

2016 CORPORATE GOVERNANCE STATEMENT

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.

Roles and responsibilities of the Board and management

The role of the Board is to approve the strategic direction of the Group, guide and monitor the management of Wesfarmers and its businesses in achieving its strategic plans and 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 fostering a culture of compliance which values ethical behaviour, personal and corporate integrity, accountability 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.

The Wesfarmers 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 under the Wesfarmers Leadership Team profiles 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, some key focus areas for the Board during the 2016 financial year are set out below.

Key focus areas of the Board during the 2016 financial year included:

- 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 development plans of each division likely to impact long-term shareholder value creation
- 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
- Approving an organisational restructure combining the Chemicals, Energy and Fertilisers, Industrial and Safety, and Resources businesses to form a new Industrials division with Rob Scott as Managing Director
- Approving an organisational restructure combining the Target and Kmart businesses to form a new Department Stores division with Guy Russo as Chief Executive Officer
- Approving the acquisition of the United Kingdom retailer Homebase and other growth opportunities to complement the existing portfolio
- Monitoring the implementation of risk management plans to address identified operational, financial and reputational risks for Group businesses
- Reviewing policies to improve the Group's system of corporate governance, including approving amendments to the Securities Trading Policy and revising delegated authorities

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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 10 directors, including eight non-executive directors. Details of the directors, including their qualifications and date of appointment are set out below. Detailed biographies are set out on pages 60 and 61 of the company's 2016 annual report.

Name of director	Term in office	Qualifications
Michael Chaney AO	Director since June 2015 and Chairman since November 2015	BSc, MBA, FAICD, FTSE
Richard Goyder AO	Director since July 2002	BCom, FAICD
Terry Bowen	Director since May 2009	BAcct, FCPA
Paul Bassat	Director since November 2012	B.Comm, LL.B.
James Graham AM	Director since May 1998	BE (Chem)(Hons), MBA, FIEAust, FTSE, FAICD, SF Fin
Tony Howarth AO	Director since July 2007	CitWA, 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	Director since April 2013	BA (Honours), FAICD, FIPAA

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 industrials division with businesses in chemicals, energy and fertilisers, industrial and safety products, and coal.

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

Skills, experience and expertise

- | | |
|------------------------------------|--|
| - CEO level experience | - Capital markets |
| - ASX-listed company experience | - Finance and banking |
| - Strategy and risk management | - E-commerce and digital |
| - Governance | - Human resources and executive remuneration |
| - Financial acumen | - Marketing/customers/retail |
| - Regulatory and government policy | - Resources and industrial |
| - International experience | - Corporate sustainability |

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

Mr 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.

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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.

Mr Michael Chaney is the present serving Chairman, who assumed the role at the conclusion of the 2015 Annual General Meeting. Further information on Mr Chaney is set out on page 60 of the company's 2016 annual report.

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 60 and 61 of the company's 2016 annual report and on the company's website.

The Board considers any changes to non-executive director's interests, positions, 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 by having regard to the ASX Principles, in particular, 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 2016 annual report and considers that seven of the eight non-executive directors are independent.

Ms Vanessa Wallace is deemed to be independent. Ms Wallace previously held senior roles at Strategy&, the consultancy firm formerly known as Booz & Company which forms part of the PwC Network, which is a provider of material professional services to the Group (a factor relevant to assessing the independence of Ms Wallace, according to recommendation 2.3 of the ASX Principles). Within the last three years, Ms Wallace's role with Strategy& was based in Japan and focused on managing the operations of Strategy&, Japan. During that period, Strategy& has not been a material provider of professional services to the Group. The Board is of the opinion that Ms Wallace's past relationship with Strategy& and PwC does not compromise Ms Wallace's exercise of objective or independent judgement in relation to the company's affairs.

Mr James Graham is deemed not to be independent, by virtue of his position as Chairman of Gresham Partners Limited (Gresham), which acts as an investment advisor to the company. Details of Mr Graham's association with Gresham are set out in note 26 on page 127 of the company's 2016 annual report. The Board has determined that the appointment of Mr Graham continues to be in the best interests of Wesfarmers because of his substantial knowledge, technical competencies and expertise. There are a number of policies and protocols in place, including Wesfarmers' Conflicts of Interest Policy, the Gresham Mandate Review Committee Charter, Wesfarmers' Code of Conduct, Wesfarmers' Board Charter, and Directors' Standing Notices, to ensure that any conflicts of interest which may arise are managed in accordance with the ASX Principles and all applicable laws.

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Non-executive directors

Independent

Michael Chaney, Chairman	Diane Smith-Gander
Paul Bassat	Vanessa Wallace
Tony Howarth	Jennifer Westacott
Wayne Osborn	

Non-independent

James Graham

Directors' rights and obligations

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

Retirement and re-election	Conflicts of interest	Access to information and independent advice	Related party transactions
<ul style="list-style-type: none"> - 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 	<ul style="list-style-type: none"> - 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 	<ul style="list-style-type: none"> - Directors are entitled to the following: <ul style="list-style-type: none"> - 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 	<ul style="list-style-type: none"> - Related party transactions are included in note 26 of the financial statements as required under the relevant Accounting Standards

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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.

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 67 of the company's 2016 annual report. The roles and responsibilities of each committee are set out in the respective committee charters.

Heading	Members	Composition
Audit and Risk Committee	Tony Howarth (Chairman) 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 since 12 Nov 2015) 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 James Graham 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

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 68 of the company's 2016 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.

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Board succession planning

Appointment of new 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 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.

Induction of new 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 Wesfarmers Managing Director, divisional managing directors and other key executives, to gain an insight into the values and culture of Wesfarmers. 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.

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

A performance review of the Board was conducted in July 2015 in accordance with the process outlined above. The next performance reviews of the Board committees is scheduled for December 2016.

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 took place in July 2015. 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.

Key focus areas of the Nomination Committee during the 2016 financial year included:

- Scheduling of the performance review of the Board and individual directors
- Consideration of feedback from major shareholders during the Chairman's Roadshow conducted prior to the 2015 Annual General Meeting

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Remuneration and evaluation of senior executives

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 71 to 84 of the company's 2016 annual report.

Evaluation of the performance of senior executives

Senior executives comprising members of the Wesfarmers Leadership Team have an annual and long-term incentive or 'at risk' component as part of their total remuneration package. The mix of remuneration components and the performance measures used in the incentive plans 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 and, ultimately, generating satisfactory returns for shareholders.

Annual incentives are based on the achievement of annual performance conditions, which are set at the start of the financial year and are heavily weighted to return and earnings-based measures, and also include non-financial measures which seek to achieve the Group's long-term objectives in areas such as safety, diversity, succession planning and talent management. 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 non-financial measures has been carried out by the Wesfarmers Managing Director. In the case of the Wesfarmers 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 personal and financial performance after the reviews have been completed in August each year.

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.

The Securities Trading Policy reflects the Corporations Act 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 executive directors, for the 2016 financial year have been undertaken in accordance with the process described above. The Wesfarmers Long Term Incentive Plan (WLTIP) for the 2016 financial year comprised an allocation of performance rights, subject to a four-year performance period, with performance hurdles based on growth in return on equity and relative total shareholder return. Shareholder approval will be sought at the annual general meeting for WLTIP allocations to executive directors. The Board tests the WLTIP performance conditions following finalisation of the annual accounts at the end of the four-year performance period.

The remuneration report, which details Wesfarmers' policy on the remuneration of senior executives, is set out on pages 71 to 84 of the company's 2016 annual report.

Key focus areas of the Remuneration Committee during the 2016 financial year included:

- Reviewing and making a recommendation to the Board in relation to the fixed remuneration, annual incentive and long-term incentive awards for the Group Managing Director and his direct reports
- Reviewing the senior executive remuneration framework and policies, including terms of employment such as notice periods, restraint and non-solicitation clauses
- Reviewing and making a recommendation to the Board in relation to the structure of the Wesfarmers variable remuneration plans and recommending to the Board the vesting outcomes of the 2012 Wesfarmers Long Term Incentive Plan shares, based on the achievement of the performance conditions as at 30 June 2016
- Reviewing and making a recommendation to the Board in relation to non-executive director fees
- Reviewing and monitoring diversity targets and gender pay equity

Governance policies

The Board believes that the governance policies and practices adopted by Wesfarmers during the reporting period for the year ended 30 June 2016 follow the recommendations contained in the ASX Principles released on 27 March 2014. This Corporate Governance Statement is current as at the date of the company's 2016 annual report, and has been approved by the Board. Wesfarmers' compliance with the recommendations contained in the ASX Principles is set out in the Group's Appendix 4G which is available on the corporate governance section of the company's website at www.wesfarmers.com.au/cg

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Details of Wesfarmers corporate governance documents 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.

Corporate governance document	Aim of corporate governance document	Other comments	Compliant with ASX Principles
Board Charter (Revised Dec 2014)	Sets out the role and responsibilities of the Board and describes the separate functions of management and delegated responsibilities.	-	✓ Principle 1
Audit and Risk Committee Charter (Revised Dec 2014)	Sets out the role and responsibilities of the Audit and Risk Committee.	-	✓ Principles 4 and 7
Nomination Committee Charter (Revised Dec 2014)	Sets out the role and responsibilities of the Nomination Committee.	-	✓ Principle 2
Remuneration Committee Charter (Revised Dec 2014)	Sets out the role and responsibilities of the Remuneration Committee.	-	✓ Principle 8
Gresham Mandate Review Committee Charter (Revised Mar 2015)	Sets out the role and responsibilities of the Gresham Mandate Review Committee.	-	
Conflicts of Interest Policy (Revised Sep 2012)	Sets out the obligations of each director to disclose conflicts of interest to the Board and the procedures to be followed where: <ul style="list-style-type: none"> - 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	✓ Principle 3
Code of Conduct (Revised Aug 2016)	References Wesfarmers' policies, procedures and guidelines aimed at ensuring anyone who is employed by or works in the Wesfarmers Group complies with a set of guiding principles, consistent with the principles of honesty, integrity, fairness and respect.	Compliance reporting to Audit and Risk Committee	✓ Principle 3
Whistleblower Policy (Revised Aug 2016)	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.	Oversight by Audit and Risk Committee	✓ Principle 3
Anti-bribery Policy (Revised Aug 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.	Compliance reporting to Audit and Risk Committee	✓ Principle 3
Securities Trading Policy (Revised Sep 2015)	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 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.	Regular training and compliance reporting to Audit and Risk Committee	✓ Principle 1
Market Disclosure Policy (Revised Aug 2016)	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.	Regular training and compliance reporting to Audit and Risk Committee	✓ Principle 5
Investor Engagement (Revised Jul 2016)	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, annual review and shareholder quick guide documents lodged with the ASX.	Program outlined below which complements the Market Disclosure Policy	✓ Principle 6
Gender Diversity Policy (Revised Aug 2016)	Designed to foster gender diversity at all levels within the Group.	See page 12 of the corporate governance statement on diversity disclosures	✓ Principle 1

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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.

Key activities in Wesfarmers' investor engagement program include:

- Wesfarmers' Annual General Meeting, generally held in November
- The release of Wesfarmers' Annual Report, Annual 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

Integrity in financial reporting

Role of the Audit and Risk Committee

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

The membership and composition of the Audit and Risk Committee are set out on page 5 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 Wesfarmers Managing Director, Finance Director, 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.

Key focus areas of the Audit and Risk Committee during the 2016 financial year included:

- 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
- 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
- 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
- Monitoring the Group's cyber security framework and the reporting structure and escalation process on information security risks
- Reviewing and evaluating the adequacy of the Group's insurance arrangements to ensure appropriate cover for identified operational and business risks
- Monitoring the retail shrinkage control measures and reporting procedures in the Group's divisions
- Monitoring the Group's tax compliance program both in Australia and overseas to ensure its obligations are met in the jurisdictions in which the Group operates

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Role of the external auditor

Appointment and rotation of 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.

The lead audit partner is required to rotate after a maximum of five years. Mr Darren Lewsen is the lead audit partner for Ernst & Young and was appointed on 1 July 2013.

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.

Independence declaration

Ernst & Young has provided the required independence declaration to the Board for the financial year ended 30 June 2016. The independence declaration forms part of the directors' report and is provided on page 70 of the company's 2016 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 2016 are set out in the directors' report on page 69 of the company's 2016 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.

Risk management

Wesfarmers is committed to the identification, monitoring and management of material 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, integrity, fairness and accountability, and these values are reflected in the Group's Code of Conduct.

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. Wesfarmers' senior management reports to the Board on the adequacy of the risk management systems and processes on a consolidated basis across the Group. This 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.

Risk Management Framework

The Risk Management Framework of Wesfarmers is reviewed by the Board on an annual basis and was approved in May 2016. 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, Wesfarmers Managing Director and Finance Director, 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 Framework that clearly sets 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; information technology; the environment; legal liability; 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 for all key businesses in the Group; and
- external and internal assurance programs.

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Risk management oversight and responsibility

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

	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>
Wesfarmers Managing Director and Finance Director	<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 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</p> <p>Prepare divisional Risk Review Compliance Reports (approved by each divisional board)</p> <p>Prepare a consolidated Group Risk Review Compliance Report setting out key risks and the controls and processes implemented to mitigate these 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>

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, which 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.

Risk certification

Financial risk

The Wesfarmers Managing Director and the Finance Director 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 Wesfarmers Managing Director and the Finance Director 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. 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 2016 financial year that the Wesfarmers' risk management framework continues to be sound.

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Diversity

As a diverse workforce is of significant social and commercial value, Wesfarmers recognises the importance of being an inclusive employer. Wesfarmers strives to create a work environment which is inclusive of all people regardless of gender, age, race, disability, sexual orientation, cultural background, religion, family responsibilities or any other areas of potential difference. All areas of diversity are important and Wesfarmers pays particular attention to gender diversity and the inclusiveness of Indigenous people.

Wesfarmers recognises the value that diversity can bring, which includes:

- broadening the skills and experience of the labour pool from which Wesfarmers can draw and attract top talent to our businesses;
- providing greater alignment to customer needs;
- improving creativity and innovation; and
- modelling responsible corporate citizenship.

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, which 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, Wesfarmers has sought to achieve an Indigenous workforce reflective of the communities in which it operates. Wesfarmers has made good progress to date, increasing its Indigenous workforce from 948 people at 30 June 2009 to 3,329 Indigenous people at 30 June 2016.

In addition, Wesfarmers has created Indigenous employment opportunities through the procurement of local and national Indigenous suppliers. In the five years to 2015, Wesfarmers spent more than \$22 million with Indigenous suppliers.

More details about the Wesfarmers commitment to Indigenous engagement and its RAP can be found on the sustainability section of the company's website at www.wesfarmers.com.au/rap. The Wesfarmers 2016 – 2018 RAP review will be published in November 2016.

Gender diversity

Wesfarmers has developed and implemented a Gender Diversity Policy that aims to foster gender diversity at all levels within the Group.

Wesfarmers' workforce (218,380 as at 30 June 2016) is made up of 55 per cent (119,039) women and 45 per cent (99,341) men. A key opportunity for the Group is to increase the percentage of women in leadership positions, defined as all roles at manager level and above. Details of female representation across the Group are set out below:

Percentage of female employees	30 June 2012	30 June 2013	30 June 2014	30 June 2015	30 June 2016
Wesfarmers Limited non-executive directors	25	30	30	33	38
Senior executive positions* (general manager and above)	21	25	25	25	23
All management and professional roles*	28	28	29	29	30
Total workforce	57	57	56	55	55

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

The Wesfarmers Gender Diversity Policy outlines four core objectives which are used to measure performance in this area. The objectives are reviewed annually by the Board and are intended to remain relevant to the Group over a number of years. Specific progress targets are linked to senior executive key performance objectives under the annual incentive plan. Given the diversity of the Wesfarmers portfolio, each division has developed its own gender diversity plan in line with the Group policy and tailored to the specific circumstances of that division.

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The four objectives and indications of progress achieved for all roles at manager level and above are outlined below.

Objective	Progress
<p>Foster an inclusive culture</p> <p>This objective seeks to leverage each individual's unique skills, background and perspectives.</p>	<p>Inclusion begins with practises designed to increase retention of leaders with significant responsibilities outside of work. Wesfarmers divisions are taking up this opportunity in a variety of ways, including increasing flexible work arrangements for current managers and advertising new roles as being available on a flexible basis, as well as enhancing paid parental leave benefits, keep-in-touch programs and on-site vacation childcare. In addition, Wesfarmers Group and the divisions conduct various forums and events to increase awareness, to create networks and to facilitate sharing of practices that increase inclusion.</p> <p>Given that as at 30 June 2016 89 per cent of part-time role incumbents at a manager level or above were women, we recognise the importance of increasing flexibility at senior levels.</p> <p>Of all women in manager roles who intended to return to work from parental leave in the 12 months ended 30 June 2016, 85 per cent returned on either a full-time or part-time basis.</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>A focus on increasing representation of women in leadership is embedded in a variety of Group and divisional talent management practises including talent reviews, formal leader development (i.e. 360 assessment, programs, coaching, mentoring) and development of talent through stretch assignments. The Group Managing Director meets at least once annually with each division to formally review senior leader performance and development, succession plans for critical roles, and the pipeline of high-potential leaders. Our criteria for assessing leadership capability and potential are based on behaviours and traits that are gender-neutral.</p> <p>Over the twelve months to 30 June 2016, the overall number of women in manager or above roles increased from 29 per cent to 30 per cent. This increase was reflected across various levels of management, including Leadership teams, Senior Manager and Manager levels, with only the General Manager level experiencing a slight decline in the representation of women managers.</p> <p>In the April/May 2016 Divisional Talent reviews, women comprised 28 per cent of the divisional leadership team succession pipeline population, being roles that report directly to a divisional Managing Director (2015: 21 per cent).</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>In the 2016 financial year, 39 per cent (2015: 40 per cent) of externally recruited positions and 35 per cent (2015: 31 per cent) of internal promotions (all manager level and above roles) were filled by women. This represents a decrease of 1 per cent and an increase of 4 per cent, respectively, since 2015.</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. Over this period the company has aggressively moved to close any pay equity gaps. Wesfarmers has been able to close the pay gap at all managerial levels of the organisation to 5% or less with the exception of the General Manager level which stands at 6.7%. Although more work is required, the gap is predominantly due to differences in pay across industries, location and the relative supply and demand for certain qualifications, as well as individual performance and experience.</p> <p>To further reduce gender pay gaps the divisions have implemented a range of actions, including provision of gender pay equity adjustments as part of the annual remuneration review process; auditing remuneration policy guidelines and actions to ensure proper and fair application; consistent implementation of job evaluation methodologies; and ongoing market data comparisons.</p>

There are opportunities to improve the representation of women in leadership roles across the Wesfarmers businesses. In the 2017 financial year, all divisions will work to continue progress on this front through a variety of initiatives, including embedding supportive practices and policies, increasing diversity in pipelines to leadership positions, development of internal senior talent, and addressing specific roles or levels within a business where women leaders are materially under-represented.

In accordance with the *Workplace Gender Equality Act 2012*, Wesfarmers businesses have lodged their annual compliance reports with the Workplace Gender Equality Agency (WGEA). Shareholders may obtain a copy of the report via the WGEA website (www.wgea.gov.au).