

# IN FOCUS

A quarterly newsletter of stories from across the Wesfarmers Group



## A MESSAGE FROM ROB

Without doubt, 2020 continues to be an extraordinary and challenging year for Wesfarmers, our team members and the broader community.

As I write, it is a very tough time, with significant stress and anxiety for households and businesses subject to the extended lockdown restrictions in Victoria, particularly Melbourne, a city that is home to 25,000 Wesfarmers team members and generates around 20 per cent of Australia's economic activity. It is pleasing to see the reduction in the rate of community transmission and this gives some hope for people who have been under immense hardship. COVID-19 presents a significant challenge for Governments and others, as they seek to address the critical health imperatives while limiting the economic and social harm. This requires a sophisticated approach and the support of all stakeholders.

This need not be a question of prioritising profits over lives. I strongly believe we should not sacrifice or compromise health outcomes to reduce the economic harm being inflicted by COVID-19. It is clear that through strong collaboration between medical experts, government and business, we can save lives and limit the potentially enormous damage to mental health and the livelihoods of families and businesses, big and small. We will be dealing with COVID-19 for some time.

I'm proud that our businesses have been at the forefront of supporting governments in managing the health response to COVID-19 and finding new, safer ways to supply in-demand products and services to the community. Bunnings, Officeworks and Kmart Group were some of the first to put in place various controls like cleaning, screens, PPE, and physical distancing to protect our team and customers. We were also amongst the first companies to offer paid pandemic leave to permanent and casual team members were required to self-isolate and/or care for family members. We have agreed to pay all our Victorian team members during lockdown, whether or not they have meaningful work to do.

Although there have been operational challenges, some of our businesses have benefited in the short term from higher demand for products as people spend more time at home. It is this which helps us to invest more in helping our team and community. Some of our businesses have also been hit hard by COVID-19, but we can manage this given our diversified portfolio and the strong balance sheet we took into this.

I have taken the opportunity in recent weeks to reassure our team that we, and they, will get through this. Wesfarmers manages for the long term and we have fantastic businesses and teams. We all have an important role to play in navigating our way through COVID-19 to rebuild the economy and restore our quality of life and at Wesfarmers we take this responsibility very seriously.



**ROB SCOTT**  
Managing Director

## A YEAR TO REMEMBER

"The 2020 financial year will be remembered as one of the most challenging of the last half century," writes Wesfarmers Chairman Michael Chaney in his message to shareholders in the Group's just released Annual Report. "In the circumstances, Wesfarmers performed very well."

The annual report is part of a suite of information released this quarter detailing how the Group and its 107,000 team members performed in a year which included last summer's catastrophic bushfires and the profound changes in everyone's lives caused by the COVID-19 pandemic. Mr Chaney said the two events had given Wesfarmers the opportunity to demonstrate its purpose and values in action.

"Over the years, much has been said and written about the need for companies to consider the interests of all stakeholders, not just shareholders. That has always been Wesfarmers philosophy. While we are very clear that providing satisfactory returns to shareholders is our primary purpose, we have always qualified that by pointing out we could never achieve that objective over the long term if we did not protect and enhance the interests of our other stakeholders – our employees, customers and suppliers – and if we did not take care of the environment or support the communities in which we operate."

In his report to shareholders, Managing Director Rob Scott said the Group's businesses and teams had responded to the challenges in the most

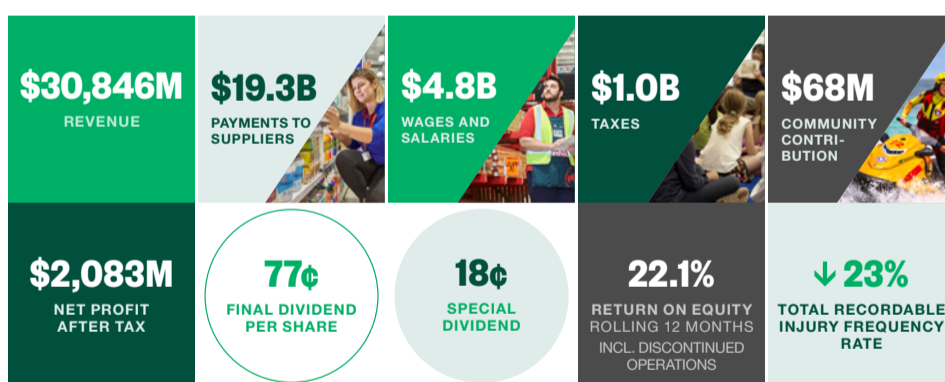
remarkable way, with empathy, professionalism and determination. Most importantly, they had developed and implemented COVID-safe ways of operating, which had enabled them to remain trading in most regions, maintaining jobs and supporting customers and suppliers.

"If there was a positive to take out of this terrible time, it is our capacity to respond rapidly to changes in our environment and to demonstrate the value we provide to the communities in which we operate," he wrote.

Mr Scott said the efforts in recent years to invest and improve the digital offer to customers had supported significant growth in online sales in FY2020, including the expansion of contactless click and collect options and the acquisition in August last year of online marketplace, catch.com.au.

"Wesfarmers businesses' generated ecommerce sales of over \$2 billion. This is another example of how the Wesfarmers model enables our businesses to adapt and evolve to changes in markets and customer demand."

Our 2020 annual report, which includes extensive information on our financial and sustainability performance, is available at wesfarmers.com.au. You can also read more about the work Wesfarmers is doing to consider the interests of all stakeholders in the *Sustainability at Wesfarmers* section of our website, including many real world examples under *Our Stories*.



Unless otherwise stated, FY20 highlights are from continuing operations excluding significant items.

## AUSTRALIA'S BIGGEST AGM TO GO VIRTUAL

Like other publicly listed companies, Wesfarmers has made the unavoidable decision this year to make its Annual General Meeting (AGM) on 12 November a "virtual" event. The COVID-19 environment and related restrictions means it is simply not feasible or responsible to invite our many shareholders to hear from our Board in person this year and we thank the Federal Government for the legal flexibility it has provided to manage this reality.

However, this decision is particularly disappointing for Wesfarmers. Typically, we hold the largest AGM in Australia, with more than 1,400 people attending in person last year in our home town of Perth. We see our AGM as more than a legal requirement and encourage our shareholders to come along to interact directly with our Board, our Leadership Team and our businesses.

Most are relatively small shareholders, many of them retirees who regularly tell us how important their Wesfarmers dividends are to them, and the type of shareholder who has been at the heart of Wesfarmers since it listed in 1984, generally taking a long-term view and supporting us to make decisions and investments which may take some years before they cumulatively add to our sustained performance and reputation.

We have let our more than 487,000 shareholders know that we will be doing everything possible to enable them to easily participate in our virtual AGM if they wish. As advised in our Notice of Meeting, they will still be able to vote and ask questions either before or during the meeting. We also have plenty of information on our website to guide them through the process, including those who are not confident using online technology.

## Climate Action ON THE PATH TO NET ZERO

Wesfarmers businesses have stepped up their commitments to address climate change, including declaring new ambitions to reach net zero emissions.

The Group's retail divisions – Bunnings, Kmart Group and Officeworks – have accelerated plans to reduce their emissions, including targeting net zero Scope 1 and 2 emissions by 2030.

For Wesfarmers Chemicals, Energy and Fertilisers (WesCEF) and Coregas, our aspiration is to achieve net zero Scope 1 and 2 emissions by 2050. For these businesses, the transition to net zero will take time and we will invest and collaborate with others to support efforts to develop new technologies that will drive the necessary transformation in these sectors. For Industrial and Safety (excluding Coregas) we are targeting net zero Scope 1 and 2 emissions by 2050.

Towards that ambition, the businesses have made progress over the past year towards the emissions reduction targets for 2025 set last year. In line with Wesfarmers divisional autonomy model, these are customised to each business and reflect their diverse emissions profiles.

Bunnings is targeting a 10 per cent reduction in Scope 1 and 2 emissions on a disclosed 2018 baseline, Kmart Group 20 per cent and Officeworks 25 per cent. Reflecting that they are largely Scope 1 emitters, WesCEF and Coregas's targets are intensity-based,

and they are aiming to do better than the mean of their comparable peers. Excluding Coregas, the Industrial and Safety division businesses are targeting a 12 per cent reduction in emissions.

The targets and aspirations are set out in the climate-related disclosures in this year's Annual Report, which provides greater information and transparency around the actions being taken across the Group.

Managing Director Rob Scott said Wesfarmers commitment to climate action, and the expectations of the Group's stakeholders, including shareholders and team members, had continued to increase in 2020, notwithstanding the pressures of COVID-19.

"Wesfarmers has for many years been on a journey to reduce carbon emissions and we are going harder, with better disclosure, clearer and tougher targets and more initiatives to reduce emissions and emissions intensity in our businesses," Mr Scott said.

"An important point to highlight is that action to reduce emissions makes good commercial sense so we are increasingly looking at ways we can not only reduce our emissions but deliver a satisfactory financial return in doing so. Our diverse portfolio of businesses is well positioned to contribute to the global goal of achieving net zero emissions by 2050, consistent with the Paris Agreement."

## SCOPE 1 & 2 CARBON EMISSIONS

Where we want to be...

|             | 2025* | 2030       |
|-------------|-------|------------|
| Bunnings    | ↓ 10% | > NET ZERO |
| Kmart Group | ↓ 20% | > NET ZERO |
| Officeworks | ↓ 25% | > NET ZERO |

|                                    | 2025*       | 2050       |
|------------------------------------|-------------|------------|
| WesCEF                             | BELOW PEERS | > NET ZERO |
| Industrial and Safety <sup>1</sup> | ↓ 12%       | > NET ZERO |
| Coregas                            | BELOW PEERS | > NET ZERO |

<sup>1</sup> Ex-Coregas.  
\* 2025 targets based on a 2018 baseline.

WesCEF and Coregas are emissions intensity targets.

Mr Scott said all divisions had made steady improvements against absolute or intensity emissions targets set in 2019 by undertaking a range of projects designed to improve energy efficiency, increase behind-the-meter generation of renewable power, and prioritising green energy procurement.

**Full details of our 2020 climate-related financial disclosures, including governance, strategy, targets and risks, can be found in our 2020 Annual Report and in the Sustainability section of our website, wesfarmers.com.au**



## LOW EMISSIONS ARE JUST THE BEGINNING

Reducing carbon emissions in a growing business, particularly one which continues to expand its store network, is a challenge which Bunnings is stepping up to with a range of initiatives.

"We recognise that Bunnings has an important role to play in reducing carbon emissions and addressing climate change," says Bunnings Managing Director Mike Schneider.

Bunnings first began trialling micro-generation projects back in 2009, including a renewable solar photovoltaic (PV) system at Belconnen in the ACT and wind turbines at Bunnings Port Kennedy and Rockingham in Western Australia. In 2014, a new generation solar PV system was installed at Bunnings Alice Springs in the Northern Territory. Building on its success, the system was expanded in 2019 from 100 kilowatts to 475 kilowatts and battery storage was introduced, meaning it is now producing up to 80 per cent of the store's energy needs.

Bunnings is continuing to increase the generation of renewable power via solar PV installations across the network. During the 2020 financial year, 35 sites had solar PV systems installed, with 67 sites in total completed at 30 June 2020. A further 25 systems are scheduled for completion this financial year, as well as expanding solar capability to 10 pre-2018 installed smaller systems.

For the first time this year, Bunnings has decoupled emissions growth from store network growth, achieving a three per cent reduction on last year's emissions while continuing to expand the store network.

To accelerate energy efficiency across the store network, LED lighting is a standard inclusion for all newly built Bunnings stores and stores are being gradually retrofitted across the existing network. At the end of the 2020 financial year, 149 warehouses, 12 smaller format stores and three trade centres were using LED lighting. On a like-for-like basis, LED lighting has been shown to reduce energy consumption by more than 20 per cent per store.

During the year, daylight and motion sensor technology was trialled in conjunction with LED lighting, indicating energy consumption savings of 25 per cent. Daylight and motion sensors are to be integrated into selected future LED upgrades across the network.

Bunnings' focus for the year ahead will be on evaluating technologies and design initiatives to drive greater energy efficiency and exploring other opportunities to reduce emissions across the store network.

## Opening up NEW STORES CREATE JOBS AND LOCAL INVESTMENT

**Notwithstanding the changes wrought by COVID-19, Wesfarmers retail businesses have continued to open new stores in Australia and New Zealand, creating hundreds of jobs and new investment in local communities.**

In the 2020 financial year, Bunnings opened nine new Bunnings Warehouses and two smaller format stores, bringing its network of the larger warehouse stores to 274. Kmart opened nine new stores, while closing one, expanding its store network to 239. Officeworks also upgraded 72 stores.

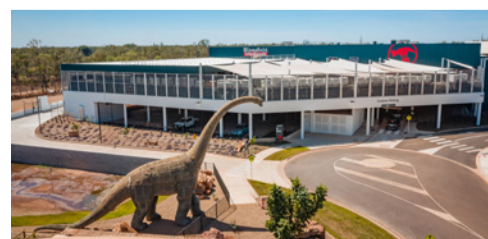
Since the end of June, more stores have opened, switching straight into COVID-safe operation. They include a new Kmart in Ellenbrook, a fast-growing suburb north east of Perth, welcoming 135 new team members into the Kmart family, mainly recruited from the local community, and including 10 Aboriginal people. (Air fryers were the best-selling item on opening day!)

The first of Kmart's new concept, small format "K hub" stores also safely opened their doors to the community in the three Victorian regional towns



of Cobram, Echuca and Seymour. These will become a presence in around 50 regional towns around Australia over the coming year or so as they progressively replace around half of the Target Country stores scheduled for closure, giving the opportunity to former Target team members to stay with the store.

August was a big month for Bunnings store openings, with two warehouse stores opening in one week at Gladesville, New South Wales, and in Westgate in Auckland, New Zealand. Another new Bunnings store opened in Palmerston in the Northern Territory in late August, more than doubling the size of the previous Bunnings Warehouse, and welcoming over 70 new team members, who joined the 100 existing team members. The new Palmerston store is under the watchful eye of Big Kev the dinosaur, a local icon who was given a new home on the site in early May. To finish off, Bunnings opened Kembla Grange Warehouse in New South Wales, which replaced the Warrawong store after 20 years.



## OFFICEWORKS ROUNDS UP TO MAKE A \$1M DIFFERENCE

**They say that every little bit helps, and one Officeworks' initiative, Round Up to Make a Difference, certainly proved that this June, raising more than \$1 million dollars for local community organisations across the country.**

At a national level, Officeworks has long-standing partnerships with The Smith Family and the Australian Literacy and Numeracy Foundation. Now in its third year, the Round Up campaign encourages team members from across 167 Officeworks stores to raise funds for community organisations that are close to their hearts – and their stores – by giving customers the choice to 'round up' their purchase in-store or donate online.

For 16 stores across Western Australia, they knew straight away that they wanted to raise funds for Lifeline WA given the extra demand on its services as a result of COVID-19. After learning that it cost \$4,000 to train a crisis call centre operator, they set themselves the target \$64,000 – one operator per store. By the end of June, the WA teams had raised more than \$92,400.

