

Corporate governance statement

The Board of Wesfarmers Limited is a strong advocate of good corporate governance.

The Board 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.

Introduction

For this purpose the Board has established a corporate governance framework comprising a number of policies and charters under which the company operates. Copies or summaries of the corporate governance documents mentioned in this statement are publicly available on the company's website at www.wesfarmers.com.au

The Board reviews and updates these policies and charters by reference to developments in Australia and overseas on a regular basis to ensure they remain in accordance with best practice.

Wesfarmers complies with the second edition of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations released on 2 August 2007 ('ASX Principles').

Wesfarmers' corporate governance practices for the year ended 30 June 2009, and at the date of this report, are outlined in this corporate governance statement. A checklist cross-referencing the ASX Principles to the relevant sections of this statement and elsewhere in the Annual Report is published in the corporate governance section of the company's website.

Role of the Board

Relevant governance documents – Board Charter

The role of the Board is to oversee and guide the management of Wesfarmers and its businesses with the aim of protecting and enhancing the interests of its shareholders, taking into account the interests of other stakeholders, including employees, customers, suppliers and the wider community.

The Board has a Charter which clearly establishes the relationship between the Board and management and describes their functions and responsibilities.

The responsibilities of the Board include:

- oversight of the Wesfarmers Group, including its control and accountability systems;
- appointing (and removing) the Managing Director;
- where appropriate, ratifying the appointment (and the removal) of senior executives;
- providing input into and final approval of senior executives' development of corporate strategy and performance objectives;
- reviewing, ratifying and monitoring systems of risk management and internal compliance and control, codes of conduct and legal compliance;
- monitoring senior executives' performance and implementation of strategy;
- ensuring appropriate resources are available to senior executives;
- approving and monitoring the progress of major capital expenditure, capital management, acquisitions and divestments;
- approving and monitoring financial and other reporting;
- reviewing and approving the remuneration of the Managing Director and senior executives;
- appointing, re-appointing or removing the company's external auditors (on recommendation from the Audit Committee); and
- monitoring and overseeing the management of shareholder and community relations.

The Managing Director is responsible to the Board for the day-to-day management of the Wesfarmers Group.

Structure and composition of the Board

The Board is currently comprised of 10 directors, with eight non-executive directors, including the Chairman, and two executive directors.

In August 2009, Ms Diane Smith-Gander was appointed as a new non-executive director and Mr Archie Norman was appointed as an adviser to the Board.

Ms Smith-Gander has had extensive experience in financial services as an executive with Westpac Banking Corporation and in management consultancy as a Partner at McKinsey & Company. She has had a successful 25 year business career during which she has been involved at a senior level across a wide range of different business sectors. Her range of highly developed skills and experience will be of great value to the Board and the company.

Mr Archie Norman, who has significant retail experience, was appointed as an adviser to the Board on retail issues. Mr Norman has been working with Wesfarmers and Coles at management level since October 2007 and has had a major role in helping guide the turnaround of the former Coles group businesses.

In his new advisory role, Mr Norman will attend Board meetings on a regular basis, as well as the Board's annual planning session, and provide retail advice to the Chairman and the Board as required.

Director independence

Directors are expected to bring independent views and judgement to the Board's deliberations.

Under the Charter, the Board must include a majority of non-executive independent directors and have a non-executive independent Chairman (with different persons filling the roles of Chairman and Managing Director).

The Board has reviewed the position and associations of all directors in office at the date of this report and considers that a majority (seven of ten) of the directors are independent. In considering whether a director is independent, the Board has had regard to the relationships affecting independent status and other facts, information and circumstances that the Board considers relevant. The Board assesses the independence of new directors upon appointment and reviews their independence, and the independence of the other directors, annually and as appropriate.

The test of whether a relationship is material is based on the nature of the relationship and the circumstances of the director. Materiality is considered from the perspective of the company, the director, and the person or entity with which the director has a relationship.

The three directors who are not considered to be independent are:

- Mr Richard Goyder, Managing Director;
- Mr Terry Bowen, Finance Director; and
- Mr James Graham, a non-executive director, who is Managing Director of Gresham Partners Limited.

Mr Graham is technically deemed not to be independent by virtue of his professional association with Gresham Partners Limited, which acts as an investment adviser to the company. Details of Mr Graham's association with the company are set out in note 35 on page 142 of this Annual Report.

The Board has determined that the relationship does not interfere with Mr Graham's exercise of independent judgement and believes that his appointment is in the best interests of the Group because of the substantial knowledge and expertise he brings to the Board.

In addition, the Board has considered the independence of Mr David White, in relation to his period of service as a director. The Board considers that the length of time that Mr White has been on the Board does not have an adverse impact on his ability to bring an independent judgement to bear in decision-making. The Board considers that having a director who has served on the Board for a longer period helps to ensure continuity of corporate knowledge and experience, provided that the capacity for active contribution and independent judgement is maintained.

The Board considers that Mr White is an independent director given his continued and demonstrated performance and ability to make objective judgements on matters before the Board.

Retirement and re-election

The company's Constitution requires one third of the directors, other than the Managing Director, to retire from office at each annual general meeting. Directors who have been appointed by the Board during the year (as a casual vacancy or as an addition to the Board) are required to retire from office at the next annual general meeting.

Directors cannot hold office for a period in excess of three years or beyond the third annual general meeting following their appointment without submitting themselves for re-election. Retiring directors are eligible for re-election by shareholders.

Board support for directors retiring by rotation and seeking re-election is not automatic. The Board Charter and the company's letter of appointment for a non-executive director require a non-executive director to take into account the views of the other non-executive directors of the company when making a decision to stand for re-election.

Under the Board Charter, the Chairman must retire from this position at the expiration of 10 years unless the Board decides otherwise. In addition, the appointment is formally reviewed at the end of each three year period.

Nomination and appointment of new directors

Recommendations of candidates for appointment as new directors are made by the Board's Nomination Committee for consideration by the Board as a whole. If it is necessary to appoint a new director to fill a vacancy on the Board or to complement the existing Board, a wide potential base of possible candidates is considered. In some cases, external consultants are engaged to assist in the selection process.

If a candidate is recommended by the Nomination Committee, the Board assesses the qualifications of the proposed new director against a range of criteria including background, experience, professional skills, 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. If these criteria are met and the Board appoints the candidate as a director, that director (as noted previously) must retire at the next annual general meeting and will be eligible for election by shareholders at that meeting.

Induction of new directors

New directors are provided with a formal letter of appointment which sets out the key terms and conditions of appointment, including duties, rights and responsibilities, the time commitment envisaged, and the Board's expectations regarding involvement with committee work.

As part of a comprehensive induction programme, the new director meets with the Chairman, the Audit Committee Chairman, the Managing Director, Divisional Managing Directors, and other key executives. The programme also includes site visits to some of Wesfarmers' key operations.

Knowledge, skills and experience

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

Directors are provided with papers, presentations and briefings on Group businesses and on matters which may affect the operations of the Group. Directors are also encouraged to undertake continuing education and training relevant to the discharge of their obligations as directors of the company. Subject to prior approval by the Company Secretary, the reasonable cost of continuing education and training is met by the company.

To assist directors to maintain an appropriate level of knowledge, skill and experience in the operations of the company, directors undertake site visits each year to a number of Wesfarmers' businesses.

Board access to information and independent advice

All directors have unrestricted access to employees of the Group and, subject to the law, access to all company records and information held by Group employees and external advisers. The Board receives regular detailed financial and operational reports from senior management to enable it to carry out its duties.

Each director may obtain independent professional advice at the company's expense, to assist the director in the proper exercise of powers and discharge of duties as a director or as a member of a Board committee.

Directors are entitled to reimbursement of all reasonable costs where a request for reimbursement of the cost of such advice is approved by the Chairman. In the case of a request made by the Chairman, approval is required from the Chairman of the Audit Committee.

Conflicts of interest

Directors are required to avoid conflicts of interest and immediately inform their fellow directors should a conflict of interest arise. Directors are also required to advise the company of any relevant interests that may result in a conflict.

The Board has adopted the use of formal standing notices in which directors disclose any material personal interests and the relationship of these interests to the affairs of the company. A director is required to notify the company of any new material personal interests or if there is any change in the nature or extent of a previously disclosed interest.

Where a matter in which a director has a material personal interest is being considered by the Board, that director must not be present when the matter is being considered or vote on the matter, unless all of the other directors have passed a resolution to enable that director to do so or the matter comes within a category of exception under the Corporations Act 2001.

Operation of the Board

Relevant governance documents

- Board Charter
- Audit Committee Charter
- Nomination Committee Charter
- Remuneration Committee Charter
- Gresham Mandate Review

Committees of the Board

The Board has established an Audit Committee, a Nomination Committee, a Remuneration Committee and a Gresham Mandate Review Committee as standing committees to assist the Board in the discharge of its responsibilities. All directors have a standing invitation to attend committee meetings.

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 membership, composition and responsibilities of each committee are detailed on page 66.

Performance evaluation

A Board performance review was conducted in May 2009 which was facilitated by an external consultant. The review was undertaken through the completion of a detailed questionnaire by all directors and a selected group of senior executive managers. The process also included a review of individual directors' performance. Individual directors received feedback from the Chairman on a confidential basis. The results were considered by the Board as part of its annual planning session in May 2009.

Details of the performance review process for executive directors and senior executives are set out in the remuneration report, which forms part of the directors' report on pages 149 to 153 of this Annual Report.

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 154 to 173 of this Annual Report.

Ethical conduct and responsible decision-making

Relevant governance documents

- Board Code of Conduct
- Code of Ethics and Conduct
- Board Charter
- Share Trading Policy

Conduct and ethics

The Board has adopted a Board Code of Conduct to guide the directors and promote high ethical and professional standards and responsible decision-making. In addition, the company has adopted a Code of Ethics and Conduct for all employees (including directors).

The Code of Ethics and Conduct is aimed at maintaining the highest ethical standards of corporate behaviour and accountability across the Group. Employees and directors are expected to respect the law; respect confidentiality; properly use Group assets, information and facilities; value and maintain professionalism; avoid conflicts of interest; act in the best interests of shareholders; contribute to the company's reputation as a good corporate citizen; and act with honesty, integrity, decency and responsibility at all times.

	Audit Committee	Remuneration Committee	Nomination Committee	Gresham Mandate Review Committee
Members	<ul style="list-style-type: none"> - Mr Tony Howarth (Chairman from 17 October 2008) - Dr Bob Every (effective 1 January 2009) - Mr James Graham (until 1 January 2009) - Mr Charles Macek - Ms Diane Smith-Gander (effective 27 August 2009) - Mr David White 	<ul style="list-style-type: none"> - Dr Bob Every (Chairman) - Mr Colin Carter - Mrs Patricia Cross - Mr James Graham (effective 1 January 2009) 	<ul style="list-style-type: none"> - Dr Bob Every (Chairman) - Mr Colin Carter - Mrs Patricia Cross - Mr James Graham - Mr Tony Howarth - Mr Charles Macek - Ms Diane Smith-Gander (effective 27 August 2009) - Mr David White 	<p>Any two of:</p> <ul style="list-style-type: none"> - Mr Colin Carter - Mrs Patricia Cross - Mr Charles Macek - Mr David White
Composition	<p>The Committee must comprise:</p> <ul style="list-style-type: none"> - only non-executive directors; - at least three members; - a majority of non-executive directors who satisfy the criteria for independence; - members who have an understanding of financial statements and general accounting principles; and - at least one member who has financial experience. 	<p>The Committee must comprise:</p> <ul style="list-style-type: none"> - only non-executive directors; and - at least three members. 	<p>The Committee must comprise all non-executive directors.</p>	<p>The Committee must comprise such members as the Board determines from time to time.</p>
Responsibilities include:	<ul style="list-style-type: none"> - Reviewing all published financial accounts of the company which require approval by the Board of directors, and discussion of the accounts with the external auditors and management prior to their submission to the Board; - Reviewing any changes in accounting policies or practices and subsequent effects on the financial accounts of the company; - Reviewing with management the terms of the external audit engagement in order to make recommendations to the Board; - Reviewing and assessing non-audit services to be provided by the external auditor; - Monitoring and assessing the systems for internal compliance and control, legal compliance and risk management; - Advising on the appointment, performance and remuneration of the external auditor; and - Reviewing and monitoring the company's continuous disclosure policies and procedures. 	<ul style="list-style-type: none"> - Reviewing and making recommendations to the Board on remuneration for the non-executive directors and fixed and variable remuneration of the Managing Director (including the level of participation in the long term incentive plan); - Reviewing and approving recommendations from the Managing Director on fixed and variable remuneration for senior executives (including the level and nature of participation in the long term incentive plan); and - Reviewing and approving human resources policies and practices for senior executives. 	<ul style="list-style-type: none"> - Reviewing Board and committee composition and recommending new appointments to the Board and the committees; - Ensuring an effective induction programme for directors; - Reviewing Board succession plans; - Reviewing and making recommendations to the Board on the operation and performance of the Board and its Committees; and - Making recommendations for the removal of directors. 	<ul style="list-style-type: none"> - Considering and approving the mandate agreement terms and all fees payable to Gresham Partners Limited group of companies where they are to be appointed advisers to the company; and - Reporting on the approved mandate terms and fees to the Board.
Attendance	<p>Details of meeting attendance for members of each committee are set out in the directors' report on page 150 of this Annual Report.</p>			

Whistleblower protection

Wesfarmers encourages the reporting of unlawful and unethical behaviour, actively promotes and monitors compliance with the Code of Ethics and Conduct, and protects those who report breaches in good faith.

The Code of Ethics and Conduct provides protection to whistleblowers, as required by the Corporations Act 2001.

Under the code, whistleblowers are protected from any disadvantage, prejudice or victimisation for reports made in good faith of any breaches of the code or the Corporations Act 2001.

The Board has appointed protected disclosure officers (the Finance Director, Chief Legal Counsel and Company Secretary) to receive reports and manage investigations in relation to potential breaches of the Corporations Act 2001.

Guidelines were developed to assist directors and senior executives to manage reports of whistleblower complaints.

Minimum shareholding requirement for directors

The company's Board Charter requires a director to hold, directly or indirectly, a minimum of 1,000 ordinary shares in the company within two months of their appointment and at all times during the director's period of office.

Share Trading Policy

The company's Share Trading Policy reinforces the requirements of the Corporations Act 2001 in relation to insider trading. The policy states that all employees and directors of the company, and its related companies, are expressly prohibited from trading in the company's securities, or securities in other entities in which Wesfarmers has an interest, if they are in possession of 'inside information'.

A director of Wesfarmers or member of the Executive Committee (a committee comprised of senior executives of the Group including divisional managing directors and chaired by the Managing Director) who intends to buy or sell shares must:

- advise the Company Secretary in advance of their intention to trade;
- confirm that they do not hold unpublished inside information; and
- have been advised by the Company Secretary that there is no known reason to preclude the proposed trading.

The directors of Wesfarmers and members of the Executive Committee must also advise the Company Secretary if they intend to enter into, or have entered into, a margin lending or other security arrangement affecting the company's securities. The Company Secretary, in consultation with the Chairman, determines if such arrangements are material and therefore require disclosure to the market.

The company's Share Trading Policy prohibits Wesfarmers directors and members of the Executive Committee from trading in the company's securities during 'black out' periods, being the periods from books close to the announcement of the full-year or half-year results, other than in exceptional circumstances (such as severe financial hardship) and with the prior approval of the Chairman of the Board and then only if the director or the Executive Committee member is not in possession of price sensitive information.

The company's Share Trading Policy prohibits executive directors and members of the Executive Committee from entering into transactions or arrangements which transfer the risk of any fluctuation in the value of shares obtained under Wesfarmers' long term incentive plan whilst the shares are subject to a restriction.

Each Wesfarmers director has entered into an agreement with the company under which the director must notify the company of any trade in the company's securities, or an associated entity's securities, within three business days.

Sustainability

The Board is committed to ensuring that all Wesfarmers operations work to sustainable business practices. Further information on the company's approach to sustainability is set out on page 57 of this Annual Report and the company's Sustainability Report which will be published in November 2009.

Integrity in financial reporting

Role of the Audit Committee

The Audit Committee monitors internal control policies and procedures designed to safeguard company assets and to maintain the integrity of financial reporting.

The Finance Director, the General Manager, Group Accounting, the Group Internal Audit Manager, the Company Secretary, the external auditor (Ernst & Young), and any other persons considered appropriate, attend meetings of the Audit Committee by invitation.

The committee also meets from time to time with the external auditor in the absence of management.

Independence of the external auditor

Appointment of auditor

The company's external auditor is Ernst & Young. The effectiveness, performance and independence of the external auditor is reviewed by the Audit Committee.

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

Independence declaration

The Corporations Act 2001 requires the external auditor to make an annual independence declaration, addressed to the Board, declaring that the auditor has maintained its independence in accordance with the Corporations Act 2001 and the rules of the professional accounting bodies.

Ernst & Young has provided an independence declaration to the Board for the financial year ended 30 June 2009.

The independence declaration forms part of the directors' report and is provided on page 153 of this Annual Report.

Rotation of lead external audit partner

Mr Greg Meyerowitz is the lead audit partner for Ernst & Young in relation to the audit of the company. Mr Meyerowitz was appointed on 3 June 2009 replacing Mr Sean Van Gorp who was the lead audit partner for the period from 1 July 2006 to 3 June 2009.

Restrictions on the performance of non-audit services by the external auditor

As part of the company's commitment to safeguarding integrity in financial reporting, the company has implemented procedures and policies to monitor the independence and competence of the company's external auditor.

Depending on the level of fees quoted for services, the engagement of the external auditor to undertake non-audit services requires the prior written approval of either the Company Secretary, the Chairman of the Audit Committee or the Audit Committee. In the event that the amount of non-audit services fees incurred exceeds the total value of audit fees agreed by the company in that year, then all requests for the performance of non-audit services by the external auditor in excess of this limit must be approved by either the Chairman of the Audit Committee or the Audit Committee.

The Audit Committee has approved guidelines to assist in identifying the types of services that may compromise the independence of the external auditor. Examples of services that are considered to potentially compromise audit independence include valuation services and internal audit services. Details of fees paid (or payable) to Ernst & Young for non-audit services provided to the Wesfarmers Group in the year ended 30 June 2009 are set out in the directors' report on page 152 of this Annual Report.

The Board has considered the nature of the non-audit 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 and that the auditor's independence has not been compromised.

Attendance of external auditors at annual general meetings

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

Continuous disclosure

Relevant governance document

- **Market Disclosure Policy (Summary entitled 'Continuous Disclosure Policy' is available on the company's website.)**

The company understands and respects that timely disclosure of price sensitive information is central to the efficient operation of the securities market and has adopted a comprehensive Market Disclosure Policy covering:

- announcements to the ASX;
- prevention of selective or inadvertent disclosure;
- conduct of investor and analyst briefings;
- media communications;
- commenting on expected earnings;
- communication black-out periods; and
- review of briefings and communications.

Under the Market Disclosure Policy, the Company Secretary, as the nominated disclosure officer, has responsibility for overseeing and coordinating the disclosure of information by the company to the ASX and for administering the policy and the Group's continuous disclosure education programme.

The Company Secretary, as the disclosure officer, is also responsible for referring matters to the Board's Disclosure Committee. Matters referred to the Disclosure Committee, and decisions made by the committee, are recorded and referred to the Board at its next meeting. The Disclosure Committee is comprised of the Managing Director and the Finance Director.

The Market Disclosure Policy, and the associated training and education programme, is reviewed and monitored by the Audit Committee. Compliance with the policy is also monitored by the Board.

Communications with shareholders

Relevant governance document – Communications Policy

The company places considerable importance on effective communications with shareholders. The company's Communications Policy promotes the communication of information to shareholders through the distribution of an annual report and announcements through the ASX and the media regarding changes in its businesses, and the Chairman's address at the annual general meeting.

The company produces an annual shareholder review, an easy to read summary of the annual report. A number of shareholders have elected to receive the review in place of the annual report.

Wesfarmers also conducts live webcasts of major institutional investor and analyst briefings. These webcasts, together with the annual and half-year reports, ASX and media releases, and copies of significant business presentations and speeches, are available on the company's website.

The company also provides shareholders with the opportunity to receive email alerts of significant announcements and advises of the availability of reports on the company's website.

The company regularly reviews its Communications Policy and underlying processes to ensure effective communication with shareholders is maintained.

Annual general meeting

The company's annual general meeting is a major forum for shareholders to ask questions about the performance of the Wesfarmers Group. It is also an opportunity for shareholders to provide feedback to the company about information provided to shareholders.

The company welcomes and encourages shareholder participation at general meetings to continue to improve the company's performance and shareholder communication.

Risk management

Relevant governance documents – Risk Management Policy

Risk oversight and management

The company is committed to the identification, monitoring and management of material business risks associated with its business activities across the Group and has embedded in its management and reporting systems a number of overarching risk management controls.

The risk management controls adopted by the company include:

- guidelines and limits for approval of all expenditure inclusive of capital expenditure and investments;
- a Group compliance programme supported by approved guidelines and standards covering safety, the environment, legal liability, risk identification, quantification and reporting, and financial controls;
- a comprehensive risk financing programme including risk transfer to external insurers and reinsurers;
- policies and procedures for the management of financial risk and treasury operations, including exposures to foreign currencies and movements in interest rates;
- a formal dynamic planning process of preparing five year strategic plans each year for all businesses in the Group;
- annual budgeting and monthly reporting systems for all businesses, which enable the monitoring of progress against performance targets and the evaluation of trends;
- directors' financial due diligence questionnaires to management;
- appropriate due diligence procedures for acquisitions and divestments; and
- crisis management systems for all key businesses in the Group.

Divisional autonomy and responsibility to the Board

The company manages the diverse nature of its operations across the Group as autonomous divisions. The management of each division is required by the Board to design and implement the risk management policies and internal control systems to best manage the material business risks of the division in accordance with the company's structured group risk management programme.

Divisional management is ultimately responsible to the Board for the division's internal control and risk management systems and is required to regularly report to it on the effectiveness of the systems in managing the division's material business risks.

In addition, some companies in the Insurance division are subject to reporting obligations to the Australian Prudential Regulatory Authority. These reporting obligations include a requirement to lodge Risk Management Strategies and Insurance Liability Valuation Reports. The Insurance division also manages risk through the adoption of reinsurance management strategies and business continuity management policies.

Role of the Audit Committee and the internal audit function

The Audit Committee assists the Board in relation to risk management. The Audit Committee executes this function through a compliance reporting programme developed to encompass the areas identified as most sensitive to risk.

The internal audit function is independent of the external audit function. The Group Internal Audit Manager, who reports to the Finance Director, monitors the internal control framework of the Group and provides reports to the Audit Committee. The Audit Committee approves the internal audit charter and the annual internal audit plan to ensure that planned audit activities are aligned to material business risks. The Audit Committee also reviews internal audit reports issued by the Group Internal Audit Manager and monitors progress with recommendations made in those reports to ensure the adequacy of the internal control environment.

Financial reporting

CEO and CFO declaration and assurance

In accordance with section 295A of the Corporations Act 2001, the Managing Director and Finance Director provided a written statement to the Board ('Declaration') that, in their opinion:

- the company's financial report presents a true and fair view of the company's financial condition and operating results and is in accordance with applicable accounting standards; and
- the company's financial records for the financial year have been properly maintained in accordance with section 286 of the Corporations Act 2001.

With regard to the financial records and systems of risk management and internal compliance in this written statement, the Board received assurance from the Managing Director and the Finance Director that the Declaration was 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 the reporting of financial risks. This statement was also signed by the General Manager, Group Accounting.