

## PURPOSE

Wesfarmers is committed to a culture of honesty, integrity and ethical conduct in all of its business activities and recognises that maintaining compliance with its obligations is a critical component of good corporate governance.

The purpose of this policy is to:

- articulate Wesfarmers' commitment to, and expectations of the Wesfarmers Group (**Group**) businesses to adopt, appropriate compliance management practices;
- guide how Wesfarmers and each Group business fulfils its responsibilities and obligations to effectively manage compliance risk; and
- outline Wesfarmers' compliance management principles and describe how they are operationalised and managed in day-to-day activities.

Wesfarmers' approach to compliance management is aligned with International Standard ISO 37301:2021 – Compliance Management Systems (**ISO 37301**).

## POLICY APPLICATION

This policy applies to all directors and employees of the Group and to all business activities conducted by the Group.

Given the diversified nature of Wesfarmers' operations across a number of business and industry sectors, individual divisions should adopt their own compliance management approach which is consistent with this policy and which is appropriate for the size, nature and complexity of their activities.

This policy forms a component of Wesfarmers' corporate governance framework and should be read in conjunction with the Wesfarmers Code of Conduct and Group governance policies available [here](#).

Compliance management practices at a divisional/business unit level must be consistent with this policy. In the event of any inconsistency, this policy will apply.

## POLICY

### 1 Compliance risk appetite

Wesfarmers has minimal risk appetite for compliance risk and takes a materiality-based approach to the management of its compliance risks. The Group's compliance risk appetite is set by the Wesfarmers Board and is reviewed annually. The Board is committed to meeting Wesfarmers' compliance obligations – in terms of legal requirements and voluntary commitments – and importantly, has zero tolerance for any deliberate, reckless or repeated breaches of Wesfarmers' compliance obligations.

Wesfarmers requires that compliance risks be managed within appetite as far as is reasonably practicable, in accordance with the principles outlined in this policy.

### 2 Wesfarmers compliance context

Wesfarmers' businesses are subject to a wide range of obligations which are comprised of requirements (things the Group must do, for example, by law) and commitments (things that the Group chooses to do). Wesfarmers holds itself to the highest standards of governance and reasonable expectations of its stakeholders and the communities within which it operates.

Wesfarmers, at all times, strives to observe the spirit as well as the letter of the law. Failure to consider the impact of actions on shareholders, customers, team members and the communities in which it operates may result in significant adverse publicity, loss of trust and extensive reputational damage, even if no law has been broken or obligation breached.

Wesfarmers is aligned with the definition of compliance risk in ISO 37301 - being the effect of uncertainty on compliance objectives which can be characterised by the likelihood of occurrence and the consequences of non-compliance with compliance obligations.

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Wesfarmers considers it has the following obligations<sup>1</sup> to comply with:

- applicable laws and regulations;
- licences or regulatory authorisations issued to Group entities;
- orders, rules and guidance issued by regulatory bodies that are applicable to Group entities;
- judgements of courts and administrative tribunals that bind Group entities;
- voluntary codes of practice to which a Group entity is a party;
- applicable industry standards, awards and industrial instruments;
- obligations arising from Wesfarmers' own internal organisational requirements – including its governing policies; and
- commitments made by Wesfarmers in public forums, documents and reports.

Consequences for non-compliance may include fines, increased external reporting requirements, increased regulation and suspension or withdrawal of licences or permits to operate. In some instances, non-compliance could result in penalties for the organisation as well as individuals associated with the organisation – including imprisonment. Non-compliance may also damage Wesfarmers' reputation, cause loss of trust amongst its stakeholders and result in additional costs of doing business and organisational inefficiency. Non-compliance may also result in class actions being brought against Wesfarmers or its entities. Meeting the Group's compliance obligations is considered fundamental to Wesfarmers' social licence to operate.

Effective compliance management is also a means of achieving positive stakeholder outcomes and a source of competitive advantage and, is pivotal to enabling Wesfarmers' continued growth and success.

### **3 Compliance management principles**

Wesfarmers' compliance management approach is outlined in the following principles. These principles are incorporated into policies and procedures that support the businesses to embed a compliance approach into day-to-day management activities within each of Wesfarmers' divisions.

#### **3.1 Wesfarmers values and approach to conduct fosters a strong compliance culture**

Wesfarmers is committed to developing and fostering a strong compliance culture, driven by:

- tone from the top – the Wesfarmers Board and the Wesfarmers Leadership Team live Wesfarmers' core values of integrity, openness, accountability and entrepreneurial spirit, and this is reflected in decision-making and prioritisation of compliance-related matters;
- a relentless focus on doing what is right and ensuring the Group's conduct in all stakeholder interactions reflects its values;
- clear roles, responsibilities and accountable decision-making;
- openness and encouragement in the raising of issues and constructive challenge;
- fair and equitable remuneration and incentive structure aligned with values and conduct expectations; and
- recruitment and induction processes and practices which support and

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<sup>1</sup> Commitments under contract are also considered to be compliance obligations, but they are not included in the compliance context outline as the Group would not necessarily expect that these obligations be managed in the same manner as its regulatory or legislative obligations, or its voluntary commitments. Obligations under contract are managed in accordance with the applicable contract management framework and supporting processes.

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reinforce Wesfarmers' expectations for compliance management.

### 3.2 Wesfarmers will maintain a consistent, integrated, enterprise-wide approach to compliance management

An enterprise-wide approach to compliance management is supported via integration or alignment with:

- the development of organisational strategy, operational performance objectives and decision-making processes;
- Wesfarmers' enterprise-wide risk management approach;
- internal audit, other governance and business areas that provide assurance activity;
- Corporate Solicitors Office, and supporting panel firms, that provide advice and guidance with respect to the Group's compliance obligations and activities in accordance with Wesfarmers' expectations; and
- Wesfarmers' processes for complaints and incident management in order to extract insights and drive continual improvement.

### 3.3 Material compliance obligations are identified, documented, owned and proactively managed

Wesfarmers requires material compliance obligations to be:

- owned at an appropriate level across the Group and its divisions/business units;
- the subject of formal compliance programs which are established and managed in accordance with the requirements of the supporting standard; and
- documented in an obligation register which is reviewed on a regular basis and updated as compliance obligations change, or new compliance obligations arise.

The Group Chief Risk Officer (**CRO**) will maintain a centralised register of material compliance obligations that are common across the Group.

Where appropriate, responsibility for management of obligations will be included in position descriptions and performance development objectives.

### 3.4 Wesfarmers uses a materiality approach to prioritise obligations

Wesfarmers' approach to compliance management is underpinned by its approach to risk management generally, which allows for the assessment of relative materiality across compliance programs, and individual compliance obligations, to be determined.

- Obligations form the context for compliance risk assessment. Compliance risks are assessed in terms of consequence and likelihood in line with Wesfarmers Board-approved assessment criteria.
- Compliance obligations are appropriately prioritised in accordance with inherent materiality.
- Compliance risk acceptance, escalation and reporting will occur in accordance with the requirements of the Wesfarmers risk management approach.

### 3.5 Wesfarmers requires the development of an internal control environment suitable to the nature and materiality of its compliance obligations

The Wesfarmers Leadership Team, divisional executives and senior management are responsible for supporting and enabling the design and implementation of compliance controls that are:

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- developed in consideration of the inherent risk associated with the obligation;
  - cost effective and appropriate;
  - documented; and
  - periodically reviewed for completeness and operational effectiveness.

### 3.6 Appropriate resourcing will be dedicated to managing compliance obligations

The Wesfarmers Leadership Team, divisional executives and senior management will ensure that:

- businesses are sufficiently resourced with skilled staff to ensure that obligations and compliance risks are effectively managed, and that appropriate controls are in place and quality assurance checks are conducted; and
- the second line compliance functions are appropriately resourced and have the requisite organisational authority and support from the operational business to meet the requirements of this standard.

### 3.7 Near misses, incidents and complaints are proactively managed to capture valuable insights

Wesfarmers actively encourages the proactive reporting and management of compliance-related complaints, breaches, incidents and issues through established processes. Wesfarmers' approach prohibits any form of retaliation in relation to the raising and reporting of compliance-related matters.

Wesfarmers recognises that these incidents provide opportunities for performance improvement. As such, investigations should focus on insights and opportunities for control improvement and performance enhancement.

The Wesfarmers Whistleblower Policy provides further guidance and support for the reporting of suspected unethical, illegal, fraudulent or undesirable conduct involving Wesfarmers' businesses and provides protections and measures so that those persons who make a report may do so confidentially and without fear of intimidation, disadvantage or reprisal. Wesfarmers whistleblower processes allow for reporting to remain anonymous.

### 3.8 Internal communication and reporting is proactive, transparent and materiality-based

Wesfarmers values openness and encourages the reporting of compliance-related matters. Reporting should occur in accordance with the incident's materiality and in line with established processes and requirements, or through regular management and Wesfarmers and divisional board and committee reporting mechanisms.

Compliance reports are provided to divisional audit and risk committees, divisional boards and the Wesfarmers Audit and Risk Committee (**Wesfarmers ARC**) on a periodic basis. Reports may include, but not be limited to:

- material compliance incidents;
- communications with regulators;
- new or changed obligations and associated compliance activity;
- material audit or assurance findings and action item updates relating to compliance activity; and
- compliance program overviews, maturity assessments and improvement activities.

### 3.9 Communication with external parties is open and proactive

Wesfarmers adopts a cooperative and proactive approach to its engagement with regulators, including engaging constructively in relation to all reasonable inquiries and audits.

Communication with regulators is only to occur via employees who have the

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appropriate delegated responsibility for the management of regulatory relationships or who are otherwise authorised to communicate with such parties.

### 3.10 Learning, education and awareness will support Wesfarmers' compliance culture

Wesfarmers is committed to raising the level of awareness of the Group's compliance obligations by providing relevant and timely training, education and guidance.

Role-based compliance training is provided to Group employees as required. With the support of the business, it is incumbent on employees to ensure that they have the necessary competencies to perform their roles.

Wesfarmers requires that the Group's compliance training program is reviewed on a periodic basis, or upon material changes to obligations, to ensure it remains relevant and reflects the compliance environment.

All learning delivered is to be recorded and retained in the manner, and for the minimum periods, as required by Wesfarmers' compliance obligations. Completion rates for mandatory training modules are reported to the divisional audit and risk committees, divisional boards and the Wesfarmers ARC on a periodic basis.

### 3.11 Assurance is provided in accordance with the three lines of accountability model

Wesfarmers has adopted a three lines of accountability approach to risk management, inclusive of compliance risk. This assurance model recognises that all three lines have a role to play in the provision of assurance and that the effectiveness of the assurance model is in leveraging each line's resources, skill sets and experiences to build risk capability and enhance compliance maturity.

### 3.12 Wesfarmers' approach to compliance management is focused on continual improvement

Continual improvement is embedded in the Group's principles-based approach to compliance management. Wesfarmers is committed to establishing and building on the necessary structures and processes to support a robust approach to compliance management and embed a compliance culture across the Group.

Wesfarmers requires that its approach to compliance management is audited periodically, to ensure it remains current, contemporary and is operationalised effectively.

All compliance management documentation is retained in accordance with company policy and practices. Relevant documentation aids in the review and demonstration of the effectiveness of the compliance management system.

## 4 Roles and responsibilities

Wesfarmers has adopted a three lines approach to risk management which promotes accountable decision-making and reinforces corporate and divisional managements' responsibility for identifying, understanding and managing the compliance risks within their respective realms of responsibility and ensuring that business operations remain within the appetite set by the Wesfarmers Board, or that appropriate action is taken should materiality levels fall outside appetite. Specific roles and responsibilities include:

- (a) Wesfarmers Board – The role of the Wesfarmers Board is to approve the purpose, values, and strategic direction of the Group, guide and monitor the management of the Group in achieving its strategic plans, review, approve and monitor the Group's risk and compliance management systems across its businesses, and to oversee overall good governance practices. The Board operates in accordance with its Charter.

To assist in discharging its responsibilities, the Wesfarmers Board has established the Wesfarmers ARC.

- (b) Wesfarmers ARC – The Wesfarmers ARC has been established to assist with discharging the Board's responsibilities in overseeing financial reporting, compliance with legal and regulatory requirements, the setting of the risk

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appetite of the Group, and overseeing the Group's systems of internal control and its risk management framework. The Wesfarmers ARC operates in accordance with its Charter.

- (c) Management – Management across the Group is expected to be aware of the obligations and compliance risks within their respective areas of responsibility. Management monitors the effectiveness of compliance risk management mechanisms and controls at a divisional and corporate office level.

Senior management across the Group is responsible for reinforcing and modelling the key behaviours required to maintain a strong compliance culture, including encouraging constructive challenge and transparency. Senior management report to the Wesfarmers ARC on the adequacy of the compliance management systems and processes on a consolidated basis across the Group and report any material issues, incidents or breaches to the Wesfarmers Board/Wesfarmers ARC.

Divisional Managing Directors are accountable for day-to-day compliance management in their respective divisions. Divisional audit and risk committees, which meet on a regular basis, support divisional management and the divisional boards in meeting their responsibilities and act to strengthen divisional governance processes.

- (d) Team members – It is the responsibility of all team members to identify, manage and communicate compliance risks associated with their workplace activities.
- (e) CRO – The CRO has carriage of the Group's enterprise-wide compliance management system and acts as the compliance function overseeing the development and operation of Wesfarmers' compliance management approach. The CRO has direct access to the Wesfarmers Board and the Wesfarmers ARC and has a reporting line that is independent of business operations.

Specifically, the CRO is responsible for:

- supporting the Wesfarmers Board, via the Wesfarmers ARC, in the development and articulation of the Group's risk appetite, its operationalisation and performance monitoring;
  - promoting and facilitating an integrated approach to compliance risk management that is suitable to the Group's size, complexity and operating model;
  - review, and ongoing maturing, of the Group's compliance management system;
  - supporting divisional management with the implementation of the compliance management system and requirements; and
  - reporting to the Wesfarmers ARC on material compliance risks and other relevant material matters that may arise from time to time.
- (f) Group Assurance – Group Assurance is independent of management and the compliance function. Group Assurance operates in accordance with its Charter and is responsible for the development and delivery of a risk based internal audit plan. Group Assurance reviews, and reports to the Wesfarmers ARC on, the adequacy of the Group's compliance management systems and internal control environment – including the effectiveness of the second line.

## 5 Consequences for non-compliance

Knowingly, deliberately, wilfully or recklessly breaching Wesfarmers' obligations may be deemed to be a breach of the Group's Code of Conduct. Any suspected breaches will be investigated and, if a team member has been found to have breached the Code, they may face disciplinary action, including termination of employment. A breach of law or other regulation may also be referred to the appropriate regulatory

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body.

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**POLICY  
AMENDMENT**

This policy cannot be amended without approval of the Wesfarmers Board. It will be reviewed from time to time to ensure that it remains effective and meets best practice standards and the requirements of the Group.

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**DATE  
ADOPTED**

October 2021

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