Wesfarmers

27 October 2022

The Manager
Market Announcements Office
Australian Securities Exchange

Dear Manager,

CHAIRMAN'S ADDRESS AND MANAGING DIRECTOR'S ADDRESS TO WESFARMERS ANNUAL GENERAL MEETING
THURSDAY 27 OCTOBER 2022, 1:00PM PERTH TIME

In accordance with Listing Rule 3.13.3, attached is a copy of the Chairman's Address and Managing Director's Address to be delivered today at the 2022 Annual General Meeting.

Yours faithfully,

V. Robinson

Vicki Robinson
Executive General Manager
Company Secretariat

This announcement was authorised to be given to the ASX by the Wesfarmers Company Secretary.

WESFARMERS 2022 ANNUAL GENERAL MEETING
CHAIRMAN'S ADDRESS AND MANAGING DIRECTOR'S ADDRESS

CHAIRMAN'S ADDRESS

Good afternoon everyone and welcome to this meeting. I'm Michael Chaney, Chairman of Wesfarmers.

I'm advised that we have a quorum present and I now officially open the 41st annual general meeting for Wesfarmers Limited.

Can I start by thanking Dr Richard Walley for his Welcome to Country on behalf of the Noongar people, the traditional owners of this part of Australia from which I am joining you today, and I pay my respects to their Elders, past and present.

And thank you to everyone who has joined today's meeting in person, online and listening by phone.

After the disruption of the last two years, we're so pleased this year to be hosting a more normal annual general meeting for Wesfarmers, held with our entire Board and executive leadership team in attendance, and showcasing so many of our businesses in the pavilion outside.

Since we last met in this way, we've all experienced and learned a lot during a time which has been so significantly impacted by the pandemic.

Looking back, it's a period which reinforced our confidence in Wesfarmers' corporate purpose.

I am joining you today from the Perth Convention and Exhibition Centre. On stage with me today are our Managing Director, Rob Scott and our Company Secretary, Vicki Robinson.

Also joining us today are the Board of Directors. This year we have three directors retiring by rotation and standing for re-election. You'll be hearing from them later in the meeting when they'll seek your support for their re-election.

But, first, I invite all of my director colleagues to stand while I introduce them.

First, Vanessa Wallace, our longest standing director who joined the Board in 2010.

Next to Vanessa is Jennifer Westacott, a Board member since 2013 and who is standing for re-election for a final term today.

Next to Jennifer is Sir Bill English, who joined the Board in 2018.

Next to Bill is Mike Roche, who joined the Board in 2019. Mike is the Remuneration Committee Chairman and he is standing for re-election today.

Alongside Mike is Sharon Warburton, the Chair of the Audit and Risk Committee and a member of the Board since 2019. Sharon is also standing for re-election today.

Next to Sharon is Anil Sabharwal, who joined the Board in 2021.

Next to Anil are our newest Board members, Alison Watkins and Alan Cransberg, who both joined the Board during 2021.

Also with us at today's meeting, seated at the front, are the Group's senior executives, including the managing directors of our business divisions. I welcome them on your behalf and thank them for their efforts and the efforts of their teams throughout the year.

As you would have seen coming into the meeting, all our businesses are well represented here today and I know how pleased they all are to have been able to demonstrate some of their merchandise outside before the meeting. So, if you have any particular matters you wish to raise that go into the detail of their operations, please make contact with them after the formal meeting. All will be outside and available to talk with you.

We also have in attendance Wesfarmers' audit partners from EY, Trevor Hammond and Jemma Newton, who are available to answer any questions on the audit and related matters.

And lastly, I extend a special welcome to all of our current team members and also to all of the former directors, executives and team members who have joined us here today.

And now onto some procedural matters. Many of our shareholders have taken the opportunity to submit their voting instructions and questions through the online voting platform, and we thank them for doing so in advance of this meeting.

As outlined in our Notice of Meeting, shareholders and proxyholders may vote and submit questions during this meeting either in person or using the Lumi AGM online platform. We have also provided shareholders and others who may not be able to attend in person or participate online with the opportunity to listen to the AGM by telephone. Please note that shareholders and proxyholders joining the meeting by telephone will not have the ability to vote or ask questions.

All resolutions will be decided on a poll. To provide ample opportunity for shareholders and proxyholders, including those participating in this meeting online, to submit their votes, I now open the poll on all resolutions. I will provide a reminder to submit any outstanding votes later in the meeting before the poll is closed.

Sebastian Erna from Computershare will act as the Returning Officer for the purposes of conducting and determining the results of the poll on each resolution, and the results will be announced through the ASX company announcements platform later today and will also be available on the Wesfarmers website.

EY, the company's auditor, will act as scrutineer.

We will now play a short video outlining further procedural matters.

I hope you found the video helpful.

Please submit your votes any time from now until I close the poll at the end of the formal items of business.

Are there any questions about the poll procedure?

Consistent with the approach taken at our previous AGMs, we will respond to questions relating to a particular item of business during discussion on that item, unless these questions have already been addressed through earlier remarks. I will also answer general questions at the end of the meeting while voting results are being counted.

In the interests of all participants, please ensure that your questions are relevant to all shareholders.

Written questions submitted online either before or during the meeting which are to be put to the meeting will be read to us by an external moderator, Ruth Callaghan.

A number of shareholders also submitted questions in advance of the meeting. Individual responses have been sent to those shareholders ahead of the meeting. We will also address a number of the key themes raised in my address and in Rob's address.

Transcripts of my address and Rob's address are available on our website and the ASX platform. A recording of the meeting will be made available on the Wesfarmers website after the meeting.

As you would be aware from the Notice of Meeting, there are four items of business to be discussed when we move into the formal proceedings; but before that, I'll make some general observations about the last 12 months and the business environment and then Rob Scott will provide us with some reflections on current trading and on the outlook for the Group.

Well, for the third year in a row, the 2022 financial year proved to be a period of great uncertainty and challenge.

On account of the pandemic, our operations were disrupted in the first half of the year by government-imposed lockdowns, absenteeism, skills shortages and bottlenecks in our supply chains.

During the second half, conditions improved markedly, and it is particularly gratifying that, once again, Wesfarmers managed to produce a solid profit for the year.

As I noted in my introduction to the Annual Report, this result was principally due to the efforts of Wesfarmers' management and team members in modifying business models to suit the changed times and finding innovative ways to serve our customers. The diversified nature of our group of companies was also a big help.

For some years, management of our retail businesses had been working to gear up for the inevitable rise of online trading. These efforts were accelerated to cope with increased online demand from customers, including for click and collect and delivery during times of shutdown.

Pleasingly, throughout the pandemic we have been in the fortunate position of having the financial capacity to keep paying our permanent team members, even when there was no work for them to do.

We did not find this a difficult decision, nor was it influenced by the effect it might have on our annual profit result. We did so because we saw it not as an expense, but as an investment - an investment in our people, in maintaining our skills base, engendering loyalty; and demonstrating to them how much we would value their contribution.

During the year, the benefits of Wesfarmers' conglomerate structure were clearly demonstrated, with profit falls in Kmart Group and Officeworks being compensated by increases in the Chemicals, Energy and Fertilisers, and Industrial and Safety divisions - the former resulting from increased production and productivity, and commodity price rises.

Bunnings achieved comparable profits to those of the previous record year and continued to be the principal contributor to the Group's profits and cash flow.

Details of the financial results for 2022 are in our Annual Report and I do not propose to repeat all of that here, but in summary, the Group's net profit from continuing operations was $2.35 billion, down 2.9 per cent on the prior year.

Our fully-franked ordinary dividends rose 1 per cent to $1.80 per share.

During the year, the company's strong balance sheet also enabled the payment of an additional $2.00 per share as a capital return following the approval of shareholders at last year's Annual General Meeting.

While the annual financial performance and healthy dividends are important, the main focus of the Board and management is on long term returns – as has been the case since our public listing in 1984.

As a listed company, we've always been clear on our central purpose; namely, providing a satisfactory return to shareholders. That is why, after all, people buy shares in Wesfarmers.

Our financial focus has been core to the company's success, with an investment in Wesfarmers providing a return around 1,600 per cent greater than the ASX All Ordinaries Index since 1984.

That financial focus has ensured that we remained disciplined through a range of economic conditions and minimised the danger of empire building or paying too much for an asset that we would have liked to own.

But we have always emphasised that having a shareholder-return focus goes hand-in-hand with a determination to look after the interests of all our stakeholders - our team members, suppliers, customers, our communities and the environment. If we don't look after them people won't want to work for us, buy our products, invite us into joint ventures or sell their businesses to us.

Indeed, it's because our businesses have been so focused on stakeholders that they've developed such strong reputations and produced outstanding long-term shareholder returns. The two go hand-in-hand.

Of course, actual returns depend both on those matters we can control, within our businesses, but also on the external environment too.

With regard to the latter, we are facing challenging times.

Internationally, there are troubling political and geopolitical events – which are impacting communities and markets, and with that, our businesses.

Domestically, Australian businesses are faced with rising inflation and rising interest rates, continuing skills shortages and supply chain bottlenecks.

While these challenges will likely continue for some time, there is an opportunity for the new Federal government to refocus on our economic settings – to better address them and mitigate their impact – by encouraging productivity, entrepreneurship and growth: all of which are the foundation of long term prosperity for our nation.

Following two years of closed borders and disruption to the Australian workforce, the recent Jobs and Skills Summit was timely.

It was an opportunity to reset our workplace relations system, to lock in much-needed productivity increases.

Today, the Australian Government released details of its proposed changes to our workplace laws. While we have not yet had a chance to examine them in detail, the changes appear to have some positive and some concerning elements.

We welcome the proposed changes to the Better Off Overall Test in enterprise agreements, which has worked not only against productivity improvements but also against the interests of workers themselves, because it has lost its original, intended meaning.

We're also pleased the Government has said they are open to working in good faith, to improve the legislation, and that enterprise agreements will have primacy, so companies like Wesfarmers, with a history of bargaining and paying our workers above award, can continue to do so.

We're concerned about the Government's multi-employer bargaining proposal. This is significant industrial relations reform and it should not be rushed. While the Government is intending to incorporate some safeguards against unintended detrimental outcomes, we are concerned that it could result in more efficient, individual businesses being disadvantaged and a "lowest-common-denominator" approach to wages.

It's unclear how the proposal drives productivity, which is always the foundation of wages growth.

We are also concerned that the Government hasn't accelerated the critical work to simplify awards, which underpin most Australians' employment arrangements. They're excessively complex and need to be made simpler and clearer so they can be understood by everyone.

Our taxation system is in similar need of reform. Designed for the last century, it is no longer fit-for-purpose for our changing economy. Many sensible reforms were detailed in the Henry Tax Report which has, unfortunately, been sitting on the shelves for more than a decade now.

Industrial relations and tax reform are essential if we are to continue to build Australia's prosperity and provide the sort of social services we have all come to take for granted.

In closing, I again pay tribute to the outstanding Wesfarmers management team, led so capably by our Managing Director, Rob Scott. In what has again been a hugely challenging year, they have given their all to the achievement of the company's success.

We think that with our strong portfolio of diversified, growing businesses, our strong balance sheet and our dedicated team members, Wesfarmers' future looks bright.

I now invite Rob to deliver his Managing Director's address.

MANAGING DIRECTOR'S ADDRESS

Thank you, Chairman and thank you too, Richard, for your Welcome to Whadjuk Country.

As our Chairman said, the 2022 financial year was the most disrupted period for many of our businesses since the onset of the pandemic.

There were times when we had absenteeism in some businesses up to around 10 per cent, and during the first half, over 34,000 store trading days were impacted by trading restrictions or closures.

Despite the disruption, we maintained our focus on the Group's strategic agenda and continued to stand by our teams, customers, suppliers and the community.

This focus on the long term enabled us to rebound strongly in the second half and emerge from the pandemic with positive momentum and new business opportunities.

We have continued to renew the portfolio and made excellent progress on a number of strategic projects with potential to generate attractive returns to shareholders over time.

Wesfarmers' resilience and performance in 2022 is a testament to our almost 120,000 team members in Australia, New Zealand and across Asia.

Together, they helped us navigate the challenging, unpredictable operating environment.

Our responses to COVID are well summarised in our Annual Report and our Chairman spoke to these in his address. So I will focus on the operational and strategic highlights during the 2022 financial year while also providing an update on recent trading and areas of focus going forward.

We are continuing to make our workplaces safer, with a 4.2 per cent reduction in our total recordable injury frequency rate.

We re-gained Indigenous employment parity, a year ahead of plan – and our teams now better reflect the communities in which we operate.

We released our eighth Reconciliation Action Plan, which for the first time received the highest 'Elevate' status and includes information about how we are helping to build the cultural competency of our businesses.

We've also continued to build climate resilience in our businesses, achieving a further reduction in emissions and making good progress towards our net zero targets.

To cite just one example, last year over 50 per cent of the entire Bunnings network was powered by renewable electricity, from a combination of our own solar PV generation and renewable energy contracts. All our retail divisions are committed to sourcing 100 per cent of their electricity needs from renewable sources by 2025.

Our investment in rooftop solar assets reduces our exposure to expensive and volatile energy costs and reduces our operating costs.

After many years of work, WesCEF, a so-called hard-to-abate business, released its roadmap to achieve net zero by 2050. The detail behind this roadmap emphasises the importance we place on delivering on our commitments.

This positions our businesses well for the future – by improving their operating and financial performance, better managing risks, and aligning around the areas of focus for our teams, customers, shareholders and community.

At our Strategy Briefing Day in June, I provided an update on three focus areas across the Group, all aligned with our core strategies and corporate objective.

And I’m pleased to report solid progress on each, during the year.

The first priority is the development of a market-leading data and digital ecosystem, to better connect our fantastic retail brands with customers.

This recognises the importance of developing deeper digital engagement with customers to enhance, and complement, our instore experience. It will also support the growth and profitability of our retail businesses over time.

This year we launched our new OneDigital division, led by Nicole Sheffield, who you heard present on this stage earlier today.

OneDigital includes our Group subscription program, OnePass, our Group data asset, OneData, and the e-commerce marketplace, Catch.

If you haven’t already, I encourage you to join OnePass – there’s a booth outside, and the friendly team can sign you up for a free trial that provides benefits when you shop online at Bunnings, Kmart, Target and Catch.

Our second priority is to realise value from our investments in new platforms for growth.

We’ve recently invested in opportunities arising from the digitalisation and decarbonisation of the economy, and the growing demand in health and wellness, setting the Group up to benefit from these long-term megatrends.

For example, we continue to progress the Mt Holland lithium project.

In about two years’ time, we’ll be selling lithium hydroxide, refined here at Kwinana in Western Australia, to support the accelerating global uptake of electric vehicles.

Each year, the production from our lithium hydroxide project, on a 100 per cent basis, will be equivalent to powering 1 million battery electric vehicles, resulting in annual savings of around 1.8 million tonnes of emissions.

This time last year, we’d recently announced an offer to acquire API.

With that acquisition now complete, and Emily Amos leading our new Health division, there are new and exciting opportunities to build a leading business, focused on the growing health, beauty and wellbeing sectors.

We, of course, also continue to focus on growth platforms within our existing businesses.

Like Bunnings continuing to expand its commercial offering, with the acquisition of Beaumont Tiles and rollout of Tool Kit Depot.

I should stress that our investments in these new areas are all about delivering returns to shareholders. We do not seek growth for the sake of growth. Rather, we focus on building businesses where we have unique assets and capabilities, that will deliver attractive returns to our shareholders.

In June, I also spoke to a third priority – to accelerate the pace of continuous improvement across the Group, further integrating sustainability into our strategies.

The pandemic highlighted our agility, showing we can move incredibly fast to improve our operations, and better meet changing customer needs.

This is particularly important in the current environment, as the Group’s businesses manage cost pressures associated with higher inflation.

Elevated supply chain costs, rising wages and the higher cost of utilities, together with the lower Australian dollar, will impact the Group's businesses in the 2023 financial year. Importantly though, Wesfarmers' businesses are well placed relative to their competitors to manage costs and will continue to leverage the benefits of scale, sourcing capabilities and employment brand.

I would now like to provide some comments on recent trading.

Consistent with our update at our full-year results in August, retail trading conditions have remained robust, and we have been pleased with sales through the 2023 financial year-to-date.

Australian consumer demand continues to be supported by low unemployment and high levels of accumulated household savings, but rising interest rates and the impact of inflation are starting to affect consumer behaviour.

Over recent months, shopping patterns and customer feedback indicate some customers are becoming more price sensitive, as they try to manage household budgets. We see these conditions as an opportunity for our businesses, which are well known for their everyday low prices, to outperform relative to others in their markets.

In Bunnings, sales in recent months have been impacted by an unusually prolonged period of wet weather over the start of Spring, but overall sales growth for the year-to-date remains resilient and continues to be supported by strong demand from commercial customers. While sales growth from DIY customers remains positive, it has moderated from the high levels experienced through COVID.

Combined sales growth for Kmart and Target through the year-to-date continue to be pleasing, with strong trading results even when adjusted for the impact of lockdowns in prior periods. This highlights the strength of the offer as well as the benefits of the store conversion program undertaken in recent years.

Kmart's market-leading value and low price points position it to meet customer needs and profitably grow its market share in an environment where shoppers are more focused on value. Target continues to benefit from good progress in delivering on quality and style at affordable prices.

Officeworks' sales for the year-to-date remain broadly in line with the prior year. A continued normalisation in demand in categories such as office supplies, and print and create services, which were impacted by COVID, has been positive for Officeworks' sales mix.

Sales for the Catch marketplace have declined through the year-to-date, as online demand generally has adjusted from very high levels recorded during periods of lockdown. The new CEO of Catch, Brendan Sweeney, joined the Group this month and will focus on plans to improve the customer offer while managing the ongoing investment program to support scalability and long-term growth.

2023 is a foundational year for OneDigital, as we invest in the systems, processes, and capabilities to support our data and digital ambitions. As customers become more digitally savvy and value conscious, the enhanced multi-channel experience and value provided through OnePass will be even more important. Our investment in OneDigital is in line with prior guidance, being an operating loss of $100 million for the 2023 financial year, excluding Catch. We will provide a further update on progress at the half-year results in February next year.

The Chemicals, Energy and Fertilisers division has continued to benefit from strong customer demand and elevated commodity prices, and development of the Mt Holland lithium project is progressing well.

Performance in the Industrial and Safety division has continued to improve, with sales growth recorded across all business units through the year-to-date.

Results from the new Health division have been pleasing, with strong growth in wholesale and improvements in performance in Priceline and Clear Skincare relative to the lockdown affected prior year. The Health team remains focused on integration activities, investing in new capabilities to support business growth, and initiatives to improve financial performance.

In closing, I want to thank you for the privilege of leading Wesfarmers.

While there are some risks on the horizon – including elevated inflation, rising interest rates and geopolitical tensions, I continue to believe that Wesfarmers is well positioned for this environment and has the capacity to effectively manage a range of economic scenarios.

Our balance sheet is strong.

We have a diverse portfolio of high quality, cash-generative businesses and new opportunities for value creation.

I want to thank our team members across the Group and a special thanks to our Group Leadership Team for the commitment they show to our corporate objective, together with their teams and businesses.

And thank you to our Board, for their continued advice and support.

I now hand back to you, Chairman.

For more information:

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