

## **2017 AGM ADDRESSES THURSDAY, 16 NOVEMBER 2017, 1:00PM PERTH TIME**

### **CHAIRMAN'S ADDRESS**

Good afternoon ladies and gentlemen.

On behalf of the Wesfarmers Board, I'd like to welcome all of you here to our 2017 Annual General Meeting.

Welcome also to all those joining us via webcast.

Once again, we have a great number of shareholders in attendance. Thank you all for coming along for what is a very significant AGM for the company. I trust you'll find the experience both interesting and enjoyable.

May I thank Dr Richard Walley OAM for his Welcome to Country on behalf of the Noongar people, the traditional owners in this part of Western Australia. Thank you Richard.

I'm satisfied a quorum is present today and so I officially declare the meeting open.

I'd now like to introduce my fellow directors. There are two retirements by rotation this year, by Diane Smith-Gander and myself. You'll be hearing from both of us a little later in the meeting when we'll be asking you to support our re-election.

But, for the time being, I'd like all of my director colleagues to stand and face the audience while I introduce them.

On the stage here with me and our company secretary Linda Kenyon is, of course, Wesfarmers' Managing Director, Richard Goyder. As you know, this is Richard's last AGM and I'll say a little more about that in a moment, as I will about our incoming Managing Director Rob Scott, who is here on the stage next to Richard.

Firstly though, I'd like to introduce our other board members.

James Graham. James is our longest serving board member having been on the Board since 1998 and who is in his last term.

Next to James is Tony Howarth, who joined the Board in 2007 and is Chairman of our Audit and Risk Committee.

Next to Tony is Diane Smith-Gander, a board member since 2009.

Wayne Osborn joined the Board in 2010 and is Chairman of our Remuneration Committee.

Next to Wayne is Vanessa Wallace, a board member since 2010.

Standing beside Vanessa is Paul Bassat who joined the Board in 2012.

And, then Jennifer Westacott, who was appointed as a director in 2013.

Terry Bowen, who has been our Finance Director since 2009, resigned from the Board in September and from the company last week. As much as we would like him to have been here today, Terry has a very important engagement elsewhere in Australia.

On behalf of all shareholders, I would like to give a very big vote of thanks to Terry. He has been outstanding in his role as Finance Director for nine years. He has been widely regarded as one of Australia's leading CFOs and his attention to detail, in-depth knowledge of our businesses and outstanding work ethic justify that accolade. Terry leaves Wesfarmers in great financial shape, with strong cash flows and the balance sheet potential for significant new investment. We wish him well in the next phase of what is already an extremely successful career.

As we announced earlier in the year, Anthony Gianotti steps in from our Industrials division as our new Chief Financial Officer. Like Rob Scott, Anthony already has a great deal of experience in various senior roles across the company.

Also with us at today's meeting, seated down the front, are the Group's current senior executives, including the Managing Directors of the business divisions. I welcome them and, on your behalf, thank them for their efforts during the year.

As you would have seen coming into the meeting, all our businesses are well and truly represented here today. So, if you have any particular matters you wish to raise that go to the detail of any of those operations, please make contact with those people after the formal meeting.

As you'd be aware from the Notice of Meeting, there are three items of business to be discussed when we move into the formal part of the meeting.

But before that, I'll make some general observations about the last 12 months and then Richard Goyder and Rob Scott will provide us with some reflections, updates and outlook. I will then return to open the formal proceedings.

## **2017**

The 2017 financial year was a good one for the company and our shareholders.

On a statutory reporting basis, Wesfarmers recorded a substantial increase in net profit for the 2017 financial year compared to that reported in the 2016 financial year when profit was reduced by impairment charges in Curragh and Target, as well as significant restructuring costs in Target.

Excluding those significant items, underlying net profit after tax increased 22.1 per cent to \$2.8 billion. Earnings per share increased 21.6 per cent to a record \$2.55 and return on equity rose from 9.6 per cent to 12.4 per cent.

The directors declared a fully-franked final dividend of \$1.20 per share, lifting the full-year dividend per share to \$2.23 from \$1.86 in 2016. The company's results for the year illustrated the advantages of its conglomerate structure. Increases in earnings from the Industrial businesses, Kmart, and Bunnings in Australia and New Zealand as well as reduced losses in Target, more than offset the fall in profits in Coles supermarkets and losses in the United Kingdom and Ireland home improvement business.

Competition is strong across all of our markets, with new players entering the field and new products and processes challenging the status quo; but that has always been the case. The pace of change may be faster today but that simply highlights the need to keep innovating. This, I think, has been a strength of Wesfarmers since it listed in 1984.

In that context it is instructive to consider the growth of the company over those 33 years, when its market value has increased 600-fold, from \$80 million on listing to \$48 billion today. During that period, \$22.3 billion of net new equity has been raised and \$23.3 billion of dividends have been paid to shareholders, meaning that the whole \$48 billion of increased shareholder value has come from business growth.

The task, of course, is to continue that record of success but I believe we have the management team, culture and systems to achieve that.

As a company, Wesfarmers strives to create long-term value for its stakeholders. That value creation is only possible if we play a positive role in the communities we serve.

In 2017, we paid our suppliers \$46 billion for goods and services; our 223,000 employees earned \$8.7 billion in wages and salaries; our shareholders \$2.5 billion in dividends; \$2.1 billion went to Governments in taxes and royalties; \$300 million to our lenders; and we reinvested \$1.6 billion in our businesses. Our financial performance allowed us to make \$132 million in direct and indirect community contributions around Australia.

In 2017, we continued to focus on keeping our people safe and across our businesses we reduced our total recordable injury frequency rate by 16 per cent. That came on top of a 15 per cent reduction last year. This is a considerable achievement and I would like to compliment the many people across all our teams who've worked so hard to make our workplaces safer.

As Australia's largest private sector employer, we believe we are able to provide Indigenous people with greater opportunities to participate in sustainable employment and have now increased the number of Indigenous employees to more than 4,230 across the company, up 28 per cent from 3,300 last year, which itself was a 20 per cent increase on the year before. This is a wonderful growth rate and something we have achieved without public fanfare. More Indigenous Australians now work for our company than for any other business in Australia, and we are a stronger company for it.

Of course, the focus of management and the Board continues to be on providing a superior return to shareholders over the long term. At times this can mean sacrificing short-term profits to support our longer term business growth; the Bunnings expansion into the UK and Ireland; the turnaround strategy in Target; and the work underway in the Coles business today provide good examples of that.

### **Thanks to Board, management and teams**

I'd like to pay tribute to our Board. The Board has, in my view, an excellent balance of experience and the skills required for strong governance, and I would like to thank my colleagues for their hard work and support throughout the year.

Thanks also, to our shareholders, for your ongoing support. It is very much appreciated.

I would also, of course extend my – our – thanks to the management team and to all of our 223,000 employees for their efforts for the company.

### **Vale John Bennison**

Before I move on to this year's transition of company leadership, I would just like to reflect upon the passing in May this year at the age of 92 of John Bennison, one of the most significant figures in the history of Wesfarmers.

"JB" as his team called him, was a visionary leader who established the commercial foundation for the company which Wesfarmers has become. As our General Manager from 1974 to 1984, the decade which led to the company's public listing, his commercial skills, outstanding leadership and tenacity underpinned the transformation of Wesfarmers from a co-operative to a more broadly-based company with the financial and management capacity to grow.

John was a lifelong proponent of the importance of education and pushed for more skilled employees and graduates at Wesfarmers. This included sending his protégé and ultimate successor, Trevor Eastwood, who's with us here today, on the Harvard Advanced Management Program, a pathway since repeated by most of Wesfarmers' executive leadership team members.

John was widely regarded as being way ahead of the business environment of his time and has appropriately been credited as the architect of today's Wesfarmers.

We all owe him a great debt of gratitude.

## Succession

John Bennison was the company's fourth CEO; today we transition from our seventh to our eighth in 103 years. At the end of today's meeting, Rob Scott will succeed Richard Goyder as Group Managing Director and Chief Executive Officer; and, as I've mentioned, Anthony Gianotti has succeeded Terry Bowen as Group Chief Financial Officer. The directors are pleased that, as has been the case historically, these critical appointments have been able to be made internally, with people who understand the company's values and culture.

Richard Goyder has been an outstanding chief executive over his 12-year term in the role.

Under his leadership as Managing Director, the company's value has increased from \$15 billion to around \$50 billion largely as a result of the transformative acquisition of the Coles Group in 2007.

Richard has been an extraordinary leader at Wesfarmers and is greatly respected and admired in the Australian business community. His huge contribution to Wesfarmers has been complemented by the time and passion he has given to other roles in the wider community, including as Chairman of the B20 in 2014.

The management team, led so ably over the years by Richard Goyder, has comprised individuals with great energy and enthusiasm for the job and a determination to achieve superior returns.

The fact that the company has outperformed the general market over the past decade, in the face of the global financial crisis occurring soon after the major acquisition of the Coles Group, is due in no small part to Richard's personal values, his calm in the face of challenge, his focus on performance, and his ability to identify and attract great talent and to motivate them to strive for corporate success.

Richard leaves with our sincere thanks and appreciation and we wish him and Janine all the best for the future.

I am sure shareholders would like to mark this occasion in a special way; so please join me by expressing our appreciation of the wonderful service rendered to our company by our retiring CEO, Richard Goyder.

Rob Scott, who succeeds Richard, has already shown himself to be an outstanding executive in key senior roles across the Wesfarmers Group.

Rob started with Wesfarmers in Perth in 1993 before moving in 1996 into investment banking where he had various roles in corporate finance and mergers and acquisitions in Australia and Asia.

He re-joined Wesfarmers in Business Development in 2004 before being appointed Managing Director of the Wesfarmers Insurance division in 2007 and then Finance Director of Coles in February 2013.

He was appointed Managing Director Financial Services in October 2014 and then in August 2015, Managing Director of the new Wesfarmers Industrials division, which brought together the Group's three industrial businesses: Resources; Chemicals, Energy and Fertilisers; and Industrial and Safety.

Rob has a proven capability to deliver improved business performance and to lead change through building great teams around him. Importantly, he is deeply grounded in Wesfarmers' culture and disciplined focus on sustainable shareholder returns.

We'll hear more from Rob shortly, but can I now introduce Richard Goyder for his final address as Managing Director.

## MANAGING DIRECTOR'S ADDRESS

Thank you Michael.

Thank you for your guidance, support and clarity over the last 24 years – Wesfarmers has been, and is fortunate to have you.

Rob Scott will shortly give you an update on trading across the Group. Rob is an outstanding executive who I have every confidence will be a first class CEO of Wesfarmers. He has earned the role, and deserves your confidence and support.

So I want to talk briefly on some reflections on my time at Wesfarmers, particularly the last 12.5 years as CEO.

Wesfarmers has been part of my life since growing up in Tambellup. Bob and Mary Goyder purchased 500 units in Westralia Farmers' Co-Operative so that they could get a discount on their super phosphate purchases.

When Mum died last year, that initial investment of around \$1,000 was worth \$300,000.

Joining Wesfarmers was a dream for me and Janine in 1993. We had just had our third child, Matthew, in Sydney, and Janine was keen to come back to Perth where there would be some family support. I said that we would only move back if I could find a job at a good company like Wesfarmers.

I have enjoyed all my roles at Wesfarmers, although the period running our rural division, Wesfarmers Dalgety, then Landmark, was a great few years – because of the wonderful people who worked so hard for Wesfarmers, and their customers.

We have the most amazing people in our teams. They are the ambassadors for our businesses, the people who make the difference every single day. None of them is more amazing than the lady I am about to acknowledge. Brenda Palmer has worked as a check out assistant at the same Coles store in Malvern, in suburban Melbourne, for 50 years. She's 85 years old and is living proof that age is just a number. She starts at six every morning and, yes, people really do queue up just to be served by her at the check-out. Talk about diversity. Brenda, thank you. Some of you will have met Brenda outside before the meeting and will have another opportunity after the meeting. But just one question for now: Brenda, why?

Thanks Brenda, you are an inspiration! I have often said that our competitive advantage is our people, you personify that.

Over the 33 years Wesfarmers has been listed, there have been many who have questioned our conglomerate model, said we should be broken up, and that conglomerates cannot sustain our performance.

What they miss is the culture, values and structures inside Wesfarmers which, combined, are pretty unique.

At Wesfarmers:

- We let our businesses get on with things, supported by a highly competent corporate office and well-oiled operating cycle.
- Our values matter:
  - Integrity
  - Openness
  - Accountability
  - Boldness
- We are financially focused.
- We do look through cycles, and at the long term – 10 years, not 1.
- We accept that we are in the business of taking risks – and that therefore, mistakes happen.

- Our Board had been well led, and seeks to push out noise and look after the long term interests of the company.
- We invest in our people, and care about their safety and well-being.
- We know that we are an important member of the community and look to make a positive contribution through:
  - Employment
  - Paying taxes
  - Caring for the environment
  - Financial and other support
- We know that our shareholders support matters, and that you love dividends! Over the last 12 years, you have received nearly \$23billion in dividends and capital returns, and
- We know that through leading, we can make a positive difference – for example, we now employ more than 4,700 Indigenous Australians.
- We are not perfect, but there is something pretty special about Wesfarmers.

Finally, thank you all for the support you have given me and the team, I know that will continue with Rob and his team.

Thanks to the Wesfarmers team who work hard to produce great outcomes. While I would like to acknowledge many, unfortunately there is not time, but I do want to mention Terry Bowen who retired last week. Terry and I have worked closely together over many years, particularly the last eight where he has been Group Finance Director. Terry was outstanding in that role and I would like to personally thank him for this guidance, support and friendship.

I would also like to thank John Gillam for the significant contribution he has made at Wesfarmers particularly as Managing Director of Bunnings.

And thank you to “Team Goyder” Janine, Tim, Sophie, Matt and Will for your love and support and good humoured banter – our home has always been a happy place.

So, over to you Rob – the role of CEO is demanding and relentless, but you and Liz will knock their socks off.

## **INCOMING MANAGING DIRECTOR’S ADDRESS**

I feel very humbled and excited today as I am about to assume the position of Wesfarmers’ Managing Director.

It is a big responsibility to lead a company with 220,000 employees in hundreds of communities around Australia and internationally, over half a million shareholders, many thousands of suppliers, and millions of everyday people who rely on our goods and services.

Following Richard Goyder means the leadership bar is set extremely high, as it has been throughout our history. I’d like to thank Richard for his enormous contribution to Wesfarmers over so many years and for the guidance he has given me, especially in this year of transition.

Continuing Richard’s legacy, my approach will be grounded by our corporate values of integrity, accountability, openness and boldness which are fundamental to our success and our strong corporate reputation.

Our business model at Wesfarmers provides us with a competitive advantage that is a great platform for the future.

Importantly, it allows our operating divisions and teams to excel; while providing us with the flexibility to adapt to changing markets and allocate our capital where we can deliver superior returns to shareholders.

My job as Group Managing Director is to ensure we reinforce the best aspects of our culture and operating model to deliver satisfactory returns to shareholders.

In speaking with our shareholders over the past year, some have questioned me on the meaning of satisfactory and whether or not it is aspirational enough. Many of our longstanding shareholders understand that our definition of satisfactory returns means superior returns over the long term. Perhaps this reflects the understated nature of our heritage. There will be times, particularly in the short term, where our returns will not be superior to the market. However, we will not waiver in our focus on delivering superior returns to shareholders over the long term.

To achieve this, we will actively manage the portfolio so our capital is invested where we feel we can create value. This means the structure of our portfolio will evolve over time but we will retain a long term focus and avoid over-reacting to short term trends.

Maintaining a strong balance sheet and a lean and high calibre corporate office provides a platform from which divisions have the ability to focus on their customers and business, take accountability for performance and be innovators and disruptors in their respective markets.

While our operating model is a great platform for the future, we must continue to evolve to meet the challenges and seize the opportunities over the next decade.

We live in a dynamic and competitive world where technology is changing the way consumers and businesses engage in commerce and consumption. The pace of change and disruption is accelerating, creating both risks and opportunities.

Three areas that will be increasingly important to Wesfarmers are talent management, accelerating our digital and data capabilities, and being bold and entrepreneurial.

To be competitive in Australia and on the world stage we will continue to attract, develop and retain the best talent. We have many talented people in our Group and we want to continue to attract and develop leaders that will shape the future.

We will accelerate the adoption of new technologies, particularly in the areas of digital and data science. We will increase our investment in these capabilities at a Group and divisional level and will collaborate in areas where we can improve our customer offer and competitive position.

Finally, we will be bold and entrepreneurial as we look to the future. In Wesfarmers, this means seizing opportunities, challenging the status quo and learning from our mistakes along the way. There are plenty of examples when we have done this in the past. Now is the time for the current leaders in Wesfarmers to step up to this challenge.

Our employees know that when our businesses are competitive and profitable, we can invest more in our businesses which creates more jobs, more value for all our stakeholders, and strengthens the communities where we all live and work. We will continue to advocate on behalf of our employees and shareholders for policies that support a level playing field and allow us all to prosper.

Overall, the Group remains positive in its outlook. We have some world-class businesses, and extremely capable leaders. We also have businesses that are undergoing turnarounds where returns are not satisfactory.

For Bunnings Australia and New Zealand, the outlook is positive given the strength of its customer offer.

In a very competitive environment, Coles remains focused on customers and delivering sustainable growth in earnings and returns over time. In the short term, margin pressures are expected to persist as investments in the customer offer are not expected to be fully offset by simplicity benefits.

Across our Department stores, we see further growth ahead for Kmart as the team continues to deliver customers exceptional value in everyday living. Following the growth of Kmart in recent years, Target now represents a much smaller part of our Department Stores division. Target continues to implement its transformation plan to improve performance.

Officeworks, which is a business that continues to perform extremely well, will continue to implement its 'every channel' strategy to drive growth in stores and online.

In the United Kingdom and Ireland, the customer and community response to the new Bunnings branded stores has been pleasing and they are delivering good sales growth. Losses are however expected to increase in the 2018 financial year as trading remains challenging for Homebase and as we progress the conversion from Homebase to Bunnings. Our focus is on strengthening the management team to support the transformation and instilling stronger execution across the business. The establishment of Bunnings in the UK will take time and we will be disciplined with how we invest further capital.

The Group's Industrials businesses will continue to focus on operational efficiencies and growing revenues from new and existing customers.

WesCEF continues to deliver a strong and consistent performance whilst generating good cashflows and returns on capital. The WesCEF team have been able to develop new growth opportunities and contracts to help mitigate the expected oversupply of ammonium nitrate in Western Australia.

Following its recent strategic reset, Industrial and Safety is well positioned to grow across different market sectors and drive additional operating efficiencies.

Earnings for the Resources businesses are expected to be affected by lower coal prices and higher obligations to Stanwell resulting from higher coal prices in the 2017 financial year. The review of strategic options for our Resources businesses continues and we will update the market should there be further developments.

The Group's cash generative portfolio, capital disciplines and strong balance sheet position it well to take advantage of growth opportunities, if and when they arise, to deliver satisfactory returns to shareholders over the long term.

Ladies and gentlemen, this is a great company with a great history. More importantly, there is an exciting time ahead of us. I will do everything I can to ensure our continued success as a company and look forward to working to the utmost of my ability on your behalf and with our teams to achieve that success together.

Thank you.

#### For more information:

##### Media

Cathy Bolt  
Media and External Affairs Manager  
+61 8 9327 4423 or +61 417 813 804  
[cbolt@wesfarmers.com.au](mailto:cbolt@wesfarmers.com.au)

##### Investors

Aleksandra Spaseska  
General Manager, Investor Relations  
+61 8 9327 4416 or +61 488 911 678  
[aspaseska@wesfarmers.com.au](mailto:aspaseska@wesfarmers.com.au)