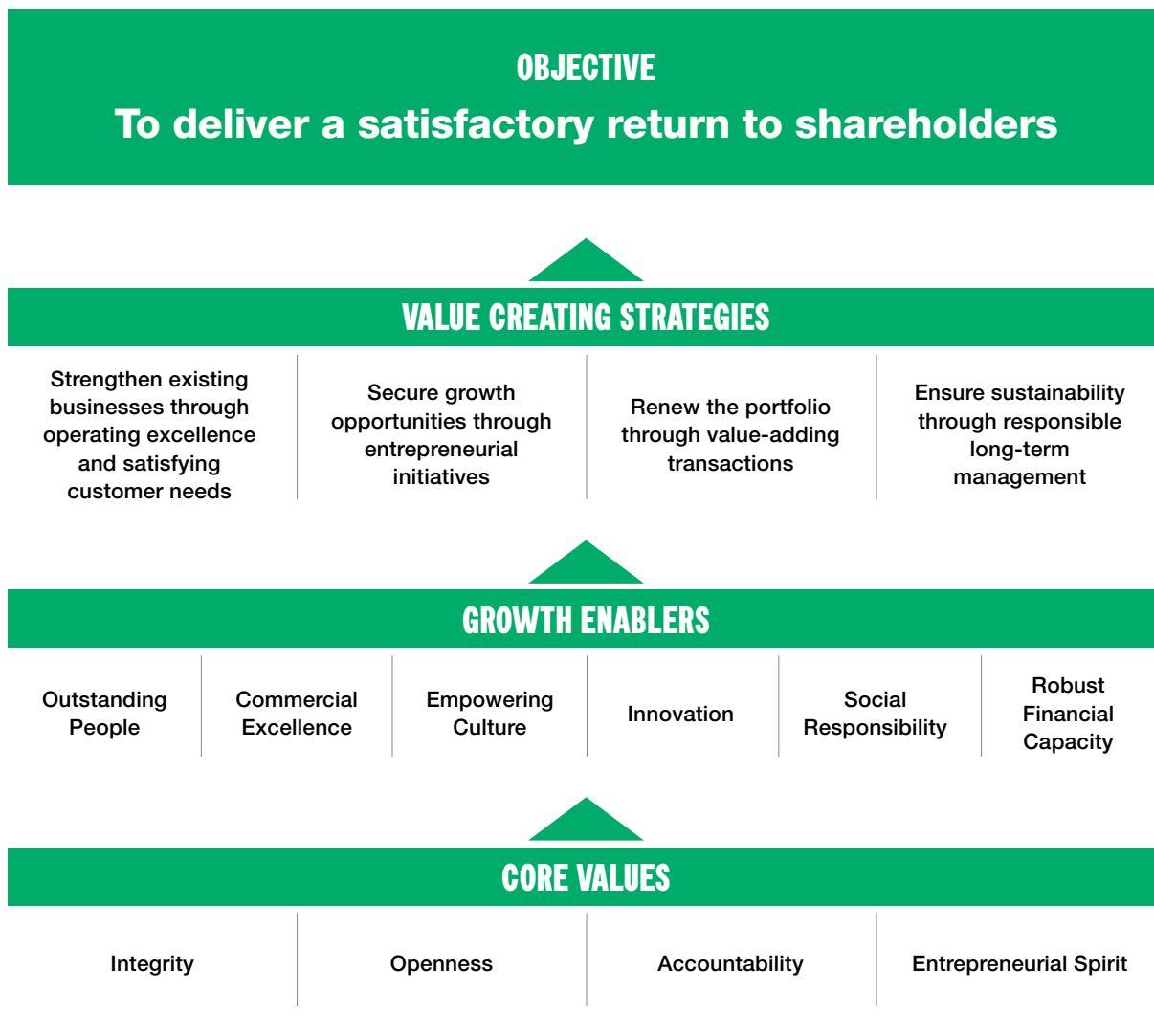
6. Ethical and responsible behaviour

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

The Board and senior executives of the Group strive to ensure that their own actions and decisions are consistent with Wesfarmers' core values.

The Board carries out its duties having regard to these values, the Board Charter and the Group's Code of Conduct and other policies. The Board regularly reviews these policies to ensure that they continue to reflect Wesfarmers' values and the standard of behaviour expected of its people.

THE WESFARMERS WAY



7. Investor engagement



Wesfarmers recognises the importance of providing its shareholders and the broader investment community with facilities to access up-to-date high quality information, participate in shareholder decisions of the company and provide avenues for two-way communication between the company, the Board and shareholders.

Wesfarmers has developed a program on investor engagement for engaging with shareholders, debt investors, the media and the broader investment community. In addition, the company's shareholders have the ability to elect to receive communications and other shareholding information electronically.

Wesfarmers takes its continuous disclosure responsibilities seriously and has a detailed Market Disclosure Policy in place, a copy of which is available on Wesfarmers' website. The company also has processes in place to ensure that the Board receives copies of all announcements made pursuant to its continuous disclosure obligations promptly after those have been made.

When Wesfarmers holds an investor or analyst presentation, it releases a copy of the presentation materials to the ASX ahead of the presentation.

Key activities in Wesfarmers' investor engagement program include:

Wesfarmers' Annual General Meeting, generally held in November

The release of Wesfarmers' Annual Report, Shareholder Review, Shareholder Quick Guide for half and full-year results and online Sustainability Report (generally released between September and November each year)

Regular releases of financial information, including half and full-year financial results (incorporating second and fourth quarter retail results), first and third quarter retail results, and quarterly statement of coal production, development and exploration

Media and analyst calls with Wesfarmers management following the release of key financial information

Investor briefing days, which are typically held once a year

Maintenance of Wesfarmers' website, at www.wesfarmers.com.au, which contains up-to-date information on the operations of the Wesfarmers Group, its Board, management and corporate governance structure, ASX announcements, the share price, dividend distribution, debt investment, and other information

One-on-one briefings with members of the domestic and international investment community

Responding to shareholder and debt investor queries

INVESTOR RELATIONS PROGRAM

More information on investor engagement is available at www.wesfarmers.com.au/cg

WEBSITE

Visit our Investor Centre at www.wesfarmers.com.au

AGM

Provides shareholders with an opportunity to hear about our performance and ask questions of the Board and senior management

8. Integrity in financial reporting

8.1 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, the setting and reviewing of risk parameters of the Wesfarmers Group, and proactively managing the Group's systems of internal control and its financial and non-financial risk management framework.

The membership and composition of the Audit and Risk Committee are set out on page 8 of this corporate governance statement.

The Audit and Risk Committee maintains direct, unfettered access to the company's external auditor, Group Assurance and Risk (internal audit) and management.

The Group Managing Director, Chief Financial Officer, Group General Counsel, Executive General Manager Group Accounting, Assurance and Risk, General Manager Group Assurance and Risk, Company Secretary, the external auditor (Ernst & Young) and any other persons considered appropriate, attend meetings of the Audit and Risk Committee by invitation.

8.2 Role of the external auditor

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

If it becomes necessary to replace the external auditor for performance or independence reasons, the Audit and Risk Committee will formalise a procedure and policy for the selection and appointment of a new auditor.

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

Monitoring the Group's cyber security framework, including data protection management, third party data risk management and the reporting structure and escalation process on information security risks

Monitoring the ethical sourcing of products for resale through the Group's retail networks to ensure that there are appropriate safeguards and processes in place

Reviewing and assessing the Group's processes which ensure the integrity of financial statements and reporting, and associated compliance with accounting, legal and regulatory requirements

Monitoring the retail shrinkage control measures and reporting procedures in the Group's divisions

Reviewing the processes and controls around the recognition of commercial income by the retail divisions to ensure recognition is in accordance with Accounting Standards and accepted industry practice

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

Independence declaration

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

Performance of non-audit and assurance-related services

The Board has considered the nature of the non-audit and assurance-related services provided by the external auditor during the year and has determined that the services provided, and the amount paid for those services, are compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. Details of fees paid (or payable) to Ernst & Young for non-audit and assurance-related services provided to the Group in the year ended 30 June 2018 are set out in the directors' report on page 75 of the company's 2018 annual report.

Attendance of external auditor at annual general meetings

The lead audit partner of Ernst & Young attends the company's annual general meeting and is available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.

9. Risk management

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

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

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

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

This framework assists the Board in identifying areas to further strengthen the Group's culture and approach to risk management. Separately, Group Assurance and Risk review and report to the Audit and Risk Committee on the adequacy of the Group's risk management systems and internal control environment.

9.1 Risk Management Framework

The Risk Management Framework of Wesfarmers is reviewed on an annual basis by the Board to satisfy itself that the Risk Management Framework continues to be sound and that the Group is operating with due regard to the risk appetite set by the Board. The Risk Management Framework was approved in May 2018.

This framework details the overarching principles and risk management controls that are embedded in the Group's risk management processes, procedures and reporting systems, and the division of the key risk management functions between the Board, Group Managing Director and Chief Financial Officer, Audit and Risk Committee, divisional management and Group Assurance and Risk, including:

- the Group Code of Conduct;
- established Group and divisional structures, reporting lines and, appropriate authorities and responsibilities, including guidelines and limits for approval of all expenditure, including capital expenditure and investments, and contractual commitments;
- Operating Cycle and Divisional Reporting Requirements documents that clearly set out the Board, Board committees and divisional board activities and reports;
- a formal director induction program and a directors' program of annual site visits to Wesfarmers' operations to enhance the Board's understanding of key and emerging business risks;
- a formal corporate planning process which requires each division to assess trends that are likely to affect and shape their industry, perform scenario planning and prepare a SWOT analysis;

- Group policies and procedures for the management of financial risk and treasury operations, such as exposures to foreign currencies and movements in interest rates;
- a Group compliance reporting program supported by approved guidelines and standards covering safety; the environment; legal liability; information technology; ethical sourcing; taxation compliance; risk identification, quantification and reporting; and financial reporting controls;
- a comprehensive risk financing program, including risk transfer to external insurers and reinsurers;
- annual budgeting and monthly reporting systems for all businesses which enable the monitoring of progress against performance targets and the evaluation of trends;
- appropriate due diligence procedures for acquisitions and divestments;
- crisis management systems and business continuity processes for all key businesses in the Group; and
- external and internal assurance programs.

9. Risk management cont.

9.2 Risk management oversight and responsibility

The division of the key risk management functions is set out below.

Key Risk Management Oversight	Function
Board	<p>Review, approve and monitor the Group's risk management systems, including internal compliance and control mechanisms</p> <p>Approve and monitor the systems and policies to ensure integrity of budgets, financial statements and other reporting</p>
Group Managing Director and Chief Financial Officer	<p>Provide a declaration to the Board regarding the half and full-year financial statements</p> <p>Assess and provide assurance to the Board that the Group's financial and non-financial risk management and internal control systems are operating effectively in all material respects</p>
Audit and Risk Committee	<p>Review and assess the Group's processes which ensure the integrity of financial statements and reporting, and associated compliance with legal and regulatory requirements, including Accounting Standards</p> <p>Review the qualifications, independence, performance and remuneration of, and relationship with, the Group's external auditors</p> <p>Oversee the internal controls, assurance, policies and procedures which the Group uses to identify and manage business risks</p>
Management	<p>Implement and maintain risk management and internal control systems on an end-to-end basis</p> <p>Prepare divisional Risk Review Compliance Reports (approved by each divisional board) to provide the Board with clear, concise and balanced reporting</p> <p>Prepare a consolidated Group Risk Review Compliance Report setting out key risks and the controls and processes implemented to mitigate these risks, the status of remediation of risk issues and early indicators and emerging risks (approved by the Wesfarmers Leadership Team)</p> <p>Report to the Board on the adequacy of the systems and processes in place to manage material business risks</p>
Group Assurance and Risk	<p>Monitor the effectiveness of risk management systems through a single outsourced audit provider</p> <p>Prepare internal audit reports and reporting to the Audit and Risk Committee on the adequacy of risk management and the internal control environment</p> <p>Maintain direct and unfettered access to the Audit and Risk Committee for the General Manager Group Assurance and Risk</p> <p>Facilitate the annual risk compliance reporting and preparing the Group Risk Compliance report for review by the Audit and Risk Committee</p>

9. Risk management cont.

9.3 Internal Audit Function

The Risk Management Framework also sets out the role of the Audit and Risk Committee in executing the internal audit function through a compliance reporting program developed to encompass the areas identified as most sensitive to risk. The General Manager Group Assurance and Risk monitors the internal control framework of the Group and provides reports to the Audit and Risk Committee to ensure that the Audit and Risk Committee, and subsequently the Board, receive timely information, including early indicators of emerging risks. The Audit and Risk Committee then approves an internal audit charter and annual internal audit plan to ensure that planned audit activities are aligned to material business risks. The Audit and Risk Committee also reviews internal audit reports issued by the General Manager Group Assurance and Risk and monitors progress with recommendations made in those reports to ensure the adequacy of the internal control environment. The internal audit function and external audit are separate and independent of each other.

The roles and responsibilities of the Audit and Risk Committee are further set out in the Audit and Risk Committee Charter.

9.4 Risk certification

Financial risk

The Group Managing Director and the Chief Financial Officer provide written statements to the Board in accordance with section 295A of the *Corporations Act 2001*, and recommendation 4.2 of the ASX Principles, in respect of the half and full-year reporting periods.

With regard to the maintenance of financial records, compliance of financial statements with accounting standards and systems of risk management and internal compliance in this written statement, the Board received assurance from the Group Managing Director and the Chief Financial Officer that the declarations were founded on a sound system of risk management and internal control and that the system was operating effectively in all material aspects in relation to financial reporting risks, in respect of the half and full-year reporting periods.

This statement was also signed by the Executive General Manager Group Accounting, Assurance and Risk.

Non-financial risk

Management within each division is required to have in place effective risk management policies, programs and internal control systems to manage the material business risks of the division in accordance with Wesfarmers' risk management framework.

Divisional management is ultimately responsible to the Board for the relevant division's internal control and risk management systems on an end-to-end basis. Management has reported to the Audit and Risk Committee on the effectiveness of the internal control and risk management systems throughout the year, and management of its material business risks. The Audit and Risk Committee, following the receipt of reports from management, in accordance with its annual review process, has reviewed and satisfied itself for the 2018 financial year that the Wesfarmers' risk management framework continues to be sound.

10. Diversity



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

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

10.1 Indigenous affairs – Reconciliation Action Plan

Wesfarmers' diversity strategy includes a commitment by every division to make its businesses places where Indigenous people feel welcome and valued, as employees, customers and suppliers. To do this, Wesfarmers prepared and committed to its first Reconciliation Action Plan (RAP) in 2009. Our current RAP in 2017 outlines specific measurable actions to be undertaken across the Group, targeting Indigenous employment, business engagement, community partnerships and team member volunteering with Indigenous organisations.

Since the launch of its RAP nearly 10 years ago, Wesfarmers has sought to achieve a level of Indigenous representation in its workforce which better reflects the communities in which it operates. Wesfarmers has made good progress to date, increasing the number of Indigenous team members in its workforce from 948 people at 30 June 2009 to 5,228 Indigenous people at 30 June 2018.

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

More details about the Wesfarmers commitment to Indigenous engagement and its RAP can be found on the Indigenous Engagement section of the company's website at www.wesfarmers.com.au/our-impact/indigenous-engagement. The Wesfarmers Celebrating Reconciliation booklet will be published in November 2018.

10. Diversity cont.

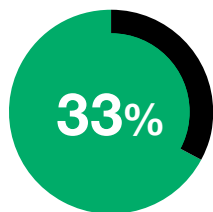
10.2 Gender balance

At Wesfarmers we believe that building more gender balanced businesses – organisations that appreciate and cater to the different strengths, preferences, and needs of different talent and customers – is a source of competitive advantage and will enable us to deliver on our objective of satisfactory returns to shareholders. Gender balance means that teams have a minimum of 40 per cent of any gender.

Wesfarmers' workforce (217,361 as at 30 June 2018) is made up of 54 per cent (117,810) women and 46 per cent (99,551) men. Strengthening the gender balance in our senior executive, management and professional roles is a priority for Wesfarmers. Details of female representation across the Group are set out below:

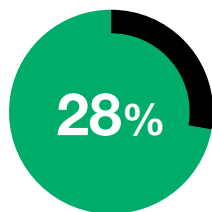
Percentage of female representation

Wesfarmers Limited non-executive directors



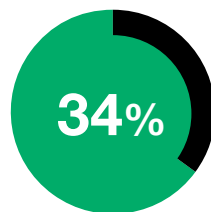
30 June 2014	30%
30 June 2015	33%
30 June 2016	38%
30 June 2017	38%
30 June 2018**	33%

Senior executive positions* (general manager and above)



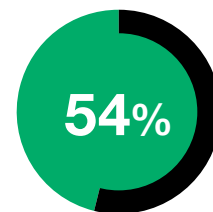
30 June 2014	25%
30 June 2015	25%
30 June 2016	23%
30 June 2017	24%
30 June 2018**	28%

All management and professional roles*



30 June 2014	29%
30 June 2015	29%
30 June 2016	30%
30 June 2017	32%
30 June 2018**	34%

Total workforce



30 June 2014	56%
30 June 2015	55%
30 June 2016	55%
30 June 2017	54%
30 June 2018**	54%

* Senior executive positions and all management and professional roles are defined through job evaluation methodology.

** Excludes businesses divested during the year ended 30 June 2018.

10. Diversity cont.

Since 2010, Wesfarmers has had a Gender Diversity Policy in place that aims to foster gender diversity at all levels within the Group, details of which are published on Wesfarmers' website. The Wesfarmers Gender Diversity Policy outlines four core objectives which are reviewed annually by the Board, as well as Wesfarmers' progress in achieving these objectives. Each of our senior executives across the Group has gender balance objectives as part of their scorecards that are linked to the annual incentive plan. Given the diversity of the

Wesfarmers portfolio, each division has developed its own gender balance plan in line with the Group objectives.

The four objectives and indications of progress achieved against these objectives are outlined below, as well as some illustrative examples selected from across our portfolio.

Every year, Wesfarmers businesses lodge their annual compliance reports with the Workplace Gender Equality Agency (WGEA). A copy of these reports may be obtained via the WGEA website.

Wesfarmers has become a signatory to the United Nations Women's Empowerment Principles. Our support of the principles is consistent with our ongoing commitment to gender diversity and aligned to the work we are currently doing across the Group.

Objective	Progress
<p>Foster an inclusive culture</p> <p>This objective seeks to leverage each individual's unique skills, background and perspectives.</p>	<p>At Wesfarmers, rather than fitting all team members to a traditional notion of a leader, our focus is on developing and rewarding the different strengths and leadership styles that people bring to our workplaces. By doing so, not only do we know that our team members feel comfortable bringing their best selves to our workplaces, but also that we're drawing on the power of diversity of thought across teams. Understanding the different needs, both personal and professional, of our team members is also critical to ensuring we give our team members the career path, flexibility, and support they need in order to be their most fulfilled and productive.</p> <p>Women are not equally represented in senior operations roles. By way of example, to build greater gender balance within their operations team, Target has taken a number of steps to actively support working parents as they are promoted into more senior roles. Team members are encouraged to discuss any perceived challenges with a broad group of colleagues and work through a sustainable approach to ensure they are set up for success. Where team members have been required to relocate for a promotion, Target has arranged for visits ahead of accepting the promotion to help assess whether the move was the right decision for the team member's family, and if they did relocate, arranged for the team member to commute before their family had relocated. Once promoted, team members were provided additional support, face to face coaching, and feedback from across the team.</p> <p>Flexible working in all its forms is encouraged at Wesfarmers, and as at 30 June 2018, 57 per cent of our permanent workforce is employed on a part-time basis (2017: 60 per cent). Part-time and casual roles continue to account for approximately 73 per cent of our total workforce (2017: 73 per cent).</p> <p>Of all employees at a manager level or above, 92 per cent of employees expected to return from parental leave during the year ended 30 June 2018, returned on either a full-time or part-time basis (2017: 90 per cent).</p>
<p>Improve talent management</p> <p>This objective seeks to embed gender diversity initiatives into our broader talent management processes in order to support the development of all talent.</p>	<p>This objective seeks to embed gender diversity initiatives into our broader talent management processes in order to support the development of all talent.</p> <p>Wesfarmers is taking a number of steps to ensure our development and promotion processes identify, support, and encourage a diversity of strengths, styles, and working arrangements for each of our male and female team members.</p> <p>The Group Managing Director meets twice a year with each division to discuss succession plans and the pipelines of high-potential leaders and ways to ensure divisions are successfully attracting, retaining, and promoting current and future female leaders. In the April/May 2018 Succession Updates/Divisional Talent reviews:</p> <ul style="list-style-type: none"> • 36 women (25 per cent of all nominees) were nominated as successors to divisional leadership team roles • 4 women (30 per cent) were nominated to divisional Managing Director roles • Resulting in a combined 40 women (26 per cent being nominated to these divisional leadership roles <p>For each of our divisions and across the Group as a whole, we closely monitor the gender balance of our teams by level as well as the proportion of General Manager promotions, new hires and exits that are female. Over the 12 months to 30 June 2018, the overall number of women in manager or above roles increased to 34 per cent (2017: 32 per cent). This increase was reflected across all levels of management, including general manager, senior manager and manager levels. Female employees represented 33 per cent of all internal promotions at general manager level or above, increasing from 29 per cent during the previous year.</p>

10. Diversity cont.

<p>Improve talent management cont.</p>	<p>To give visibility across the business and facilitate regular discussion on progress, Kmart discusses gender balance data with its leadership team and Managing Director once per quarter. The data is broken down by department and region to a granular level so that all managers can be made aware of where there is opportunity to improve in the talent management process.</p> <p>To support team members as they transition back to work following a leave of absence, Coles conducts a quarterly Return to Work Governance Forum in which the head of People and Culture reviews and discusses the return to work plan for all team members due to return in the upcoming three months. As well as providing greater opportunity for team members to move into roles that further develop their skills as they return from leave, since its inception, team members have cited a more positive return to work experience and have used more Keep In Touch days to attend team days and key stakeholder meetings.</p>
<p>Enhance recruitment practices</p> <p>This objective is a commitment to hiring the best person for the job, which requires consideration of a broad and diverse pool of talent.</p>	<p>Across the Wesfarmers Group our businesses use a variety of tools to ensure hiring processes highlight the capabilities of all applicants and their potential to enhance the existing skills in our teams.</p> <p>In their Hiring for Leadership Process (HFL), Officeworks has implemented a number of processes to ensure the strengths of both men and women are clearly visible throughout the applicant journey. Hiring panels are designed to mitigate for bias to ensure the best hiring decision for Officeworks, interview guides shift some of the focus away from experience, and an emphasis on balanced candidate pools ensure careful consideration of non-traditional candidates. Careful monitoring of candidate data throughout the application, shortlist, interview, preferred candidate, and offer stages of the process has shown the HFL process has resulted in a proportion of offers that are female that is balanced even when the proportion of applicants is not.</p> <p>To attract women into roles that typically receive fewer applications from women than men, Wesfarmers Chemicals, Energy & Fertilisers have innovated their job advertisements by de-emphasising experience requirements and highlighting leadership values, detailing training provided on the job, and using job titles that resonate with a broad set of candidates. When their Kleenheat business made these changes and changed the title of a “Ramp Hand” to a “Production Worker” it received nearly three times as many job applications overall and increased female applications from 5.6 per cent to 13.2 per cent.</p> <p>In the 2018 financial year, 50 per cent of all externally recruited positions were filled by women (2017: 49 per cent). Of all externally recruited positions, 38 per cent of all general manager new hires (2017: 47 per cent), 40 per cent of senior manager new hires (2017: 37 per cent) and 39 per cent of all appointments at manager or above levels (2017: 37 per cent) were filled by women.</p>
<p>Ensure pay equity</p> <p>This objective aims to ensure equal pay for equal work across our workforce.</p>	<p>Since 2010, a Group review of gender pay equity has been conducted annually, with results reviewed by the Board and divisional Managing Directors.</p> <p>Wesfarmers has been able to maintain the pay gap at all managerial levels of the organisation to 5.0 per cent or below with the exception of the general manager level which stands at 9.6 per cent (2017: 8.1 per cent). Any apparent gaps are analysed to ensure such gaps can be explained with reference to market forces which may include, for example, different rates of pay in different industries, location, the relative supply and demand for different qualifications, individual performance and experience.</p>

