Delivering value today and tomorrow.

Annual Review 2015

Wesfarmers

About Wesfarmers

From its origins in 1914 as a Western Australian farmers' cooperative, Wesfarmers has grown into one of Australia's largest listed companies. With headquarters in Western Australia, its diverse business operations cover: supermarkets; home improvement and office supplies; department stores; chemicals, energy and fertilisers; coal; and industrial and safety products. Wesfarmers is one of Australia's largest private sector employers and has a shareholder base of approximately 500,000.

About this review

This annual review is a summary of Wesfarmers' and its subsidiary companies' operations, activities and financial position as at 30 June 2015. In this review references to 'Wesfarmers', 'the company', 'the Group', 'we', 'us' and 'our' refer to Wesfarmers Limited (ABN 28 008 984 049) unless otherwise stated.

References in this review to a 'year' are to the financial year ended 30 June 2015 unless otherwise stated. All dollar figures are expressed in Australian dollars (AUD) unless otherwise stated.

All references to 'Indigenous' people are intended to include Aboriginal and/or Torres Strait Islander peoples.

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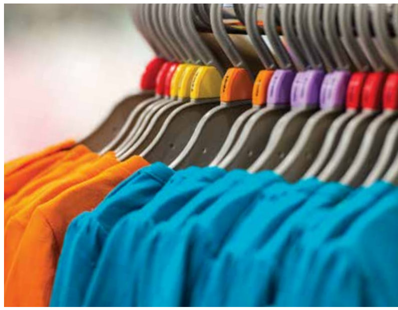
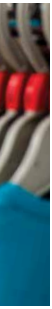
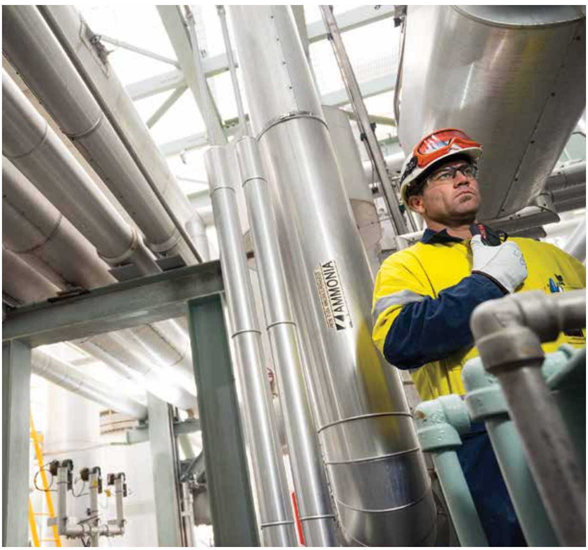


Our Objective

The primary objective of Wesfarmers is to provide a satisfactory return to our shareholders.

Wesfarmers is one of Australia's largest private sector employers and has a shareholder base of approximately 500,000.





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Wesfarmers

Chairman's message

It gives me great pleasure to introduce Wesfarmers' annual review for 2015 and my last as Chairman. I am extremely pleased that we have again been able to produce another very strong result for shareholders.

The Wesfarmers story is unique in Australia. It's all been possible because of the skills and attributes of our people who have adjusted and set new directions as the domestic and international realities have changed around them. The company has demonstrated incredible resilience over the 101 years of its existence. It has developed a very strong culture which gives us the ability to recruit talented people and that has been the single most important factor in Wesfarmers' success this year as in previous years.

2015 – our performance

I'd like to thank everybody who has played a part in achieving this year's result. Your contributions are what makes Wesfarmers such a great company, able to deliver on its commitment to provide satisfactory returns to our shareholders over the long-term and, in so doing, create value for all our stakeholders.

We are in a very sound financial position, our balance sheet is strong and we are well positioned to take advantage of growth opportunities in the future. We achieved a net profit after tax of $2,440 million for the full-year, an underlying increase of 8.3 per cent when excluding discontinued operations and non-trading items.

On the same underlying basis, earnings per share rose 9.9 per cent. The directors were able to declare a fully-franked final dividend of $1.11 per share at year's end. That took the full-year dividend to $2.00 per share, up 5.3 per cent, excluding last year's special 'Centenary' dividend of 10 cents per share.

This year's result builds on a truly excellent legacy. Since listing, Wesfarmers has delivered compound annual growth in total shareholder return (TSR) of 20.3 per cent, 1.8 times the rate of TSR growth achieved by the market as represented by the All Ordinaries Index.

Over the past five years, Wesfarmers has delivered compound annual growth in TSR of 11.5 per cent, compared with TSR growth of the ASX 200 of 9.4 per cent.

Building on strong foundations

Last year, as we celebrated our centenary year, we reflected on the Wesfarmers journey since being registered in June 1914 as a farmers' cooperative with a paid up capital of £2,050. By the time we listed as a public company on 15 November 1984, we still only had a market capitalisation of $30 million. Today we are one of Australia's largest companies with a market capitalisation of more than $45 billion. We are one of the nation's largest private sector employers with more than 205,000 employees in Australia, as well as in New Zealand and Asia. With that size comes responsibility, and employing more people, paying our taxes and supporting suppliers are all obligations we take extremely seriously.

Our core values – integrity, openness, accountability and boldness – stay the same. Our financial discipline must remain of paramount importance. If we are not financially strong and successful, with a focus on our returns to shareholders, we cannot survive, prosper and do the many good things in the community we like to do. To attract the best talent by being an employer of choice, we must also reflect the communities in which we operate, and to set and live up to the standards we believe are desirable in those communities.

In a nation where we want to see women given every opportunity to fulfil their potential in employment at all levels, we must do everything we can to provide those opportunities and encourage that potential. In a society where we believe Indigenous people need better representation in employment, we need to provide those opportunities and help address the issues and difficulties which may be inhibiting their progress. Of critical importance is the profound responsibility we have to provide a safe working environment for all our employees – in fact, a safe environment for all our stakeholders.

All of these factors are important to our chances of remaining strong in the modern economy. I am proud to say we are increasingly providing greater career opportunities for women; we now employ several thousand Indigenous Australians when just a few years ago we had only a handful; and we provide much safer workplaces for our employees. There is still much to be done, but the progress has been good and I thank and further encourage all of those involved in these efforts.

Our uncomplicated view is that we want to make the communities we are part of stronger, healthier and better places to live and raise families. It's the same vision that small group of farmers had when they started the company way back in 1914.

There will always be challenges. Successful companies must have the right vision supported by great strategies and implemented by the right people. Under the outstanding leadership of Richard Goyder and his management team, Wesfarmers is well-placed to meet the inevitable challenges that will confront us in the years ahead. We have a strong team of talented executives and the organisational changes made in August this year are an indication of the constant drive for better performance and readiness for growth opportunities.

The Board

On behalf of the Board, I would like to thank the Wesfarmers Leadership Team led by our Managing Director, Richard Goyder, for the tremendous work it has done over the past 12 months to ensure that this company's future remains bright. Richard has been at the helm throughout my time as Chairman and, in that period, has developed into one of the very best chief executives in Australia. It has been a pleasure working with him.

We had two retirements and one addition to the Board during the 2015 financial year. Charles Macek and Colin Carter retired last November, after long and outstanding service in their respective roles. Their combined efforts over more than a decade of significant change and growth for the company were outstanding. I and the other Board members truly appreciated their wise counsel.

I am delighted Michael Chaney has joined the Board as Chairman-elect, some 10 years after his very successful period as Managing Director of the company. When I was appointed Chairman of Wesfarmers, I declared my main objective was to be custodian of the company's culture. Who better then to succeed me than Michael Chaney, who played such a vital role in establishing that culture? Michael has had an outstanding career as an executive, as Managing Director of Wesfarmers, and as director and then chairman of other major Australian companies. He brings that experience and his expertise back to the company as it moves into its next phase.

I would like to thank my Board colleagues for their hard work and support throughout the year. Their varied skills, experience and perspectives is complemented by a truly collaborative and cooperative approach. I can faithfully report that the Board members are serving the shareholders well. And I would like to extend my appreciation to all the other people who have served on the Board with me. Their individual and collective contributions to the company have been enormous, their unwavering focus has been on delivering value to our shareholders, and their support for me in my role as firstly fellow Board member and then Chairman has been tremendous. I cannot thank them enough for it.

Thank you to shareholders

Most importantly, of course, I want to thank all our shareholders whose continued support and involvement in our company is such a vital ingredient in the mix that makes the culture of Wesfarmers so unique.

I am humbled to have been Chairman of this company, whose history and culture has been fashioned by the contribution of many hundreds of thousands of people over such a long period of time.

It has been a privilege to serve you. Thanks for having me.

Bob Every

— **Bob Every AO**
Chairman

Managing Director's report

—

A conversation with
Richard Goyder AO

What were your highlights for the 2015 financial year?

It's been another strong year for Wesfarmers with good revenue growth, a strong profit performance – we were up over eight per cent on an underlying basis – strong cash generation and the balance sheet is in good shape. We can reward our shareholders and we are creating value for all our stakeholders. So overall, another strong year for the Group and something that we should all be proud of.

There were varying performances in the retail and industrial portfolios. Can you take us through those?

We had a strong year from the retail businesses. All of the businesses increased their profit on the previous year. Coles had another strong performance, Bunnings was extremely positive, as was Officeworks. Officeworks' profits were up nearly 15 per cent, Bunnings up 11 per cent. Kmart had another extraordinary year, up 18 per cent compared to last year. At Target, we are seeing some improvement in that business, they were up nearly five per cent on the previous year. So the retail businesses were all strong.

In the industrial businesses, it's tougher. It's really tough for coal at the moment, and it's tough if you are supplying to industrial businesses, like our Industrial and Safety business. So those businesses went backwards from a profit point of view, but I think they have done some really good things in managing their costs and looking to grow the businesses. Our Chemicals, Energy and Fertilisers business has had another pretty strong year, earnings were pretty much in line with last year when adjusted for some one-offs, with good performances from the chemicals and fertilisers businesses.

Is it still accurate to call Wesfarmers a conglomerate given the dominance of the retail earnings?

There's no doubt that Wesfarmers is still a conglomerate, and proud and happy to be a conglomerate. We've got diversified businesses across retail and industrial. We've got the capacity to run different businesses in the Group and we are looking to grow our industrial businesses, but we are also looking to grow our retail businesses. And who knows what else we might acquire in the years ahead.

What about the outlook for the coming year?

Last year we spent over $2.2 billion on capital, growing our existing businesses, and we undertook acquisition activity, including the Workwear Group, taking out the 50 per cent of the Coles credit card business we didn't already own, and buying a stake in Quadrant Energy. That's a significant investment in growth, so that augers well for the Group in the near-term. And then over the longer term we've got a really strong balance sheet. We've got the capacity to do things if it's in the interests of our shareholders to do so. As far as I'm concerned the future is very bright.

Importantly, we've got more than 205,000 wonderful employees in this company and we want all of these people to be looking to see how we can grow the company and create value for all our stakeholders.

It's still looking pretty tough though for the industrial portfolio?

In the near-term it's tough, but I've always felt that good businesses shine in a tough environment. The cost reductions we've had at our coal mines and in the Industrial and Safety business this year, and indeed in our gas businesses, have set those businesses up for a recovery in prices. They are in cyclical industries and it's difficult now, but things will improve I think. And the chemicals business is going pretty strongly at the moment. So we've got well run businesses with good assets that made good returns in the past and I am very confident they will make good returns in the future.

Other than growth, are there other key challenges for the Group going ahead?

I think we always worry about reputation, and it's important that we all strive to ensure that Wesfarmers has a very good reputation because that brings opportunities to us and it also means we attract good people to come and work with us. So we've got to keep an eye on reputation, and ultimately that's about performance but it's also about how we conduct ourselves.

Operating sustainably is really important too. Ensuring that we are working with the communities in which we operate, working with the environment, operating in a way that means the company can continue in the years ahead, as we have for the past 101 years.

And the other thing that we are always focused on is safety. We have 205,000 employees or more and we want to make sure that every employee goes home safely each day. Our safety performance has improved a lot over the past few years, but we've got more to do on that front. We have a really strong focus on making sure we improve safety.

After year-end, Wesfarmers announced quite a significant organisational restructure. Can you explain what has happened there and why?

We think it makes sense to group the industrial businesses together – so combining our Chemicals, Energy and Fertilisers business, our Industrial and

Safety division and our Resources business into one. Rob Scott will lead that division, and Anthony Gianotti is going into it as Finance Director. We think it makes sense. There will be a focus on growth, there will be a focus on ensuring that it's the right portfolio in that division. And it will free me and others up to look at opportunities beyond some of the things we are currently looking at. So we think we will have a stronger focus in that division and enable the Group to look at more opportunities.

Wesfarmers announced earlier this year that Bob Every would be retiring as Chairman and be replaced by your predecessor as Managing Director, Michael Chaney. What contribution has Bob made and what difference do you think it will make when Michael takes on the Chair?

I think Bob has been a terrific Chair. He's guided the Group post-Coles through the Global Financial Crisis, he's worked really closely with me

and the Leadership Team and he embodies the values of Wesfarmers, particularly integrity and openness. And Bob's had a really strong focus, because of his industrial background, on safety and we've had dramatic improvement in this area.

We're looking forward to working with Michael Chaney as the new Chair. I've worked with Mike through my executive career. He's an outstanding business person, he knows Wesfarmers well, knows the culture well. I think we will have a terrific working relationship and Mike will be great for the Group.

Finally, Wesfarmers is a big player in most of the sectors in which it operates. Is big bad?

I think Wesfarmers and all our stakeholders, particularly our shareholders and our employees, should be proud of the contribution Wesfarmers makes. Not just through delivering satisfactory returns to our shareholders – and in the past 12 months we have delivered some $3.5 billion back to our shareholders through dividends and capital distributions. We employ more than 205,000 people, we pay nearly $8 billion in salaries and wages, we pay more than $1.3 billion in taxes and royalties each year, we're spending billions of dollars reinvesting in our company and we pay approximately $43 billion to our suppliers. So I think we make a really significant contribution. And then we do things in the communities in which we operate and that equals about another $103 million a year. So I am, and I think we should all be, proud of the work that we do to continue to grow Wesfarmers so we can do all those great things.

Group revenue up 3.8 per cent to $62.4 billion

↗ 3.8[1]%

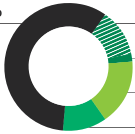
2.16$

Earnings per share

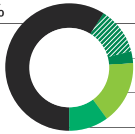
[1] On an underlying basis, excluding discontinued operations and non-trading items.

Highlights summary

2015
13,382$M



2014
13,842$M



WEALTH CREATED BY WESFARMERS

- **Employees** salaries, wages and other benefits
- **Government** tax and royalties
- **Lenders** finance costs related to borrowed funds
- **Shareholders** dividends on their investments
- **Reinvested in the business**

Business performance

Key financial data		2015	2014
Revenue from continuing operations	$m	62,447	60,181
Earnings before interest, tax, depreciation and amortisation from continuing operations	$m	4,978	3,877
Depreciation and amortisation	$m	1,219	1,082
Earnings before interest and tax from continuing operations	$m	3,759	2,795
Earnings before interest and tax from continuing operations, excluding NTIs[1]	$m	3,759	3,566
Finance costs and income tax expense	$m	1,319	1,285
Profit after tax from discontinued operations[2]	$m	–	1,179
Net profit after tax	$m	2,440	2,689
Net profit after tax from continuing operations, excluding NTIs[1]	$m	2,440	2,253
Operating cash flows	$m	3,791	3,226
Net capital expenditure on property, plant and equipment and intangibles	$m	1,552	1,216
Free cash flows	$m	1,893	4,178
Equity dividends paid	$m	2,597	2,160
Total assets	$m	40,402	39,727
Net debt	$m	6,209	3,401
Shareholders' equity	$m	24,781	25,987

Key share data			
Earnings per share	cents	216.1	234.6
Earnings per share from continuing operations, excluding NTIs[1]	cents	216.1	196.6
Operating cash flow per share	cents	335.1	281.0
Free cash flow per share	cents	167.3	363.9
Total dividends per share (declared)	cents	200	200
– Ordinary	cents	200	190
– Special ‘Centenary’	cents	–	10
Capital management distribution (paid)	cents	100	50

Key ratios			
Return on average shareholders' equity (R12)	%	9.8	10.5
Fixed charges cover (R12)	times	3.0	3.2
Interest cover (R12) (cash basis)	times	20.5	15.9
Gearing (net debt to equity)	%	25.1	13.1

[1] Non-trading items in FY2014 reflect the Coles Liquor restructuring provision and the impairment of Target’s goodwill.
[2] Discontinued operations relate to the disposal of the Insurance division and WesCEF’s interest in Air Liquide WA Pty Ltd.

In 2015, our net profit after tax was $2,440 million, an underlying increase of 8.3 per cent when excluding discontinued operations and non-trading items.

Coles

Coles		2015	2014
Revenue	$m	**38,201**	37,391
Earnings before interest and tax	$m	**1,783**	1,672
Segment assets	$m	**21,533**	20,532
Segment liabilities	$m	**3,913**	3,974
Capital employed	$m	**16,276**	16,272
Return on capital employed	%	**11.0**	10.3

Home Improvement and Office Supplies

Home Improvement and Office Supplies		2015	2014
Revenue	$m	**11,248**	10,121
Earnings before interest and tax	$m	**1,206**	1,082
Segment assets	$m	**5,959**	5,706
Segment liabilities	$m	**1,476**	1,177
Home Improvement			
Revenue	$m	**9,534**	8,546
Earnings before interest and tax	$m	**1,088**	979
Capital employed	$m	**3,244**	3,343
Return on capital employed	%	**33.5**	29.3
Office Supplies			
Revenue	$m	**1,714**	1,575
Earnings before interest and tax	$m	**118**	103
Capital employed	$m	**1,034**	1,097
Return on capital employed	%	**11.4**	9.4

Department store retailing

Kmart		2015	2014
Revenue	$m	**4,553**	4,209
Earnings before interest and tax	$m	**432**	366
Segment assets	$m	**2,182**	2,131
Segment liabilities	$m	**849**	692
Capital employed	$m	**1,312**	1,361
Return on capital employed	%	**32.9**	26.9

Department store retailing

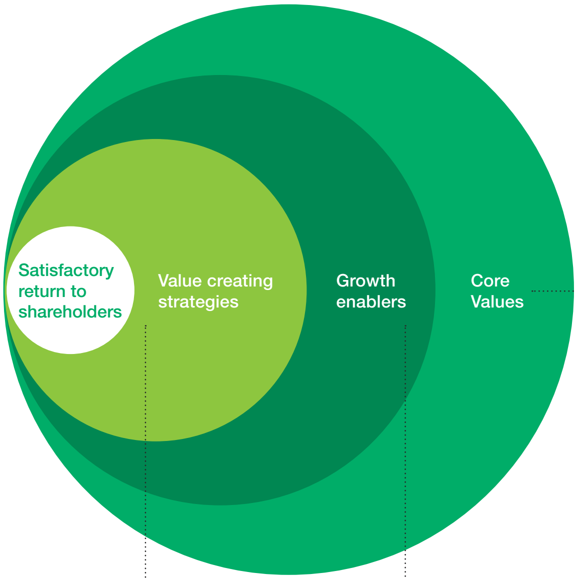
Target		2015	2014
Revenue	$m	**3,438**	3,501
Earnings before interest and tax	$m	**90**	86
Segment assets	$m	**3,021**	2,963
Segment liabilities	$m	**515**	486
Capital employed	$m	**2,466**	2,979
Return on capital employed	%	**3.6**	2.9

Industrials

Industrials		2015	2014
Revenue	$m	**4,985**	4,977
Earnings before interest and tax	$m	**353**	482
Capital employed	$m	**4,245**	4,125
Return on capital employed	%	**8.3**	11.7
Chemicals, Energy and Fertilisers			
Revenue	$m	**1,839**	1,812
Earnings before interest and tax	$m	**233**	221
Segment assets	$m	**1,732**	1,746
Segment liabilities	$m	**341**	355
Capital employed	$m	**1,535**	1,539
Return on capital employed	%	**15.2**	14.4
Resources			
Revenue	$m	**1,374**	1,544
Earnings before interest and tax	$m	**50**	130
Segment assets	$m	**1,892**	1,904
Segment liabilities	$m	**362**	384
Capital employed	$m	**1,453**	1,459
Return on capital employed	%	**3.4**	8.9
Industrial and Safety			
Revenue	$m	**1,772**	1,621
Earnings before interest and tax	$m	**70**	131
Segment assets	$m	**1,626**	1,349
Segment liabilities	$m	**391**	273
Capital employed	$m	**1,257**	1,127
Return on capital employed	%	**5.5**	11.6

Operating and financial review

The Wesfarmers Way



Our objective

To provide a satisfactory return to our shareholders

Value creating strategies

- Strengthen existing businesses through operating excellence and satisfying customer needs
- Secure growth opportunities through entrepreneurial initiative
- Renew the portfolio through value-adding transactions
- Ensure sustainability through responsible long-term management

Growth enablers

- Outstanding people
- Commercial excellence
- Empowering culture
- Innovation
- Social responsibility
- Robust financial capacity

Core values

- Integrity
- Openness
- Accountability
- Boldness

On behalf of the Board, I'm very pleased to present the operating and financial review of Wesfarmers for shareholders.

— **Terry Bowen**
Finance Director

Wesfarmers' primary objective is to deliver satisfactory returns to shareholders through financial discipline and strong management of a diversified portfolio of businesses. A key focus of the Group is ensuring that each of its divisions has a strong management capability that is accountable for strategy development and execution, as well as day-to-day operational performance. Each division is overseen by a divisional board of directors or steering committee including the Wesfarmers Managing Director and Finance Director, and is guided by a Group-wide operating cycle and governance framework.

Consistent with last year, this operating and financial review sets out the Group's growth enablers, objective and strategies, as well as summarising its operating model, risks and prospects. It also outlines each division's competitive environment, strategies, risks and prospects, in addition to a review of operational performance for the 2015 financial year.

The review should be read in conjunction with the financial statements, which are presented on pages 87 to 130 of the 2015 annual report. As introduced last year, these statements are streamlined, with notes grouped in order to make it easier for readers to access information and understand its relevance. An explanation of the Group's accounting policies is disclosed alongside relevant notes with the aim of enhancing the understanding of the financial statements. Key estimates and judgements have also been highlighted throughout the accounts to improve transparency.

The Wesfarmers Way

From our origins in 1914 as a Western Australian farmers' cooperative, Wesfarmers has grown into one of Australia's largest listed companies and private sector employers.

Wesfarmers' diverse business operations in this year's review cover: supermarkets; home improvement and office supplies; department stores; chemicals, energy and fertilisers; coal; and industrial and safety products. The vast majority of Wesfarmers' businesses operate in Australia and New Zealand, with the portfolio including some of these countries' leading brands.

The Group's objective of delivering long-term satisfactory returns to shareholders through a strong focus on operating excellence and disciplined capital deployment was demonstrated this year, with solid growth in underlying revenue and earnings achieved.

Portfolio management undertaken during the year included the sale of Kleenheat's east coast LPG operations, and acquisitions of the Workwear Group, the remaining 50 per cent of the Coles credit card joint venture and a 13.7 per cent interest in Quadrant Energy.

The Wesfarmers Way is the framework for the company's business model and comprises core values, growth enablers and value creating strategies directed at achieving the Group's primary objective of providing a satisfactory return to shareholders.

Growth enablers

A core attribute of the Wesfarmers operating model is that each of our businesses operates with a high degree of autonomy. Rather than mandating detailed strategies or implementation plans, the Group focuses on ensuring that six key enablers are in place in our businesses, with a goal of driving operating performance to best practice.

Outstanding people

Wesfarmers seeks to be an employer of choice. Attracting outstanding people and utilising their individual talents is the most critical element in striving for sustainable success. Wesfarmers recognises that while great assets and strategies are critical, it is people who ultimately drive outcomes.

Commercial excellence

Wesfarmers seeks to ensure that it employs strong financial discipline in all of its decisions across the Group. Wesfarmers has a clear bias towards promoting strong commercial capability across its leadership base.

Empowering culture

Wesfarmers recognises that an empowering culture is critical to engendering accountability for delivering the results agreed upon through the Group's corporate planning framework. Wesfarmers uses stretch targets in objective setting and encourages team members to be proactive in driving the creation of value in their businesses.

Innovation

Wesfarmers seeks to develop a culture that encourages innovation, and rewards boldness and creativity.

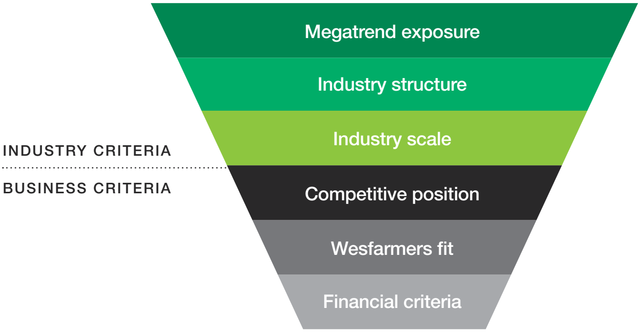
Social responsibility

Respect for employees, customers and suppliers and a relentless focus on providing safe workplaces are fundamental to the way that Wesfarmers operates. Wesfarmers' social responsibility extends to maintaining high standards of ethical conduct, environmental responsibility and community contribution.

Robust financial capacity

By maintaining a strong balance sheet, the Group aims to provide a competitive cost and access to capital in order to allow the Group to act when value-creating opportunities present themselves.

Acquisition and investment review opportunity identification



Investment approach

- Capacity to act through a strong balance sheet and focus on cash flow
- Flexibility through different ownership models (e.g., minority interest, full control, partnerships)
- Remain opportunistic to sector, structure and geography
- Financially disciplined including investment comparison to capital management alternatives

Our objective

The primary objective of Wesfarmers is to provide a satisfactory return to shareholders. The measure used by the Group to assess satisfactory returns is total shareholder return (TSR) over time. We measure our performance by comparing Wesfarmers' TSR against that achieved by the S&P/ASX 50 Index.

Performance measures

Growth in TSR relies on improving returns from invested capital relative to the cost of that capital and growing the capital base at a satisfactory rate of return on capital (ROC)[1].

Given a key factor in determining TSR performance is movement in Wesfarmers' share price, which can be affected by factors outside the control of the company (including market sentiment, business cycles, interest rates and exchange rates), the Group focuses on return on equity (ROE) as a key internal performance indicator.

While ROE is recognised as a fundamental measure of financial performance at a Group level, ROC has been adopted as the principal measure of business unit performance. ROC focuses divisional businesses on increasing earnings and/or increasing capital productivity by managing factors they can control, as well as making an adequate return on any new capital deployed.

Minimum ROC targets for each division are set based on their pre-tax cost of capital, while satisfactory ROC targets are established based on the Group's ROE targets, which are reviewed annually with reference to the performance of the broader market.

Capital efficiency focus

We believe that in order to deliver satisfactory shareholder returns it is important to try to achieve a cost of capital advantage, which we feel is best done through a strong focus on cash realisation, the maintenance of a strong balance sheet and having flexibility in financing options.

Working capital and capital expenditure

The Group continuously looks to improve the working capital efficiency of all of its businesses, and also ensures strong discipline in relation to capital expenditure or any other investment decisions that are made.

Shareholder distributions and portfolio management

The Group endeavours to optimise shareholder returns through its dividend policy, its approach to capital management and disciplined portfolio management.

In summary, the Group seeks to:

- continue to invest in Group businesses where capital investments exceed return requirements;
- acquire or divest businesses where doing so is estimated to increase long-term shareholder wealth; and
- manage the Group's balance sheet to achieve an appropriate risk profile and an optimised cost of capital.

Acquisition approach

When reviewing the acquisition of businesses the Group applies various filters, as illustrated in the diagram at the top of this page.

Importantly, in applying these filters the Group applies a long-term horizon to investment decisions and remains very disciplined in its approach to evaluation, with the most important filter being whether the investment is going to create value for shareholders over time.

[1] ROC = EBIT/(Working capital, fixed assets and investments less provisions and other liabilities).

Approach to delivering satisfactory returns to shareholders

Cash flow generation +	Balance sheet strength =	Delivery of long-term shareholder returns
Drive long-term earnings growth	Risk management of maturities	Improve returns on invested capital
Manage working capital effectively	Diversity of funding sources	Grow dividends over time
Strong capital expenditure processes	Optimise funding costs	Effective capital management
Invest above the cost of capital	Maintain strong credit metrics	
Financial discipline		

Focused approach to deliver satisfactory returns to shareholders

As illustrated above, the Group has a focused approach to delivering satisfactory returns to shareholders.

Cash flow generation

In generating cash flow and earnings, the Group seeks to employ excellent management teams who are empowered to drive long-term earnings growth. This is achieved through deploying best practice principles in operational execution and maintaining a long-term focus in regards to strategy and results. In addition, the Group manages working capital very closely and ensures that strong discipline in capital expenditure and investment processes are maintained.

Balance sheet strength

The Group endeavours to achieve a cost of capital advantage while maintaining balance sheet strength and flexibility in order to be able to act when opportunities arise.

Long-term shareholder returns

With a focus on generating strong cash flows and maintaining balance sheet strength, the Group aims to deliver satisfactory returns to shareholders through improving returns on capital invested in the Group. As well as share price appreciation, Wesfarmers seeks, where possible, to grow dividends over time. Dependent upon circumstances, capital management decisions may also be taken from time to time where this activity is in shareholders' interests.

Our approach to sustainability

Wesfarmers will only be sustainable as a corporation if, in addition to its continued financial success, it adequately addresses a range of other issues which are significant in their own right and ultimately influence financial outcomes.

Wesfarmers operates its businesses in accordance with the Group's ten community and environment principles, which relate to our people, sourcing networks, the communities in which we operate, and environmental and governance standards.

Within this framework, each business has identified the key issues most relevant to its operations within their summaries as detailed later in this operating and financial review. Further information on our sustainability performance can also be found on pages 29 to 36 of this annual review.

Our full 2015 Sustainability Report will be available in October on our website **sustainability.wesfarmers.com.au**

In implementing our overarching strategies, we maintain a long-term focus and act sustainably in creating value across our business portfolio.

Our value creating strategies

Consistent with the Wesfarmers Way, the Group's primary objective to provide a satisfactory return to shareholders is driven by four overarching strategies. These are:

- strengthening existing businesses through operating excellence and satisfying customer needs
- securing growth opportunities through entrepreneurial initiative
- renewing the portfolio through value-adding transactions
- ensuring sustainability through responsible long-term management.

As shown in the table below, each strategy is underpinned by the Group's well established strategic planning framework. A key attribute of this approach is the maintenance of a long-term focus and acting sustainably in the creation of value and the building of businesses.

At a divisional level, detailed strategies are developed specific to the opportunities to improve each of our individual businesses. Divisional strategies are discussed within their respective summaries, starting on page 20.

Operating excellence

Our strategies	Our achievements	Our focus for the coming years
Strengthen existing businesses through operating excellence and satisfying customer needs	– Continued to make improvements in our customer offers, including reinvesting in value to drive business growth. – Further optimised and invested in our retail store networks. – Focused on production plant efficiency following recent capacity expansions and maintaining customer relationships in our industrial businesses. – Made further operational productivity improvements and reduced costs across our businesses.	– **Coles** remains committed to implementing customer-led strategies and delivering trusted value. Coles will continue to invest in value, supported by a focus on simplification and cost reduction. The division has plans to drive further improvement in fresh category sales. Coles will also maintain a disciplined and returns-focused approach to network expansion and capital investment, develop new channels and services and progress its Liquor transformation. – **Bunnings** will maintain its focus on driving long-term value creation through strengthening its core business, including delivering more customer value, better customer experiences, greater brand reach, an expanded commercial business and further merchandise innovation. – **Officeworks** will continue to deliver a unique 'one-stop shop' via its 'every channel' strategy while extending reach across all channels through new categories and services, and drive further productivity improvements. – **Kmart** aims to grow through continued price leadership, expansion of its digital strategy, product ranges and store network. The division will continue to focus on delivering increased operational efficiency across the business. – **Target** will continue to transform its business through improved sourcing, supply chain efficiencies and range improvements. It will also seek to further lower the cost of doing business to provide greater value to customers and further improve in-store and online offers. – **Chemicals, Energy and Fertilisers** will optimise production and plant efficiencies following recent capacity expansions, while ensuring readiness to take advantage of value-generating opportunities as they arise. – **Resources** will maintain focus on cost control and productivity improvement, with low-cost plant expansions and counter-cyclical investments to be implemented where satisfactory returns can be achieved. – **Industrial and Safety** will continue to focus on cost control and operational productivity improvements. The business will continue to seek to increase revenue through market share growth and expansion into addressable adjacent markets.

Entrepreneurial initiative

Our strategies	Our achievements	Our focus for the coming years
Secure growth opportunities through entrepreneurial initiative	– Provided even greater value for customers through price reinvestment of innovation-led productivity gains. – Continued to innovate our product ranges and categories across all businesses providing value and quality to customers. – Further improved and extended channel and brand reach in our retail portfolio, focusing on store format innovation and the expansion of online offers. – Grown our customer programs, particularly the flybuys loyalty program and the PowerPass offer at Bunnings. – Continued to better leverage data, particularly in our retail businesses. – Maintained our focus on growing new businesses, including Coles Financial Services and natural gas retailing.	– Continue to reinforce innovation and drive boldness as growth enablers. – Continue to rigorously apply financial disciplines and financial evaluation methodologies. – Increase and encourage collaboration across divisions, where appropriate.

Renewing the portfolio

Our strategies	Our achievements	Our focus for the coming years
Renew the portfolio through value-adding transactions	– Acquired Pacific Brands' Workwear business in our Industrial and Safety business. – Completed the divestment of Kleenheat's east coast LPG distribution business. – Exercised the call option to acquire the remaining 50 per cent of the Coles credit card joint venture. – Acquired a 13.7 per cent interest in Quadrant Energy.	– Maintain a strong ongoing focus and capability to evaluate growth opportunities where long-term shareholder value can be created. – Consider innovative investment approaches to complement traditional growth models to provide future optionality. – Ensure a patient, disciplined and broad scanning approach to investment opportunities is maintained. – Apply rigorous due diligence and integration processes post-acquisition. – Maintain a strong balance sheet to enable the Group to act opportunistically. – Consider opportunities to divest assets either in full or in part, where long-term shareholder value can be created.

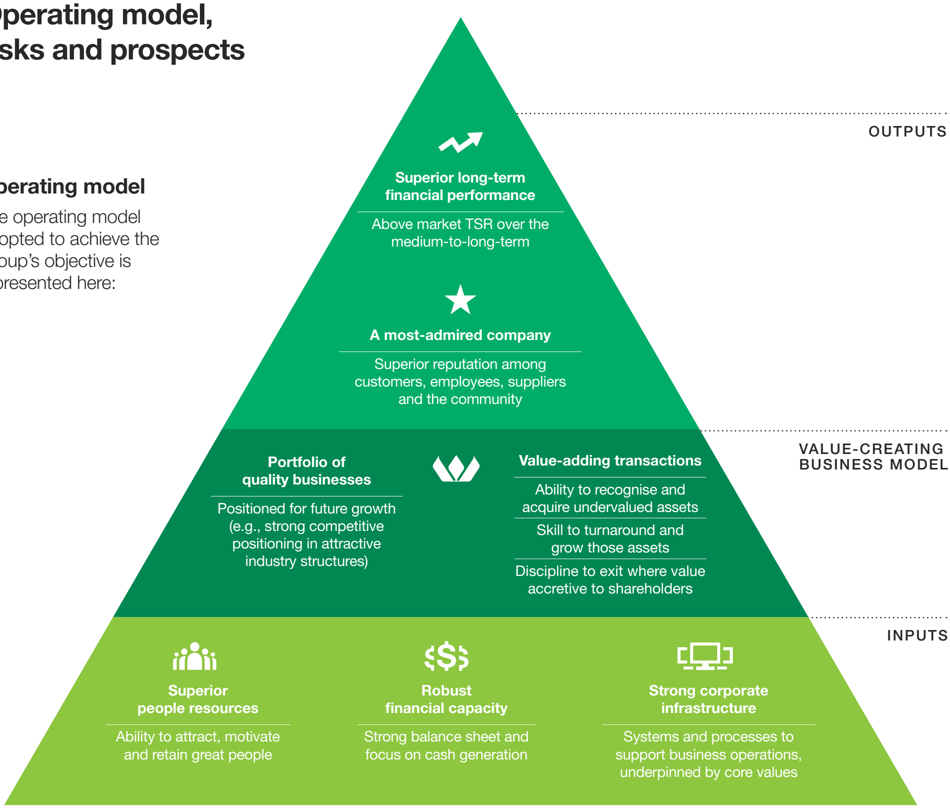
Operating sustainably

Our strategies	Our achievements	Our focus for the coming years
Ensure sustainability through responsible long-term management	– Maintained a strong balance sheet. – Achieved good improvements in our safety performance. – Maintained a very strong focus on the development and management of our teams. – Continued to promote diversity in our workplaces, with 60 per cent more self-identified Indigenous employees this year, and 500 new Indigenous employees at Coles alone. – Advanced our executive development, retention and succession programs. – Continued to actively contribute to the communities in which we operate, where in the 2015 financial year, we made community contributions, both direct and indirect, of $103 million.	– Continue to foster a more inclusive work environment, with particular focus on diversity (gender, age and ethnicity). – Increase the number of women in leadership positions across the Group. – Continue to look after the health, safety and development of our people. – Minimise our environmental footprint. – Contribute positively to the communities in which we operate. – Provide appropriate governance structures to safeguard future value creation.

Operating model, risks and prospects

Operating model

The operating model adopted to achieve the Group's objective is represented here:



Inputs

The three key inputs considered at the Group level are as follows:

- ***Superior people resources*** – the ability to attract and retain great people, bringing a mix of skills, knowledge, experience and diversity to the Group, and successful development through succession planning.
- ***Robust financial capacity*** – a strong balance sheet and focus on cash generation, including recycling of capital where returns can be optimised.
- ***Strong corporate infrastructure*** – systems and processes which support the way the businesses operate, underpinned by a set of core values.

The Group ensures that each of its divisions has a very strong management capability and day-to-day operational autonomy.

Businesses are governed by divisional boards and a Group-wide framework where key disciplines and processes are coordinated over a 12-month operating cycle. This approach encourages strong accountability for operating results, as well as assurance in areas such as:

– strategic planning, budgeting and monitoring of performance;
– risk management, including internal audit and insurance protection;
– group-wide human resource management systems such as executive remuneration and share schemes, talent development and key role succession planning; and
– centralised support in areas such as statutory accounting, tax, treasury and legal support.

The Group also has a Business Development function that provides assurance over any significant capital expenditure evaluation, as well as merger and acquisition activity.

Value-creating business model

The value-creating business model comprises the portfolio of quality businesses, and is shaped by value-adding transactions, with a focus on creating long-term shareholder value.

Outputs

The two key outputs from the operating model are:

- ***The delivery of superior long-term financial performance*** – as measured by medium-to-long-term TSR performance relative to the S&P/ASX 50 Index.
- ***Remaining a most-admired company*** – superior reputation among customers, employees, suppliers and the community.

Risks

Wesfarmers recognises the importance of, and is committed to, the identification, monitoring and management of material risks associated with its activities across the Group.

The following information sets out the major Group-wide risks. These are not in any particular order and do not include generic risks such as changes to macroeconomic conditions affecting business and households in Australia, which would affect all companies with a large domestic presence and which could have a material affect on the future performance of the Group.

Further information on risk management, including policies, responsibility and certification, can be found in the corporate governance section of the company's website at **www.wesfarmers.com.au/cg**

Strategic

- Increased competition
- Ineffective execution of strategy
- Loss of key management personnel
- Damage or dilution to Wesfarmers' brands
- Digital disruption to industry structures

Operational

- Loss of critical supply inputs or infrastructure, including IT systems
- Loss of data security and integrity
- Business interruption arising from industrial disputes, work stoppages and accidents
- Risks inherent in distribution and sale of products

Regulatory

- Non-compliance with applicable laws, regulations and standards
- Adverse regulatory or legislative change

Financial

- Currency volatility
- Adverse commodity price movements
- Reduced access to funding

Prospects

The Group is well-placed to strengthen and further build upon its existing businesses with a focus on seeking to deliver improved returns to shareholders.

With consumers remaining focused on value, the Group's portfolio of retail businesses is expected to benefit from strategies that drive further value for customers and improvements in merchandise offers. As the Group enters the 2016 financial year, the Coles, Bunnings, Officeworks and Kmart businesses all have good momentum, with Target expected to improve as its transformation plan continues.

The retail businesses will seek to create increased value for customers through reinvestment of sourcing and supply chain efficiencies, as well as other productivity gains. Each business also has strategies aimed at driving increased merchandise innovation, better customer service, and extending channel reach and performance through improving store networks and digital offers.

The near-term outlook for the Group's Industrials division remains challenging. In this environment, each business will seek to further reduce cost structures and optimise plant and mine performance.

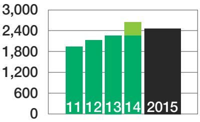
Within Chemicals, Energy and Fertilisers, the ammonium nitrate business is expected to benefit from increased customer demand, while lower benchmark pricing and a planned major plant shutdown in the second half of the 2016 financial year will affect ammonia earnings. Production economics are expected to remain challenging for Australian Vinyls, with a strategic review of its polyvinyl chloride business underway. Kleenheat is expected to benefit from lower gas input costs, while strong recent harvests afford a positive outlook for the fertilisers business, subject to seasonal conditions.

The Resources and the Industrial and Safety businesses will seek to further reduce costs and improve operational productivity. Recent pricing pressures, as evidenced by declines in the current quarter's export coal price settlements, present a subdued revenue and earnings environment for the Resources business. With volume and margin pressure expected, the Industrial and Safety business will tightly manage its cost base, while endeavouring to grow sales in existing and new markets, including through integration and improvement of the Workwear Group.

Wesfarmers will retain a strong balance sheet to secure growth opportunities, should they arise, and where practical, optimise the portfolio.

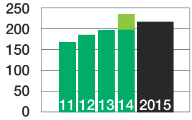
Year in review

Net profit after tax
2,440 $M



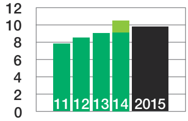
2015	**2,440**
2014	2,689
2013	2,261
2012	2,126
2011	1,922

Earnings per share
216.1 cents



2015	**216.1**
2014	234.6
2013	195.9
2012	184.2
2011	166.7

Return on equity
9.8 %



2015	**9.8**
2014	10.5
2013	8.9
2012	8.4
2011	7.7

■ Including discontinued operations and non-trading items in 2014 which contributed a $436 million post-tax profit. Discontinued operations (a post-tax contribution of $1,179 million) relate to the disposal of the Insurance division and WesCEF's interest in Air Liquide WA Pty Ltd. Non-trading items (a post-tax loss of $743 million) represent the Coles Liquor restructuring provision and the impairment of Target's goodwill.

Overview

The 2015 financial year saw a solid increase in underlying performance for the Group. The Group's 205,000 plus team members delivered a net profit after tax of $2,440 million for the year, an underlying increase of 8.3 per cent when excluding discontinued operations and non-trading items (NTIs). On the same underlying basis, earnings per share rose 9.9 per cent to 216 cents, and return on equity (R12) increased 40 basis points to 9.8 per cent.

The Group's retail portfolio delivered strong earnings growth. All retail businesses grew earnings, having benefited from hard work to deliver an improved merchandise offer and better value for customers.

Despite good cost control and operational productivity, the Industrial businesses recorded lower overall earnings. This was due to a challenging sales environment, created by lower commodity prices, reduced project activity and customers' cost reduction programs.

Divisional financial performances are outlined in pages 20 to 28.

Operating cash flow

Despite lower reported earnings, operating cash flow performance improved on last year due to working capital cash inflows and reduced finance costs. Operating cash flows of $3,791 million were $565 million or 17.5 per cent above last year, with a cash realisation ratio of 104 per cent recorded.

The good cash realisation result was supported by working capital cash inflows from the retail portfolio as a result of further improvements in overall inventory management and period-end timing differences which resulted in an additional creditor payment at Coles last year.

Capital expenditure and property recycling

The Group retains very strong disciplines in respect to capital expenditure, with generally conservative business cases and appropriate hurdle rates applied, commensurate with the risks of the project.

Gross capital expenditure of $2,239 million was in line with the prior year. Consistent with our aim of deploying capital to high return opportunities, capital expenditure continued to be weighted to the Group's retail portfolio through growth and refurbishment of store networks, most notably in Coles and Home Improvement. Capital expenditure in the Group's industrial businesses was well down on the prior year, following the completion of the ammonium nitrate plant capacity expansion and the debottlenecking of sodium cyanide capacity.

Net capital expenditure of $1,552 million was 27.6 per cent or $336 million above the prior year due to lower proceeds from the sale of retail property during the year, with proceeds of $687 million compared to $1,017 million last year.

Illustrative of the benefits from this capital expenditure to capture high return opportunities, Coles and Bunnings achieved strong returns on capital employed for the year, excluding acquisition goodwill, of 29.7 per cent and 45.8 per cent respectively. Similarly, Kmart, which has seen higher levels of investment this year due to its store renewal program and network growth, delivered a return on capital employed excluding goodwill of 78.1 per cent.

Cash capital expenditure ($m)

	2015	2014
Coles	**941**	1,016
HIOS	**750**	557
Kmart	**169**	162
Target	**127**	78
WesCEF	**56**	172
Resources	**137**	163
Industrial and Safety	**57**	51
Other*	**2**	34

* 2014 includes discontinued operations.

Free cash flow

Free cash flows of $1,893 million were below the $4,178 million recorded last year, which included the proceeds from the disposal of the Insurance division. When adjusting for the proceeds from the disposal of the Insurance division, free cash flows were $159 million above last year, with higher operating cash flows partially offset by increased acquisition activity and higher net capital expenditure.

When adjusting for the proceeds from the disposal of the Insurance division, free cash flows were $159 million above last year, with higher operating cash flows partially offset by increased acquisition activity and higher net capital expenditure.

Balance sheet

The Group's balance sheet continues to be strong. Net debt at the end of the period, comprising interest-bearing liabilities less cash at bank and on deposit, was $6,209 million, $2,808 million above the net debt position at 30 June 2014. At period-end, net financial debt was $5,515 million when including fair value assets relating to cross currency interest rate swaps.

Capital employed at year-end was $29.0 billion, $168 million above last year. Increased capital employed reflected a higher value of property, plant and equipment given increased net capital expenditure from the Group's retail businesses, and higher intangibles following acquisitions made during the year. These were partially offset by lower working capital.

Working capital finished lower mainly as a result of lower receivables, due to the receipt of the completion adjustments related to the divestment of the Insurance division, and higher payables within the retail businesses due to store network expansion, sales growth and better offshore terms. These cash inflows were partially offset by outflows relating to increased inventories due to store network growth and acquisition activity.

Impairment testing of non-current assets, including goodwill and other intangible assets, was undertaken during the year with no material non-cash impairments recognised.

Group capital employed

Year ended 30 June[a]	$m 2015	$m 2014
Inventories	5,497	5,336
Receivables and prepayment	1,658	1,805
Trade and other payables	(5,764)	(5,424)
Other	393	403
Net working capital	1,784	2,120
Property, plant and equipment	10,205	9,952
Intangibles	19,309	18,956
Other assets	775	721
Provisions and other liabilities	(3,040)	(2,884)
Total capital employed	29,033	28,865
Net financial debt[b]	(4,746)	(3,050)
Net tax balances	494	172
Total net assets	24,781	25,987

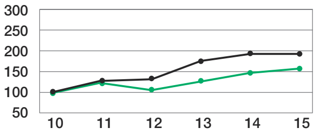
[a] Balances reflect the management balance sheet, which is based on different classification and groupings than the balance sheet in the financial statements.

[b] Net debt including interest rate swap assets and excluding financing of credit book relating to the Coles credit card.

Year in review (continued)

TSR: Wesfarmers and ASX 200

- Wesfarmers Limited TSR Index[1]
- ASX 200 Accumulation Index



[1] Assumes 100 per cent dividend reinvestment on the ex-dividend date, and full participation in capital management initiatives e.g., rights issues and share buybacks. Source: Bloomberg.

In December 2014, the Group returned $1,148 million to shareholders via a capital management distribution of $1.00 per fully-paid ordinary share. A special 'Centenary' dividend of 10 cents per share fully-franked was also paid in October 2014.

Debt management and financing

The Group's debt levels increased during the year, following the capital management distribution paid in December 2014. Investments funded by debt during the year included the acquisitions of Pacific Brands Limited's Workwear Group, the remaining 50 per cent of the Coles credit card joint venture which included the entire financing of the credit book and the 13.7 per cent interest in Quadrant Energy.

Consistent with the Group's strategy to diversify sources of debt, pre-fund upcoming maturities and maintain a presence in key debt markets, the Group issued a seven-year bond in October 2014 raising €600 million (approximately A$864 million) through its Euro medium term note program. In May 2015, the Group issued five-and-a-half-year fixed and floating bonds through its domestic medium term notes program, raising A$500 million.

In September 2014, following settlement of the sale of the Insurance division, the Group repaid A$500 million of medium term notes from existing cash on hand. During the year, the Group also reduced syndicated debt facilities by a net A$750 million. Post the completion of the year, in July 2015 the Group repaid €500 million (A$756 million) of Euro medium term notes.

Finance costs for the year decreased 13.2 per cent to $315 million, largely as a result of a lower average net debt balance. The Group's 'all-in' effective borrowing cost was in line with the prior year at 5.45 per cent. Reduced finance costs resulted in continued strong liquidity metrics, with cash interest cover[1] increasing to 20.5 times and fixed charges cover[1] of 3.0 times.

The Group's credit ratings for Standard & Poor's and Moody's Investors Services remained unchanged at A- (stable) and A3 (stable) respectively.

Capital management

As a key enabler of delivering satisfactory returns to shareholders, the Group aims to maintain an efficient capital structure that is consistent with a strong investment grade credit rating.

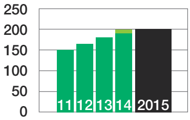
Strong free cash flow generation, assisted by disciplined portfolio management, has enabled the Group to undertake capital management. Since 2009, the Group has undertaken cumulative capital management of $2.6 billion, which has comprised the full neutralisation of the dividend investment plan and the purchasing on-market of shares relating to employee share plans.

In December 2014, the Group returned $1,148 million to shareholders via a capital management distribution of $1.00 per fully-paid ordinary share. A special 'Centenary' dividend of 10 cents per share fully-franked was also paid in October 2014. This capital management distribution was undertaken after the sale of the Insurance division to return a portion of the Group's surplus capital to shareholders to achieve a more efficient capital structure.

The capital management comprised both a capital return component (75 cents per share returning $861 million to shareholders) and a fully-franked dividend component (25 cents per share returning $287 million to shareholders). The capital management distribution was accompanied by an equal and proportionate share consolidation through the conversion of one share into 0.9827 of a share.

[1] Calculated on a rolling 12-month basis.

Dividends per share
200 cents



2015	200
2014	200
2013	180
2012	165
2011	150

2014 includes a 10 cents per share special 'Centenary' dividend.

The Board declared a fully-franked final ordinary dividend of 111 cents per share, taking the full-year ordinary dividend to 200 cents per share, representing an increase of 5.3 per cent on the 2014 financial year full-year ordinary dividend of 190 cents per share.

Equity

Shares on issue decreased during the year as a result of the capital management distribution completed in December 2014 and associated proportionate share consolidation. This had the effect of reducing the number of shares on issue by 19 million to 1,124 million.

Dividends

A key component of TSR is the dividends paid to shareholders.

Wesfarmers' dividend policy seeks to deliver growing dividends over time, with dividends declared reflective of the Group's current and projected cash position, profit generation and available franking credits.

The Board declared a fully-franked final ordinary dividend of 111 cents per share, taking the full-year ordinary dividend to 200 cents per share, representing an increase of 5.3 per cent on the 2014 financial year full-year ordinary dividend of 190 cents per share. The final dividend will be paid on 30 September 2015 to shareholders on the company's register on 27 August 2015, the record date for the final dividend.

Given the preference of many shareholders to receive dividends in the form of equity, the directors have decided to continue the operation of the Dividend Investment Plan (the 'Plan'). The allocation price for shares issued under the Plan will be calculated as the average of the daily volume weighted average price of Wesfarmers shares on each of the 15 consecutive trading days from and including the third trading day after the record date, being 1 September 2015 to 21 September 2015.

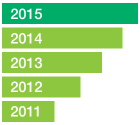
No discount will apply to the allocation price and the Plan will not be underwritten. Given the company's current capital structure and strong balance sheet, any shares to be issued under the Plan will be acquired on-market and transferred to participants on 30 September 2015.

Coles

Since opening its first store in 1914, Coles has grown into an iconic Australian retailer with brands including Coles Supermarkets, Coles Express, Liquorland, Vintage Cellars, First Choice Liquor, Spirit Hotels, Coles Financial Services and Coles Online.

REVENUE

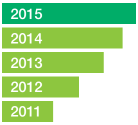
38,201 $M



2015	**38,201**
2014	37,391
2013	35,780
2012	34,117
2011	32,073

EBIT

1,783 $M



2015	**1,783**
2014	1,672
2013	1,533
2012	1,356
2011	1,166

Our business

Coles provides fresh food, groceries, general merchandise, liquor, fuel and financial services to more than 20 million customers on average each week through its store network and online platform. Coles has more than 101,000 team members and operates 2,386 retail outlets nationally.

Our market

Coles has a store network of 776 supermarkets, 858 liquor stores, 90 hotels and 662 convenience outlets located from as far south as Blackmans Bay, Tasmania, to as far north as Casuarina, Northern Territory, operating in Australia's highly dynamic and evolving food, grocery, liquor and convenience sector.

Coles Financial Services has more than 880,000 customers and has issued more than 440,000 home, car, life and landlord insurance policies as at 30 June 2015.

Sustainability

During the year, Coles sought feedback about its sustainability performance and reporting from external stakeholders. How Coles supports Australian made food and product quality and safety were the two most frequently mentioned issues. Other priority issues included community partnerships and support, supplier relationships and labour rights.

Australian sourcing

Coles is proud of its Australia First sourcing policy, which aims to support Australian farmers and manufacturers. Today 96 per cent of fresh fruit and vegetables sourced for Coles are Australian grown, along with 100 per cent of fresh milk and 100 per cent of fresh meat from the meat department. During the year, Coles secured a contract with Bundaberg Sugar to supply the whole Coles brand range and guarantee customers 100 per cent Australian grown sugar.

Product quality and safety

Coles' Manufacturing Supplier Standards for food were updated this year and will be relaunched to suppliers in the coming year. Coles' food standards cover product safety and quality, packaging and all claims, such as animal welfare and sustainability.

Community support

Coles' direct community support totalled $36.5 million and an additional $7.2 million was contributed by customers, team members and suppliers. Coles supported the Australian Defence Force Assistance Trust to raise awareness of the issues facing our servicemen and women, many of whom return from overseas duty suffering traumatic injuries and ill health. Coles also reached a milestone of distributing 10 million kilograms of fresh food, equivalent to 20 million meals, to people in need since its partnership with SecondBite commenced in November 2011.

Environment

A highlight for Coles during the year was Coles Hallam in the south-east of Melbourne achieving the first Green Star rating for an Australian supermarket. Hallam was awarded a 4-Star Green Star rating from the Green Building Council of Australia. Further information about Coles' sustainability progress is covered in this review on pages 29 to 36 and in the Wesfarmers Sustainability Report at **sustainability.wesfarmers.com.au**

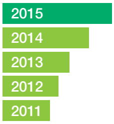
Home Improvement and Office Supplies

Bunnings

Bunnings continued to create more value for customers and improve their experience while extending brand reach both physically and digitally and strengthening the stock flow, productivity and team aspects of the business.

REVENUE

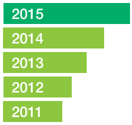
11,248 $M



2015	**11,248**
2014	10,121
2013	9,167
2012	8,644
2011	8,251

EBIT

1,206 $M



2015	**1,206**
2014	1,082
2013	997
2012	926
2011	882

Our business

Bunnings is the leading retailer of home improvement and outdoor living products in Australia and New Zealand and a major supplier to project builders, commercial tradespeople and the housing industry.

Bunnings continues to expand and improve its store network through ongoing investment in existing outlets, innovative merchandising initiatives and new store openings. Bunnings continues to develop and enhance a network of trade centres to service major commercial customers.

Our market

Operating from a network of 236 large warehouse stores, 65 smaller format stores, 33 trade centres and three frame and truss manufacturing sites, Bunnings caters for consumers and both light and heavy commercial customers across the home improvement and outdoor living market.

Sustainability

Bunnings pursues sustainability within its operations by striving to make them socially responsible, environmentally aware and economically viable.

Bunnings continues to raise awareness of sustainable living options in the wider community, helping customers take practical actions at low-cost or no-cost to save energy, use less water or take environmentally friendly actions. In-store workshops, online videos and in-store brochures are a great source of free sustainability do-it-yourself (DIY) advice. These actions link with Bunnings' ongoing work to reduce its impact on the environment which includes a strong focus on using less energy and water and lowering levels of waste to landfill.

Community involvement

Bunnings has a long tradition of actively supporting the local communities where its stores operate and its team members live.

Bunnings' teams supported more than 62,000 local activities including fundraising sausage sizzles, hands-on DIY projects, local fundraising activities, community workshops and product contributions. More than 2,800 sustainability-related activities were conducted, including more than 1,900 school visits and projects across Australia and New Zealand. Bunnings helped raise and contribute more than $35 million to local, regional and national charities and community organisations across Australia and New Zealand.

Team member safety

A focus on five key safety areas: Committing to Safety, Save Your Back, ForkSafe, Protect Your Hands, and Back to Life/Back to Work, resulted in a 9.4 per cent reduction in the number of injuries recorded and a 14.7 per cent reduction in the total recordable injury frequency rate, which was a pleasing result given the continued growth of the business. Bunnings' continuing focus on safety included a grading and performance monitoring system rolled out to over 3,500 forklift operators, a hazard spotter app developed for the in-store iPods, and the extension of the successful safety superhero competition which was run across all stores.

While we continue to have a strong focus on safety leadership and injury prevention, our new simplified injury management process has helped to achieve a 10.3 per cent reduction in our average time lost rate.

Home Improvement and Office Supplies

Officeworks

Officeworks is Australia's leading retailer and supplier of office products and solutions for home, business and education.

Our business

Officeworks is Australia's leading retailer and supplier of office products and solutions for home, small-to-medium size businesses and education. Operating through multiple channels to market, including a nation-wide network of stores and online platforms, Officeworks is focused on delivering an 'every channel' one-stop shop for households, students, teachers and education institutions, and small-to-medium businesses.

Our market

The office products market size in Australia is approximately $12 billion. Driven by an ongoing focus on meeting the needs and wants of customers and in response to low levels of growth in the core office products market, Officeworks has continued to explore and expand the addressable market through range and category expansion.

The office products market remains highly competitive with a wide variety of participants, some of whom compete across multiple categories while others seek to specialise in certain areas.

Sustainability

Officeworks wants to make a difference by contributing positively to the environment, setting high ethical sourcing standards and having an inclusive workplace that reflects and supports the communities it serves.

Making it easy to recycle packaging

As part of its 'Positive Difference' plan, Officeworks is focused on promoting awareness of recycling. Officeworks has worked with Planet Ark to design new, simple and easy-to-understand industry standard labels to help promote more recycling of packaging materials and to reduce contamination in recycling bins.

Raising awareness of printer cartridges recycling in schools

Officeworks is Australia's largest collector of printer cartridges for recycling with more than five million printer cartridges collected since 2005. To celebrate this milestone, Officeworks ran a new program in partnership with Planet Ark to further promote printer cartridge recycling in schools. The first two hundred schools to join the program received a share of 10,000 rulers made from recycled printer cartridges and the winning school won a garden bed made from recycled toner cartridges.

Developing our future leaders

During the year, 70 aspiring team members participated in our Future Leaders and Officeworks Leadership programs. Both programs include a variety of learning, networking and coaching opportunities as well as challenging assignments to accelerate team member development.
On completion of the programs, participants were awarded either a Diploma of Management or Advanced Diploma of Management certificate.

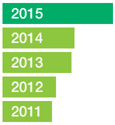
Department store retailing

Kmart

Kmart is a discount department store retailer in Australia and New Zealand and Kmart Tyre and Auto Service is a provider of retail automotive services, repairs and tyres in Australia. Kmart's vision is to ensure it is where families come first for the lowest prices on everyday items.

REVENUE

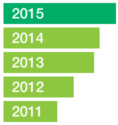
4,553$M



2015	**4,553**
2014	4,209
2013	4,167
2012	4,055
2011	4,036

EBIT

432$M



2015	**432**
2014	366
2013	344
2012	268
2011	204

Our business

Kmart was established in 1969 with the opening of its first store in Burwood, Victoria – Kmart was the very first discount department store in Australia.

Kmart revolutionised the way Australians shopped and operates 203 discount department stores throughout Australia and New Zealand (185 Australia, 18 New Zealand).

Kmart employs approximately 30,000 team members, mainly located within the stores, who are focused on delivering our vision – where families come first for the lowest prices on everyday items. Kmart offers customers a wide range of apparel and general merchandise products at low prices, every day.

Kmart Tyre and Auto Service (KTAS) has 246 centres in Australia providing customers with retail automotive services, repairs and tyres.

Our market

Kmart operates in the department store market with key competitors including Target, Big W, Myer and David Jones. Trading both in-store and online, Kmart also competes with specialist shops and online businesses locally and internationally. The market is highly concentrated and competition is anticipated to increase as international retailers enter the market and existing competitors expand store networks.

With high levels of product substitution and low switching costs, customer power is high. Consumers differentiate between retailers depending on price, quality, value and shopping experience.

Kmart sources from both local and overseas suppliers with product sourcing offices in Hong Kong, Shanghai, Dongguan, Bangladesh, India and Indonesia.

Sustainability

This year, Kmart focused on the development of its 2020 sustainability strategy, engaging with key internal and external stakeholders. These stakeholders have provided invaluable feedback to assist with the development of key focus areas covering ethical sourcing, community, environment, product quality and safety, and team members.

Kmart remains committed to the safety of its team members, customers and suppliers. The business recorded a total recordable injury frequency rate of 31.6 for the year, with the lost time injury frequency rate increasing slightly from 6.9 last year to 7.0 this year (these figures also include KTAS).

Kmart continued to trial LED lighting in stores during the year, with trials showing a reduction in energy use of 20 to 30 per cent. Kmart is now working towards rolling LED lighting out across its business.

Kmart continued to seek opportunities to engage with and support community organisations, including working with Indigenous leaders and families.

Kmart continues to support international organisations such as Salaam Baalak in Delhi and Gurgaon, Room to Read in Bangladesh and Half the Sky in China along with the Kmart Wishing Tree Appeal in Australia.

Department store retailing

Target

Target is an iconic department store retailer making fashion, style and quality affordable for the whole family every day.

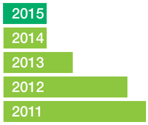
REVENUE

3,438$M

2015	3,438
2014	3,501
2013	3,658
2012	3,738
2011	3,782

EBIT

90$M



2015	90
2014	86
2013	136
2012	244
2011	280

Our business

Target operates a national network of more than 300 stores and a growing online business generating sales of over $3.4 billion. The business sells a wide range of products for the whole family, including clothing, homewares and general merchandise.

Target employs more than 19,000 team members across its stores, support offices and direct sourcing operations in Asia.

Our market

The Australian clothing, homewares and general merchandise retail sector is competitive and comprises department stores, independent specialty retailers and a growing online channel. The sector is characterised by an expanding presence of international retailers, an increasing level of direct sourcing and growth of connected retail.

Target has a strong competitive position supported by a brand heritage in quality and value. It is a market leader in womenswear, underwear, childrenswear and baby.

Sustainability

Target continues to advance its sustainability, including creating an Aboriginal and Torres Strait Islander Strategy, publishing factory lists for key supplier countries, establishing community programs in Australia and Asia and implementing a robust energy efficiency plan.

Ethical sourcing

Target continues to focus on improving conditions for workers in supplier factories with a transparent supply chain. Target supports Impactt's Benefits for Business and Workers Program, which works with factories in developing countries to make business improvements that lead to better training, pay and conditions for workers.

Target has also published factory lists of key supplier countries including Bangladesh, Vietnam, Cambodia, India and Sri Lanka with the remaining countries to be published by the end of calendar year 2015.

Team member safety

Team member safety continues to be a strong focus for Target with lost time injuries (LTIs) having decreased by 25 on the prior year and total recordable injuries reduced by 186 for the same period. The reduction in LTIs resulted in a 17.5 per cent decline in the lost time injury frequency rate to 4.7 for June 2015, reiterating its uncompromising stance on safety.

Energy efficiency

Target has set out to minimise its environmental impacts across its entire property portfolio. A range of activities including audits, controls management and new lighting standards have contributed to a significant reduction in electricity demand across the network.

Industrials

Chemicals, Energy and Fertilisers

Wesfarmers Chemicals, Energy & Fertilisers (WesCEF) operates chemical, gas and fertiliser businesses that service a range of sectors in both domestic and international markets.

REVENUE
1,839$M

2015	**1,839**
2014	1,812
2013	1,805
2012	1,786
2011	1,641

EBIT
233$M

2015	**233**
2014	221
2013	249
2012	258
2011	283

Our business

WesCEF operates eight businesses structured into three business units: Chemicals, Kleenheat, and CSBP Fertilisers.

Our market

Chemicals includes:

- the manufacture and supply of ammonia, ammonium nitrate and industrial chemicals primarily to the Western Australian resource and industrial sectors through CSBP
- Queensland Nitrates (QNP) – CSBP's 50 per cent joint venture with Dyno Nobel Asia Pacific which manufactures and supplies ammonium nitrate to the resource sector in the Bowen Basin coal fields
- Australian Gold Reagents (AGR) – CSBP's 75 per cent joint venture with Coogee Chemicals which manufactures and supplies sodium cyanide to the Western Australian and international gold mining sector
- Australian Vinyls which manufactures and supplies polyvinyl chloride (PVC) resin to the Australian industrial sector
- Australian Vinyls' subsidiary ModWood which manufactures wood-plastic composite decking and screening products

Kleenheat extracts, distributes and markets LPG to the residential and commercial markets in Western Australia and the Northern Territory. It is also a retailer of natural gas to residential and commercial markets, and electricity to businesses in Western Australia. Kleenheat also produces and supplies LNG to the heavy duty vehicle and remote power generation markets through EVOL LNG.

CSBP Fertilisers manufactures, imports and distributes phosphate, nitrogen and potassium-based fertilisers for the Western Australian agricultural sector. CSBP Fertilisers also provides technical support services through a network of staff and accredited partners in regional Western Australia.

WesCEF has operations around Australia and employs approximately 1,300 people.

During the year, Wesfarmers acquired a 13.7 per cent interest in Quadrant Energy which supplies domestic gas in Western Australia and oil across Australia. Earnings from this investment will be reported in WesCEF's result.

Sustainability

During the year, WesCEF focused on a range of areas to improve sustainability including improving safety, investing in leadership capability, operating its businesses responsibly, positively contributing to the communities in which it operates, and maintaining an ongoing commitment to environmental stewardship.

In the 2015 financial year, WesCEF's total recordable injury frequency rate reduced by 46 per cent to 5.1 and the lost time injury frequency rate reduced by 50 per cent to 1.6.

WesCEF continued its focus on regulatory compliance. In the 2015 financial year, there were 24 occasions where environmental licence conditions were either exceeded or environmental regulatory requirements not fully met. None of these recorded events resulted in any material environmental harm. WesCEF continued to reduce its greenhouse gas emissions, with nitrous oxide abatement technology installed in CSBP's nitric acid plants at Kwinana delivering an average 94 per cent total nitrous oxide abatement (a two per cent improvement on last year) equating to a reduction of 1,110,069 tonnes of CO2-e (carbon dioxide equivalent).

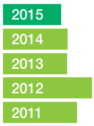
Industrials

Resources

Wesfarmers Resources is a significant Australian export miner with investments in two coal mines producing metallurgical and steaming coal. Both mines are world-scale, open-cut operations, with a majority of production exported to Asia.

REVENUE

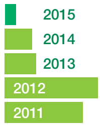
1,374 $M



2015	**1,374**
2014	1,544
2013	1,539
2012	2,132
2011	1,778

EBIT

50 $M



2015	**50**
2014	130
2013	148
2012	439
2011	369

Our business

Curragh (100 per cent)

The Curragh mine in Queensland's Bowen Basin produces metallurgical coal for export markets. It also provides steaming coal for supply to the Queensland Government's Stanwell Corporation under a long-term contract. Curragh's present export metallurgical coal nameplate production capacity is 8.5 million tonnes per annum (mtpa), with further concurrent nameplate capacity for approximately 3.5 mtpa of steaming coal production.

Bengalla (40 per cent)

The business has a 40 per cent interest in the Bengalla mine, near Muswellbrook in New South Wales, which produces steaming coal for export markets. The mine has a present nameplate capacity of 10.7 million tonnes run-of-mine (ROM) coal per annum (100 per cent basis).

Our market

Curragh

Curragh's export metallurgical coal is used in the steel-making process. Curragh has a well-established and geographically diverse customer portfolio with a number of long-standing relationships with world-leading steel-makers. In the 2015 financial year, Curragh's metallurgical exports went to Japan, India and other Asian destinations, Europe and South America.

Bengalla

Bengalla's steaming coal is used for power generation and as an energy source, predominantly by customers in north Asia.

Sustainability

Wesfarmers Resources strives to be a highly ethical business that puts the welfare of its people first. It takes its environmental responsibilities seriously and seeks to make a positive and lasting contribution to the communities in which it operates and to the nation as a whole through its economic activity. This is achieved by focusing on its material sustainability issues. Health and safety is material to the business.

The business recorded a 16 per cent reduction in the total recordable injury frequency rate from 5.0 to 4.2 and a 72 per cent reduction since June 2013. Wesfarmers Resources continues to support local communities, particularly in times of hardship as a result of natural disasters and is providing improved employment opportunities for the local Indigenous communities. By approaching sustainability this way, it is able to make a positive difference in the areas which are important to both the business and its stakeholders.

Industrials

Industrial and Safety

The Industrial and Safety business is the leading provider of industrial, safety and workwear products and services in Australia and New Zealand, enabling its customers to seamlessly and cost-efficiently run, maintain and grow their business.

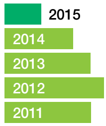
REVENUE

1,772$M

2015	1,772
2014	1,621
2013	1,647
2012	1,690
2011	1,557

EBIT

70$M



2015	70[1]
2014	131
2013	165
2012	190
2011	166

[1] Includes one-off restructuring costs of $20 million related to branch closures, business consolidation and organisational redesign.

Our business

Wesfarmers Industrial and Safety business comprises four customer focused streams: Blackwoods (including Blackwoods Protector in New Zealand); Safety Specialists (Protector Alsafe, Greencap, NZ Safety); Industrial Specialists (Coregas, Bullivants, Packaging House); and Workwear Group (including Safety Source).

It operates from a network of 240 industrial, safety and workwear branches, 159 additional gas distribution points, 55 Workwear franchise locations, supported by large distribution centres, hundreds of external and internal sales resources and digital channels.

Our market

The businesses service customers across industries such as resources, construction, retail, manufacturing, government and health. They provide a comprehensive range of industrial, safety and workwear products and services, which is complemented by specialised products and services such as industrial gases or lifting and rigging.

During the year, the business acquired the Workwear Group from Pacific Brands Limited, which includes a suite of iconic industrial workwear brands such as Hard Yakka, KingGee and Stubbies. Workwear Group also supplies uniforms and imagewear to leading airlines, financial services providers, retailers and other large corporates through NNT and Incorporatewear (UK), as well as specialised garments to defence and emergency services customers in Australia and New Zealand.

Sustainability

Sourcing and products

Through supplier survey and site audit engagements for both domestic and globally sourced products, the business promotes the sustainability of its supply chain including ethical labour standards and the environmental impact of manufactured products.

People and operations

The business keeps a strong focus on the wellbeing and development of its people, including a commitment to employee safety. It aims to minimise its environmental impact with a waste management diversion focus and energy efficiency initiatives such as retrofit lighting projects, sustainable design for new buildings and using hybrid vehicle technology.

Customers

The business is committed to delivering safe and sustainable products and services to customers on time to help them meet their business objectives. It measures DIFOT (delivered in-full on time), monitors quality issues associated with products and offers a 'Greener Work Place' range of sustainable products.

Other activities

Wesfarmers is also a major investor in BWP Trust, Gresham Partners and Wespine Industries.

BWP Trust

Wesfarmers' investment in BWP Trust (the Trust) contributed earnings of $52 million, compared to $37 million last year.

The Trust was established in 1998 with a focus on warehouse retailing properties and, in particular, Bunnings warehouses leased to Bunnings Group Limited. BWP Management Limited, the responsible entity for the Trust, is a wholly-owned subsidiary of Wesfarmers Limited. Units in the Trust are listed on the Australian Securities Exchange and Wesfarmers holds, through a wholly-owned subsidiary, 24.8 per cent of the total units issued by the Trust as at 30 June 2015.

During the 2015 financial year, the Trust acquired one additional Bunnings Warehouse property, and completed four Bunnings Warehouse developments and one store upgrade. The Trust also completed the sale of six non-core properties.

The Trust's portfolio as at 30 June 2015 consisted of a total of 82 properties: 80 established Bunnings warehouses, eight of which have adjacent retail showrooms that the Trust owns and are leased to other retailers, a fully leased stand-alone showroom property, and a leased industrial property.

Four Bunnings Warehouse developments and one store upgrade were completed during the year

Gresham Partners

Wesfarmers has a 50 per cent shareholding in Gresham Partners Group Limited, the holding company for the Gresham Partners investment house operations. Gresham is a leading independent financial services business focused primarily on the provision of financial advisory services, structured finance, and property and private equity funds management.

Following a recovery in Australia's corporate financial markets activity, Gresham participated in a number of significant advisory transactions, including mergers and acquisitions, corporate restructurings and refinancings on behalf of a range of domestic and international clients. Its property funds management business, which is the manager of three established institutional funds or syndicates, continued to support a range of Australian development projects.

Wesfarmers is a participant in the Gresham Private Equity funds which saw the progressive realisation of investments during the year, with the remaining holding being an underground mining services business operating both in Australian and overseas markets.

Wespine Industries

The 50 per cent-owned Wespine Industries operates a plantation softwood sawmill in Dardanup, Western Australia.

Timber sales for the 2015 financial year improved by 14 per cent largely due to the ongoing strength of the Western Australian house building activity. Operating margins improved during the year due to improvements in product mix and geographical market focus, leveraging the timely and integrated information generated from the management information system commissioned last year.

Safety performance deteriorated slightly, but with a reduction in the number of Lost Time Injuries. The management team is continuing its focus on the identification and mitigation of occupational risks, notably manual handling.

Sustainability overview

Long-term value creation is only possible if we play a positive role in the communities we serve. At Wesfarmers, sustainability is about understanding and managing our impact on the community and the environment, to ensure that we will still be creating value in the future.

Brigalow rehabilitation at Curragh.

We aim to operate our businesses in accordance with our 10 community and environmental impact principles relating to five areas of people, sourcing, community, environment and governance. Each year, we engage with our shareholders, customers, employees, suppliers, government, non-government organisations and the community to understand which issues are important to them. We aim to address these issues and report our progress against them in our online sustainability report.

This year, we have updated our 10 principles to include principles on the development of our people and product safety. These changes reflect the outcome of our materiality process.

Sustainability issues are managed at a divisional level and overseen by the Wesfarmers Board through regular reporting.

Our full sustainability report will be available in October 2015 at **sustainability.wesfarmers.com.au**

Safety

We maintain a relentless focus on providing safe workplaces.

Safety remains our highest priority. We are pleased that we are seeing the benefits of this relentless focus on making our workplaces safer.

Workplace safety performance

Across the Group, we measure our total recordable injury frequency rate (TRIFR) and our lost time injury frequency rate (LTIFR) to monitor our historical safety performance. Our LTIFR decreased by 5.2 per cent this year from 7.7 (excluding the Insurance division) to 7.3, driven by improvements across most businesses, most notably Officeworks, Target, WesCEF and Bunnings.

Coles recently discovered an inaccuracy in how incident reporting systems were being used at a supermarket store level. This year's TRIFR uses a more accurate approach and last year's TRIFR has been restated using the same methodology. Using the improved approach, our TRIFR this year was 39.5, a 7.5 per cent improvement compared to last year's restated results, which was driven by improvements across all divisions.

Our safety initiatives

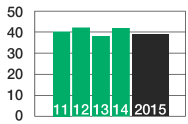
Each of our divisions has undertaken safety initiatives this year that target their particular safety risks. For example, Coles has introduced a national 'nurse on call' injury care service for team members and commenced working with transport providers to jointly address safety issues linked with stock deliveries.

Safety at Coregas Port Kembla – no lost time injuries in 10 years.

Bunnings has developed a hazard spotter app for in-store iPods and introduced a simplified injury management process.

TRIFR[1]

39.5



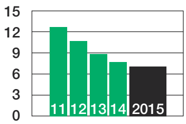
2015	**39.5**
2014	42.7[2]
2013	38.7
2012	42.7
2011	40.9

1 TRIFR is the number of Lost Time Injuries and medical treatment injuries, per million hours worked.

2 Last year's Group TRIFR result has been restated from 31.9 to 42.7.

LTIFR[1]

7.3



2015	**7.3**
2014	7.7[2]
2013	9.0
2012	10.9
2011	12.9

1 LTIFR is the number of Lost Time Injuries, per million hours worked.

2 Restated due to the maturation of data.

People development

We provide opportunities for our people to enhance their job performance and develop their careers.

Wesfarmers businesses provide employment to approximately one in 59 working Australians. We distribute 59 per cent of our revenue in salaries, wages and benefits to our employees. The quality of our people is our greatest competitive advantage and providing them with opportunities to improve their performance and their careers is key to our success.

As at June 2015, we employed approximately 205,000 people, which makes Wesfarmers Australia's largest private-sector employer. Of these, approximately 130,000 are permanent and 75,000 are casual.

In addition to our employees, our divisions engage contractors in a range of roles. There are also seasonal variations in employment numbers, with a peak throughout the Christmas/summer period in line with the broader retail industry.

This year, we employed 52,179 new people across the Group, in a range of permanent, part-time and casual roles. Our voluntary turnover rate across the Group was 17 per cent.

Since last year, we have had a net decrease in our employee numbers of approximately 2,300 people. This decrease is due to the sale of our Insurance business and structural redundancies, partially offset by the acquisition of the Workwear Group and growth in our businesses.

Each division provides a wide range of training and development in job-specific technical aspects as well as generic skills such as customer service, teamwork and leadership.

Wesfarmers provides executive development and orientation to ensure leaders understand and are developed in the key elements of the Wesfarmers culture. For example, Wesfarmers runs a New Executive Orientation program for new general managers and an Executive Development Program for future potential executives across the Group. Participants benefit from development opportunities including stretch assignments, action learning projects, coaching, mentoring and 360 degree feedback.

At least annually, the Group Managing Director meets with each division to review senior leader performance and development, succession plans for critical roles and the pipeline of high-potential leaders. Particular focus is placed on ensuring that this pipeline reflects the diversity of our workforce.

Diversity

We strive to create an inclusive work environment, with particular attention to gender diversity and the inclusion of Aboriginal and Torres Strait Islander peoples.

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 other areas of potential difference. Our Diversity Policy is available on our website.

Gender diversity

While Wesfarmers' workforce is made up of 55 per cent women and 45 per cent men as at 30 June 2015, a key opportunity for the Group is to increase the percentage of leadership positions held by women. Women hold 45 per cent of salaried roles and 57 per cent of award or Enterprise Bargaining Agreement roles. Further details of female representation across the Group over time are set out in the table on the following page.

We track progress in relation to the following four core objectives under our Diversity Policy.

Foster an inclusive culture: Inclusion begins with practices designed to increase retention of leaders with significant responsibilities outside of work. All Wesfarmers divisions have embraced this opportunity in a variety of ways, including flexible work arrangements, paid parental leave, keep-in-touch programs and on-site vacation childcare.

Improve talent management: A focus on increasing representation of women in leadership is embedded throughout the Group and divisional talent management practices including talent reviews, formal leader development (i.e., 360 assessment, programs, coaching, mentoring) and development of talent through stretch assignments. In the 2015 financial year, 80 per cent of our women leaders were retained, with women comprising 21 per cent of the divisional leadership team succession pipeline population.

Enhance recruitment practices: This year, 40 per cent of externally recruited positions and 31 per cent of internal promotions (all manager level and above roles) were filled by women. Across all roles, women and men were recruited evenly (49.7 per cent women, and 50.3 per cent males).

Ensure pay equity: Each year we undertake a gender pay review for all salaried employees by examining remuneration over 17 job levels. The 2015 review indicated that in the majority of pay levels no gap existed.

Diversity

Indigenous representation in our workforce

Wesfarmers has maintained a Reconciliation Action Plan (RAP) since 2009. A RAP is a public Aboriginal and Torres Strait Islander engagement strategy, registered with Reconciliation Australia. Our RAP is the overarching document for divisional Indigenous engagement strategies and is available on our website.

Across the Group, we have made commitments to increasing our Indigenous cultural awareness; supporting Indigenous organisations through employee secondments; investing in Indigenous education; increasing purchasing from Indigenous-owned businesses; and growing our Indigenous workforce.

This year, we made progress across all areas of our RAP, with the following highlights.

Indigenous employment: Indigenous employment remains the primary focus of our RAP. This year, we improved internal reporting mechanisms to allow us to better track Indigenous employment and retention. At 30 June 2015, Wesfarmers had 2,762 Indigenous employees, representing 1.4 per cent of Wesfarmers' Australian workforce. This was more than a 60 per cent increase on the previous year. This year, Coles hired more than 500 Indigenous team members through targeted programs.

Indigenous community partnerships: We continued community partnerships with the Australian Indigenous Mentoring Experience (AIME), Graham 'Polly' Farmer Foundation, The Kaiela Institute and Jawun Indigenous Corporate Partnerships. We also increased our sponsorship of The Clontarf Foundation, with a new

Officeworks provides Indigenous employment opportunities.

three-year partnership agreement. Many divisions also continued or commenced partnerships with organisations that support Indigenous communities, such as The Fred Hollows Foundation, Red Dust Role Models and The Australian Literacy & Numeracy Foundation.

Indigenous procurement activities: To support our RAP objective of increasing purchasing from Indigenous suppliers, Wesfarmers continues its membership of Supply Nation. Indigenous-sourced products, including Yaru Water and Outback Spirit products, are ranged in Coles outlets nationally, contributing to a cumulative spend across the Group of more than $20 million with Supply Nation-certified suppliers.

Our full RAP report and 2015-2016 RAP commitments can be found on our website.

Age diversity

Our workforce broadly reflects the Australian working population, with a high representation of young people. We employ one in 14 working Australians under 20. By providing these first jobs, our businesses enable young people to acquire skills and experience early, which is useful to them in a career with us, or in other employment.

Percentage of female employees	30 June 2011	30 June 2012	30 June 2013	30 June 2014	30 June 2015
Wesfarmers Limited non-executive directors	25	25	30	30	**33**
Senior executive positions* (general manager and above)	22	21	25	25	**25**
All management and professional roles*	26	28	28	29	**29**
Total workforce	**57**	**57**	**57**	**56**	**55**

* These positions are defined through job evaluation methodology.

Suppliers

We commit to strong and respectful relationships with our suppliers.

Our relationship with our 15,000 suppliers across the Group is very important to us. We want to provide better value to our customers and sustainable growth for our suppliers and their employees. Striving for better efficiency in our consumer supply chains ensures their continued competitiveness.

Coles is our largest consumer business and its relationship with food and grocery suppliers in Australia continues to be the focus of attention. To achieve everyday lower prices for customers, Coles has been increasing the efficiency and cost-competitiveness of its supply chain. This has enabled the purchase of significantly greater volumes of fresh food from Australian suppliers. Strengthening its relationship with its suppliers is a key focus for the Coles team.

Fewer suppliers, deeper relationships for Coles

Coles is aiming to develop deeper and longer-term relationships, with fewer suppliers. This gives greater certainty to suppliers to invest in their businesses and more opportunity for collaboration on efficiencies and product development.

Australia First at Coles

Coles has an Australian First Policy which means it always seeks to buy Australian produce in the first instance, where it is available in sufficient quantities and appropriate quality at a fair and reasonable price. Today, 96 per cent of fresh fruit and vegetables sourced for Coles customers are Australian grown, along with 100 per cent of fresh milk and 100 per cent of fresh meat from the meat department.

Suppliers

Coles and dairy farmers

There has been continued discussion about the effect of the retail price of Coles private label milk on Australian dairy farmers. Consumers want local, fresh milk and Coles continues to work with processors to ensure this can be offered at an affordable, competitive price over the long term. Coles continues to stock a range of other brands from large and small processors.

These now include brands developed by Coles with the South Australian Dairyfarmers' Association (SADA Fresh) and the WA Farmers Federation (WA Farmers First) which see 40 cents from every two litre container of milk directed to industry-benefiting projects.

Food and Grocery Code of Conduct

Since 2013, Coles has been a leading voice in the development of a voluntary Food and Grocery Code of Conduct with the Australian Food and Grocery Council. The code came into effect in June 2015 and Coles adopted it with effect from 1 July 2015. The voluntary code governs certain conduct between grocery retailers and wholesalers in their dealings with suppliers including supply agreements, payments, termination of agreements and dispute resolution.

Coles and the ACCC

In December 2014, the Federal Court of Australia approved settlement of two proceedings between the ACCC and Coles alleging that Coles engaged in unconscionable conduct in dealings with suppliers. Coles admitted eight allegations of conduct in 2011 regarding its Active Retail Collaboration (ARC) program and five allegations regarding negotiations with suppliers over various matters such as profit gaps in 2010 and 2011. Coles unconditionally apologised, paid a $10 million fine and gave an enforceable undertaking to appoint an independent arbiter (the Honourable Jeff Kennett AC) to engage with suppliers over eligibility for refunds of payments to the ARC program and other disputed payments.

On 30 June 2015, Mr Kennett reported Coles agreed to repay more than $12 million to the ARC suppliers and $324,000 to other suppliers.

Coles has taken many steps to improve its relationships with suppliers including implementing a best practice compliance framework and the establishment of a Supplier Charter, which formally commits Coles to deal in good faith with suppliers. It provides a strong, independent and confidential dispute resolution process underpinned by Mr Kennett, as an independent arbiter (in addition to his role under the enforceable undertaking).

Ethical sourcing

We strive to source products in a responsible manner while working with suppliers to improve their social and environmental practices.

We directly source products for resale from a large range of locations outside Australia, including China, Bangladesh, Thailand, India and Indonesia. Buying products from these countries creates economic benefits for them as well as allowing our businesses to provide affordable products to consumers.

As some of these countries have a lower level of regulation, our businesses need to be aware of risks such as inappropriate labour practices, child labour, forced labour and lack of freedom of association.

We have an ethical sourcing policy, which sets the minimum standards expected of our divisions. Each retail division has its own ethical sourcing policy appropriate to its business, most of which exceed the minimum expectations set. Our cross-divisional ethical sourcing forum meets quarterly to share best practice and audit program outcomes; ethical sourcing practices are reported regularly to the Audit and Risk Committee.

Increasing supply chain transparency

Our divisions are leading the way for Australian retailers in relation to supply chain transparency. This year, Kmart, Target and Coles continued rolling out disclosure of their factories' names and addresses on their respective websites. Increased transparency in relation to our supplier factory locations helps to ensure accountability and that decent conditions and workers' rights are being upheld.

Target work with Benefit for Business and Workers in Bangladesh.

Proactively addressing ethical sourcing issues

Our businesses proactively address ethical sourcing issues through a range of actions, including by providing supplier and factory education through seminars, training and workshops. They also undertake research, engage with non-government organisations (NGOs) and support broader industry initiatives to address these issues.

Ethical sourcing (continued)

Australian suppliers

Coles has led the way on responsible sourcing in Australia in recent years, including the introduction of RSPCA approved chicken, sow-stall free pork, cage free eggs and Fairtrade coffee, tea and chocolate.

In May 2015, the ABC's *Four Corners* program aired an episode reporting unfair labour conditions in Australia's fresh produce and meat industries related to the use of labour hire contractors and workers on temporary visas. Coles does not condone the abuse of workers' rights. We have responded by writing to all our fresh produce and meat suppliers reminding them of their obligations under Australian workplace laws and have commenced inquiries into a number of suppliers identified on the *Four Corners* program.

Coles is working collaboratively with the National Farmers Federation and PMA Australia-New Zealand Ltd to develop an industry-accepted best practice guideline for the management of contracted labour within the Australian fresh food supply chain.

Ethical sourcing audit programs

To mitigate the risk of unethical practices occurring in our supply chains, we apply an ethical sourcing audit program to higher risk suppliers. Suppliers are considered lower risk if they operate in more regulated countries, or if they are supplying recognised brands.

This year, our audit program covered 3,888 factories used to manufacture house-brand products for resale, in a number of countries with lower regulation than Australia, including China, Bangladesh, Thailand, India and Cambodia.

Factories in the audit program must have a current audit certificate, which means they have been audited by us or another party whose audits we accept. Those audits identify a range of non-compliances, from minor non-compliances such as minor gaps in record-keeping to critical breaches, such as incidents of bribery or forced labour.

Where a non-compliance is identified, the factory is required to fix the issue, within an appropriate period of time, depending on the nature of the non-compliance. Factories are 'conditionally approved' if non-critical non-compliances have been identified and notice has been given that they must be fixed. If a factory then addresses a non-compliance, it can move to becoming an 'approved' factory.

If critical breaches are identified, they must be addressed immediately. If they are addressed satisfactorily, a factory can then become approved. In this way, our audit process is contributing to improving conditions for workers by working with factory owners to address any issues. If a factory is not willing or able to address a critical breach, our business will not continue to buy from that factory.

At the end of this reporting period, there were 2,139 approved factories in our audit program. A further 1,500 factories were conditionally approved and 210 factories were due for re-audit. During the year, we identified 39 critical breaches across the factories in our audit program. These mainly concerned issues (or allegations) of bribery, unauthorised subcontracting and forced labour. Twenty-one of these issues were immediately resolved and no further orders were placed at the factories where the remaining 18 breaches occurred.

Ethical sourcing audit program findings

Approved	2,139
Conditionally approved	1,500
Expired audits	210
Critical breaches	39

Product safety

We are committed to providing consumers with safe products.

All consumer products we supply must be safe and meet consumer guarantees under the Australian Consumer Law. We do not sell banned products and ensure that all our products comply with relevant mandatory standards before they are offered for sale. As well as safety testing and compliance with required standards, our divisions implement product recalls where possible safety issues arise.

As part of Coles' commitment to delivering great quality affordable products, Coles regularly reviews its own brand products and makes changes where required. Nearly 100 improvements were undertaken with Coles Brand suppliers, including relaunching Coles Little Explorer nappies with a stronger outer material. During the year, only one Coles Brand product was recalled and 163 products received industry accolades. This year Patties Foods initiated a recall following a concern that the Nanna's mixed berry product stocked by Coles and other retailers had been linked to potential Hepatitis A contamination.

This year Kmart had six voluntary product recalls for Kmart brand products compared to four last year. The six recalls related to mugs, a hammock, a lamp, car seat covers, power boards and an apple cutter. All recalls were undertaken as a precautionary measure, with no major product-related injuries reported, although minor injuries such as bruising, cuts and burns were reported in relation to the hammock, apple cutter and mugs.

Throughout this year Target has adopted best practice principles to comply with both international and Australian standards. For instance, there are currently no specific legislative requirements in Australia governing the restrictive use of

Product safety
(continued)

chemicals in the production of apparel or home textiles. Target has made the decision to adopt a number of apparel/textile standards from the European Community Regulation.

Safety manuals have been reformatted and made available to our supplier base outlining Target's ongoing commitment to providing safer products. A safety focused culture is being promoted throughout product development with a particular emphasis on early identification and mitigation of risk.

Bunnings continues to proactively engage with suppliers to ensure adherence to product safety standards. Bunnings conducts regular product audits to ensure conformance with relevant mandatory standards, and in addition undertakes independent safety tests on selected product to confirm compliance to safety standards and customer expectations.

This year Officeworks had two voluntary product recalls for Officeworks-branded items. The two recalls related to a USB wall charger and a children's table and chair set. The recalls were undertaken as a precautionary measure, with no product-related injuries reported. Officeworks undertook a review and update of its packaging safety marking manual which is being implemented for private label products.

Wesfarmers Industrial and Safety provides safety products to industry, so it is vital that products adhere to rigorous safety standards. Bullivants is a specialist provider of lifting, rigging, safety and related services to the industrial sector. As a corporate member of five Australian and International standards organisations, Bullivants maintains ongoing safety best practice to provide a comprehensive solution to help customers operate safely and efficiently.

Community contributions

We make a positive contribution to the communities in which we operate.

We have an impact on our communities in a variety of ways: meeting the basic needs of the community such as food, clothing and tools; providing employment for nearly one in every 59 working Australians; paying taxes to governments; and providing support to not-for-profit organisations. With 98 per cent of our revenue earned in Australia and 80 per cent of our shares on issue held in Australia, we have a significant positive impact on the Australian economy, as well as contributing to other economies.

Wesfarmers has always believed that a strong business environment is underpinned by a cohesive and inclusive community environment. Accordingly, Wesfarmers has had a long-term commitment to investing in community initiatives linked to long-term social and economic outcomes.

Our community partnerships program reflects the divisional autonomy of the Group. The Wesfarmers Board has approved a number of long-term partnerships focused on four areas: medical research and health; Indigenous programs, particularly targeting education and employment outcomes; community and education initiatives; and the Wesfarmers Arts program. In addition, our divisions create value for the community in ways that best fit with their core business and geographic spread, from the well-recognised Bunnings community barbecues to other fundraising support for a wide range of activities such as women and children in crisis, education programs and environmental projects.

Collectively across the Wesfarmers Group we directly contributed $50 million to community organisations this year, which equates to 1.5 per cent of profit before income tax.

A team from Bunnings in Sydney worked on Marina Abramovic in Residence.

As well as our direct contributions, the Group facilitated donations from customers and employees totalling $53 million this year, which went to a wide range of community initiatives.

Major initiatives this year

This year, in recognition of the importance of the Anzac centenary, Wesfarmers was a significant supporter of the Australian War Memorial's touring exhibition 'The Lost Diggers of Vignacourt', which assisted in bringing the exhibition to Western Australia. Wesfarmers also renewed its support for Mission Australia's Drug and Alcohol Youth Respite Service, based in Western Australia. In addition, we have significant partnerships with the Telethon Kids Institute, Surf Life Saving WA, Curtin Business School, the Juvenile Diabetes Family Centre, and the Harry Perkins Institute of Medical Research.

As a Group, our collective efforts with some of our Indigenous community partners are beginning to gain traction. Wesfarmers committed to increase funding for one of its long-term partners, Clontarf Foundation, which runs programs aimed at engaging and retaining Indigenous students at school. Clontarf is also supported at a local level by a number of our divisions, including WesCEF, Bunnings and Officeworks.

Wesfarmers also supports the Australian Indigenous Mentoring Experience (AIME) through a national sponsorship. Target also supports AIME by helping with the manufacture, distribution and promotion of AIME's signature 'hoodies'.

Community contributions
(continued)

Wesfarmers Arts

The Wesfarmers Arts program provides major ongoing support to a number of premier Australian arts companies. The company's sponsorship of the arts focuses on increasing community access to premier quality arts from Australia and the world in the belief that a vibrant cultural sector makes a positive contribution to the lives of all Australians.

A highlight in our Centenary year was the BOAB100 creative partnership with Waringarri Aboriginal Arts in which 15 Kimberley artists were commissioned to produce Wesfarmers' official centenary gifts. Inspired by the iconic boab tree and the traditional art form of boab nut engraving unique to the Kimberley, BOAB100 is a collection of 15 superbly engraved boab nuts cast in white aluminium, produced as a limited edition of 100 sets. Complete sets of all fifteen sculptures were gifted during the year to the National Gallery of Australia, The Art Gallery of Western Australia, the National Library of Australia and Western Australian Parliament where they are now on public display.

A number of our arts partners participated in events to mark our centenary during the year, including Bell Shakespeare Company, West Australian Symphony Orchestra, West Australian Opera and Western Australian Ballet, which we supported during the year to establish two Wesfarmers Young Artist positions.

The year also saw the exhibition 'LUMINOUS WORLD: contemporary art from the Wesfarmers Collection' travel to the Samstag Museum of Art in Adelaide, the National Library of Australia in Canberra, the Academy Gallery in Launceston and the Ian Potter Museum of Art in Melbourne.

Climate change resilience

We strive to reduce the emissions intensity of our businesses and improve their resilience to climate change.

As the likelihood of significant climate change increases, our businesses need to respond in two ways. Firstly, we need to actively monitor and manage our own greenhouse gas emissions and reduce them where possible. Secondly, we need to understand the specific risks created by climate change for our businesses and address those risks.

Position on climate change

We recognise that the climate is changing due to human actions and we acknowledge that we and Australia have a part to play in mitigating this climate change. Wesfarmers supports the Commonwealth Government's commitment to work towards a global agreement to limit global warming to less than 2°C above pre-industrial levels. Long-term policy certainty is a pre-requisite for decarbonisation to occur efficiently and affordably. We will continue to improve the greenhouse gas efficiency of our operations, which reduces our own business costs and risk, as well as contributing to climate change mitigation.

Managing our emissions

We emit greenhouse gases both directly and indirectly. Our direct (scope one) emissions primarily come from our industrial businesses, including the use of natural gas, refrigerants, diesel and fugitive emissions from coal mining. Our main source of indirect (scope two) emissions is electricity used by our operations.

We are able to manage our emissions intensity through technology improvements in our industrial processes and through energy efficiency initiatives in all our businesses.

This year, our total scope one and two emissions were 4,009,504 tonnes CO_2e. Despite an increase in emissions from our Resources business, this represented a total decrease of one per cent from last year, driven by energy efficiency projects at Coles and Target. Over the past five years, we have seen an improvement in emissions intensity of 37 per cent.

Adapting for climate change

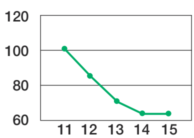
Forecasting climate changes is complex but ensuring our businesses are robust under potential scenarios reduces financial, operational, regulatory and reputational risk.

Increased weather volatility, increased extreme weather events, higher average temperatures and drier climates all have the potential to impact our operations and supply chains, in a range of ways. This year, we have increased our focus on testing the robustness of our businesses against climate change and have developed a climate change scenario to use in the next cycle of our annual risk process.

This year, some stakeholders have raised concerns about Wesfarmers' investment in coal assets. Most coal from our wholly-owned Curragh coal mine is metallurgical coal, which is a necessary component in the steel-making process. We do produce thermal coal at Curragh and in our joint venture Bengalla mine. While we expect that the energy mix will change over time, all feasible scenarios show that it is highly likely that there will be a role for thermal coal as a source of energy for many years. Wesfarmers continues to consider its Resources business to be a valuable addition to its portfolio.

Scope 1 and 2 greenhouse gas emissions intensity (tonnes CO_2e / $ million revenue)

64.2 tonnes



2015	**64.2**
2014	64.9
2013	70.9
2012	85.3
2011	101.6

Waste and water use

We strive to reduce our waste to landfill and water use where possible.

Reducing waste creates environmental and business benefits for our divisions. We work to divert waste to recycling throughout the product life cycle. Water use is significant for our industrial businesses and they work to reduce its use or find more sustainable water sources where possible.

Recycling and waste

Despite our efforts to reduce our waste, this year our waste to landfill has increased slightly to 136,093 tonnes and our recycled waste has increased by eight per cent to 303,387 tonnes.

This increase in waste disposed was largely driven by the growth of Bunnings' operations during the year and improved data collection at Kmart.

We continued to undertake waste reduction initiatives throughout the Group. Bunnings continued its timber pallet reuse and recycling program using the backload capacity of vehicles and conducted a trial to backhaul plastic strapping.

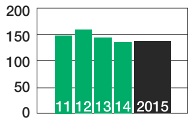
Coles' food donations via Foodbank and SecondBite increased by 14 per cent during the year, to more than 5.2 million kilograms. Coles also expanded donations to SecondBite to include frozen meat at more than 200 stores. Approximately 278 tonnes of plastic (including plastic bags and product packaging) was returned to Coles supermarkets by customers for recycling via the REDcycle program.

Changes to how products are packaged can reduce the downstream waste associated with our businesses. Wesfarmers is a signatory to the Australian Packaging Covenant (APC), which is a voluntary packaging waste reduction and recycling initiative between governments, the packaging industry, retailers and consumer brand owners.

Wesfarmers reports annually on its packaging initiatives and progress to the APC. Our 2015 report is available on the APC website.

Disposed waste

136,093 tonnes



2015	**136,093**
2014	134,706
2013	143,515
2012	159,106
2011	147,140

Managing water use

This year, our recorded water use was 15,450 megalitres. To better focus sustainability efforts on each division's material issues, Kmart, Industrial and Safety, Target and Officeworks are no longer required to record water use, as it is not a material issue for them. Across the remaining divisions, this year's figure represents a six per cent reduction on last year's water use.

Resources, our largest water user, achieved a 13 per cent reduction in water use this year. This was achieved through a number of measures, including awareness campaigns about water use in the plant, more regular reporting to increase the visibility of water management and more accurate municipal water metering at Curragh.

Corporate governance

We maintain robust corporate governance policies in all our businesses.

Corporate governance is the system of rules, practices and processes by which a company is directed and controlled. We are very proud of our approach to corporate governance and believe it is vital to ongoing value creation for our shareholders and other stakeholders.

The corporate governance framework has been established by the Wesfarmers Board. A summary of the corporate governance framework can be found on pages 41 to 44 of this review, with more information available on our website at **www.wesfarmers.com.au/cg**

Our full sustainability report contains numerous case studies and is prepared in accordance with Global Reporting Initiative's G4 standard and assured by Ernst & Young. It will be available in October 2015 at sustainability.wesfarmers.com.au

Board of directors

Wesfarmers has a talented, hard-working and increasingly diverse board committed to providing satisfactory returns to shareholders while adhering to the highest ethical standards.

Bob Every AO, age 70

Chairman

BSc (Hons), PhD, Hon DSc, FTSE, FAICD, FIE Aust

Term: Chairman since November 2008, director since February 2006.

Skills and experience:
Bob was the Chairman of both Steel and Tube Holdings Limited and Iluka Resources Limited, as well as Managing Director and Chief Executive Officer of OneSteel Limited. Other executive positions previously held include Chief Executive Officer of Steel and Tube Holdings Limited, Managing Director of Tubemakers of Australia Limited and President of BHP Steel.

Directorships of listed entities (last three years), other directorships/ offices (current and recent):

- Chairman of Boral Limited (since May 2010)
- Harry Perkins Institute of Medical Research Incorporated (formerly WAIMR)
- UNSW Foundation Limited

Michael Chaney AO, age 65

Chairman-elect

BSc, MBA, Hon. LLD W.Aust, FAICD, FTSE

Term: Rejoined the Board and a Director since June 2015 and Chairman-elect.

Skills and experience:
After an early career in petroleum geology and corporate finance, Michael joined Wesfarmers in 1983 as Company Secretary and Administration Manager. He became Finance Director in 1984 and was appointed Managing Director in July 1992. He retired from that position in July 2005.

Directorships of listed entities (last three years), other directorships/ offices (current and recent):

- Chairman of National Australia Bank Limited (since September 2005)
- Chairman of Woodside Petroleum Limited (since July 2007)
- Chancellor of The University of Western Australia (since December 2005)
- Member, Prime Minister's Business Advisory Council (since December 2013)
- Member, Commonwealth Science Council (since October 2014)
- Chairman of Gresham Partners Holdings Limited (retired May 2015)

Richard Goyder AO, age 55

Managing Director

BCom, FAICD

Term: Director since July 2002.

Skills and experience:
Richard joined Wesfarmers in 1993 after working in various commercial roles at Tubemakers of Australia Limited. He was Managing Director of Wesfarmers Landmark Limited in 1999 until he became Finance Director of Wesfarmers Limited in 2002 and then Deputy Managing Director and Chief Financial Officer in 2004. Richard assumed the role of Managing Director and Chief Executive Officer in July 2005.

Directorships of listed entities (last three years), other directorships/ offices (current and recent):

- Gresham Partners Holdings Ltd
- Australian Football League Commissioner
- Chairman of Australian B20 (appointment expired December 2014)

Terry Bowen, age 48

Finance Director

BAcct, FCPA

Term: Director since May 2009.

Skills and experience:
Terry has held a number of finance positions with Tubemakers of Australia Limited. Terry joined Wesfarmers in 1996 and undertook various roles with Wesfarmers Landmark Limited, including Chief Financial Officer until 2003. He then became Chief Financial Officer for Jetstar Airways, prior to rejoining Wesfarmers as Managing Director, Wesfarmers Industrial and Safety in 2005. Terry became Finance Director, Coles in 2007 and Wesfarmers Finance Director in 2009.

Directorships of listed entities (last three years), other directorships/offices (current and recent):

- Gresham Partners Holdings Ltd
- Chairman of the Western Australian Opera Company Incorporated
- President of the National Executive of the Group of 100 Inc. (retired December 2013)
- Harry Perkins Institute for Medical Research Incorporated (retired May 2013)

Paul Bassat, age 47

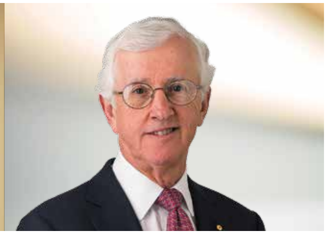
B.Comm, LL.B.

Term: Director since November 2012.

Skills and experience:
Paul commenced his career as a lawyer in 1991. He co-founded SEEK Limited in 1997, and served as Chief Executive Officer and then as joint Chief Executive Officer until 2011. He is a co-founder and director of Square Peg Capital Pty Ltd, a venture capital fund that invests in early stage and growth stage technology companies. He is also a director of the Peter MacCallum Cancer Foundation, The Prince's Charities Australia Trust and the P&S Bassat Foundation.

Directorships of listed entities (last three years), other directorships/offices (current and recent):

- Australian Football League Commissioner



James Graham AM, age 67

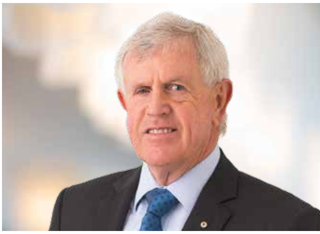
BE (Chem)(Hons), MBA, FIE Aust, FTSE, FAICD, SF Fin

Term: Director since May 1998.

Skills and experience:
James has had an active involvement in the growth of Wesfarmers since 1976 as Chairman and Managing Director of Gresham Partners Limited, and previously as Managing Director of Rothschild Australia Limited. James was also previously Chairman of Rabobank Australia Limited, Chairman of the Darling Harbour Authority and a director of Hill Samuel Australia Limited.

Directorships of listed entities (last three years), other directorships/offices (current and recent):

- Chairman of the Advisory Council of the Institute for Neuroscience and Muscle Research
- Wesfarmers General Insurance Limited (resigned June 2014)



Tony Howarth AO, age 63

CitWA, Hon.LLD, SF Fin, FAICD

Term: Director since July 2007.

Skills and experience:
Tony has more than 30 years' experience in the banking and finance industry. He was Chairman of Home Building Society Limited and Deputy Chairman of Bank of Queensland Limited. Tony has held several senior management positions during his career, including Managing Director of Challenge Bank Limited and Chief Executive Officer of Hartleys Limited.

Directorships of listed entities (last three years), other directorships/ offices (current and recent):

– BWP Management Limited
– Chairman of MMA Offshore Limited
– Chairman of St John of God Health Care Inc.
– Chairman of the West Australian Rugby Union Inc.
– Alinta Holdings

Wayne Osborn, age 64

Dip Elect Eng, MBA, FAICD, FTSE

Term: Director since March 2010.

Skills and experience:
Wayne commenced working in the iron ore industry in the mid-1970s and joined Alcoa in 1979. He worked in various roles across the Australian business, including accountability for Alcoa's Asia Pacific operations, prior to being appointed Managing Director in 2001, retiring in 2008.

Directorships of listed entities (last three years), other directorships/ offices (current and recent):

– Alinta Holdings
– Iluka Resources Limited (since March 2010)
– South32 Limited (since May 2015)
– Chairman of the Australian Institute of Marine Science (retired December 2014)
– Leighton Holdings Limited (resigned March 2013)
– Chairman of Thiess Pty Ltd (resigned September 2012)

Diane Smith-Gander, age 57

B.Ec, MBA, Hon.DEc W.Aust, FAICD, FGIA

Term: Director since August 2009.

Skills and experience:
Diane has extensive experience in corporate governance and providing strategic advice to corporations in Australia and overseas. She was a partner with McKinsey & Company in the USA and has more than a decade of executive experience in the banking industry.

Directorships of listed entities (last three years), other directorships/ offices (current and recent):

– Chairman of Transfield Services Limited (director since October 2010, Chairman since October 2013)
– Commissioner of Tourism WA (appointment expired 30 June 2015)
– Co-operative Bulk Handling Limited and CBH Grain Limited (resigned February 2014)
– Deputy Chairman of NBN Co Limited (National Broadband Network) (resigned September 2013)

Vanessa Wallace, age 52

B.Comm, MBA, MAICD

Term: Director since July 2010.

Skills and experience:
Vanessa is an experienced management consultant who has been with Strategy& (formerly Booz & Company) for more than 25 years. She has deep expertise in the financial services sector across the spectrum of wealth management, retail banking and insurance, with particular functional depth in risk management, post-merger integration and capturing business opportunities associated with channels, customers and markets. Vanessa is based in Japan, focused on the Japanese market and continues post the PwC merger as the Executive Chairman of Strategy& (Japan).

Directorships of listed entities (last three years), other directorships/ offices (current and recent):

- Executive Chairman of Strategy& (Japan) Inc. (April 2013 – current)
- Director of Booz & Company entities in Australia, New Zealand, Thailand and Indonesia (varied tenure through to February 2013)

Jennifer Westacott, age 55

BA (Honours), FAICD, FIPAA

Term: Director since April 2013.

Skills and experience:
Jennifer is Chief Executive of the Business Council of Australia. Prior to that, she was a Board Director and lead partner at KPMG. Jennifer has extensive experience in critical leadership positions in the NSW and Victorian Governments.

Directorships of listed entities (last three years), other directorships/ offices (current and recent):

- Adjunct Professor at the City Research Futures Centre of the University of NSW
- Chair of the Mental Health Council of Australia
- Member of the Prime Minister's Cyber Security Review Panel
- Member of the Prime Minister's Expert Advisory Panel on the Reform of the Federation
- Urban Renewal Authority South Australia (retired July 2013)

Corporate governance summary

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.

Set out below is an overview of selected aspects of Wesfarmers' corporate governance framework and key focus areas of the Board and its committees in 2015.

A copy of Wesfarmers' full 2015 Corporate Governance Statement, which provides detailed information about governance, and a copy of Wesfarmers Appendix 4G which sets out the company's compliance with the recommendations in the third edition of the ASX Corporate Governance Council's Principles and Recommendations (ASX Principles) is available on the corporate governance section of the company's website at **www.wesfarmers.com.au/cg**

The Board believes that the governance policies and practices adopted by Wesfarmers during 2015 are in accordance with the recommendations contained in the ASX Principles.

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 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 Leadership Team are set out on pages 8 and 9 of the 2015 annual report. 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 2015 financial year are set out below.

Key focus areas of the Board during the 2015 financial year included:

- Overseeing management's performance in strategy implementation and monitoring the financial position of the Group
- Reviewing business operations and development plans of each division likely to impact long-term shareholder value creation
- Reviewing talent management and development underpinning the Group's operations
- Managing Chairman succession planning, resulting in the appointment in June 2015 of Mr Michael Chaney as a non-executive director and Chairman-elect to succeed the current Chairman, Dr Bob Every, at the conclusion of the 2015 Annual General Meeting
- Approving the capital management distribution of $1.00 per fully-paid ordinary share which returned $1,148 million to shareholders, comprising a capital return of 75 cents per share and a fully-franked dividend of 25 cents per share. The capital return component was accompanied by an equal and proportionate share consolidation through the conversion of one share into 0.9827 shares
- Approving growth opportunities to complement the existing portfolio, including the acquisition of the Workwear Group from Pacific Brands Limited, the acquisition of the remaining 50 per cent of the Coles credit card joint venture and the investment of a 13.7 per cent interest in Quadrant Energy
- Monitoring the implementation of risk management plans to address identified operational, financial and reputational risks for Group businesses
- Approving revisions to the Board and committee charters to align with the recommendations and commentary of the third edition of the ASX Corporate Governance Council's Principles and Recommendations (ASX Principles)
- Reviewing policies to improve the Group's system of corporate governance, including approving amendments to the Code of Conduct, Whistleblower, Anti-bribery, Securities Trading and Market Disclosure policies

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 11 directors, including nine non-executive directors. Detailed biographies are set out on pages 37 to 40 of this annual review. 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; home improvement and office supplies; department stores; chemicals, energy and fertilisers; coal; and industrial and safety products.

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 Coles and Target divisional boards.

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.

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 has reviewed the position and relationships of all directors in office as at the date of this review and considers that:

- Eight of the nine non-executive directors are independent.
- The Chairman is independent.
- Mr James Graham is not 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 25 on page 126 of the 2015 annual report.
- Ms Vanessa Wallace is independent. Ms Wallace was previously considered not to be independent, given her senior roles within Strategy&, which forms part of the PwC network, which is a provider of material professional services to the Group. Within the last three years, Ms Wallace's role was based in Japan and focused on the Japanese market. Ms Wallace had no decision rights and no day-to-day involvement in the Australian operations of PwC. 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. Effective from 1 July 2015, Ms Wallace retired from Strategy&, Japan.

Committees of the Board

The Board has established an Audit and Risk Committee, a Nomination Committee, a Remuneration Committee and a Gresham Mandate Review Committee as standing committees to assist with the discharge of its responsibilities. Details of the current membership and composition of each committee are set out in the 2015 Corporate Governance Statement.

Role of the Nomination Committee

As part of the Nomination Committee's oversight of Board succession planning, it is 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. 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. More details about Wesfarmers' review process for both the Board and its committees is set out in the 2015 Corporate Governance Statement.

Key focus areas of the Nomination Committee during the 2015 financial year included:

- Chairman succession planning resulting in the appointment of a new non-executive director to succeed the Chairman at the conclusion of the 2015 Annual General Meeting
- Scheduling of performance reviews of the Board, its committees and individual directors
- Consideration of feedback from major shareholders during the Chairman's Roadshow conducted prior to the 2014 Annual General Meeting
- Endorsing revisions to the Nomination Committee Charter for Board approval

Role of the Remuneration Committee

The role of the Remuneration Committee is to review and make recommendations to the Board in relation to overall remuneration policy. Full details of the remuneration paid to non-executive and executive directors, and senior executives, are set out in the remuneration report on pages 73 to 86 of the 2015 annual report.

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 performance reviews of each member of the Wesfarmers Leadership Team, including the executive directors, for the 2015 financial year have been undertaken. More details about Wesfarmers' performance and development review process for senior executives is set out in the 2015 Corporate Governance Statement.

Key focus areas of the Remuneration Committee during the 2015 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
- Reviewing the performance metrics and structure of the Wesfarmers variable remuneration plans and recommending to the Board vesting of the 2011 Wesfarmers Long Term Incentive Plan shares, based on the achievement of the performance conditions
- Reviewing and making a recommendation to the Board in relation to non-executive director fees and the maximum aggregate amount of remuneration that may be paid to non-executive directors
- Endorsing revisions to the Remuneration Committee Charter for Board approval
- Reviewing and monitoring diversity targets and gender pay equity

Role of Audit and Risk Committee

Risk is an accepted part of doing business and Wesfarmers is committed to the identification, monitoring and management of material risks associated with its business activities across the Group to create long-term shareholder value.

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

Key focus areas of the Audit and Risk Committee during the 2015 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 and the accrual of costs 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

Role of the external 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. Mr Darren Lewsen is the lead partner for Ernst & Young and was appointed on 1 July 2013. Ernst & Young provided the required independence declaration to the Board for the financial year ended 30 June 2015. The independence declaration forms part of the directors' report and is provided on page 72 of the 2015 annual report.

Risk Management Framework

The Risk Management Framework of Wesfarmers is reviewed by the Board on an annual basis and was approved in May 2015. This framework details the overarching 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:

- guidelines and limits for approval of all expenditure, including capital expenditure and investments;
- a Group compliance program supported by approved guidelines and standards covering safety, information technology, the environment, legal liability, risk identification, quantification and reporting, and financial reporting controls;
- a comprehensive risk financing program, including risk transfer to external insurers and reinsurers;
- policies and procedures for the management of financial risk and treasury operations;
- annual budgeting and monthly reporting systems for all businesses;
- appropriate due diligence procedures for acquisitions and divestments; and
- crisis management systems for all key businesses in the Group.

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 shareholder information electronically.

Governance policies

The corporate governance section of the company's website (**www.wesfarmers.com.au/cg**) contains access to all relevant corporate governance information, including Board and committee charters and Group policies referred to in the 2015 Corporate Governance Statement.

Company Secretary

Linda Kenyon is the Company Secretary of Wesfarmers and a member of the Leadership Team. Ms Kenyon's qualifications and experience are set out in the directors' report on page 70 of the 2015 annual report.

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 to 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 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 staff secondments to Indigenous organisations.

Wesfarmers Gender Diversity Policy outlines four core objectives which are used to measure performance in this area – to foster an inclusive culture; to improve talent management; to enhance recruitment practices; and to ensure pay equity.

Further details on diversity are set out on page 31 of this annual review and in the 2015 Corporate Governance Statement.

Remuneration overview

Introduction

This summary provides an overview of how Wesfarmers' performance for the 2015 financial year has driven remuneration outcomes for senior executives.

During the year the Board reviewed the remuneration framework to ensure it aligns with the Group's strategy and business objectives.

The outcome of this review was that the Board decided to reweight the performance conditions under the Wesfarmers Long Term Incentive Plan (WLTIP) (to be granted in the 2015 financial year) such that relative Total Shareholder Return (TSR) and growth in Return on Equity (ROE) will each have a 50 per cent weighting.

Key messages

The Wesfarmers Limited Board is committed to an executive remuneration framework that is focused on driving a performance culture and linking executive pay to the achievement of the Group's strategy and business objectives and, ultimately, generating satisfactory returns for shareholders.

Senior executive remuneration is set at levels which are competitive with executives in comparable companies and roles. This is vital to attracting and retaining the best people, and reflects the executive's contribution, competencies and capabilities, and at a level that enables Wesfarmers to attract and retain the best people.

The remuneration report, which can be found on pages 73 to 86 of the 2015 annual report, explains how Wesfarmers' performance for the 2015 financial year has driven remuneration outcomes for senior executives. The audited remuneration table can be found on page 81 of the 2015 annual report.

A summary of the key changes to remuneration-related matters is set out below:

(a) Financial highlights for FY2015

The Group's retail portfolio delivered strong earnings growth, which the Group attributes to improved merchandise offers and our continued focus on delivering value to customers. In the Group's industrial businesses, despite good outcomes in cost control and operational productivity, lower commodity prices and customer project activity provided a challenging sales environment, with lower overall earnings recorded.

The Group reported net profit after tax of $2,440 million for the full-year ended 30 June 2015, an underlying increase of 8.3 per cent on the prior corresponding period when excluding discontinued operations and non-trading items.

(b) Annual incentive

At or above target awards were delivered to most executives of the retail divisions reflecting generally strong earnings growth in the Group's retail portfolio.

While good cost control and operational productivity was achieved within the Group's industrial businesses, lower earnings in the Resources and Industrial Safety divisions resulted in the annual incentive plans for these businesses delivering below target awards.

Pages 76 and 77 of the 2015 annual report provide details on group and divisional performance and total amounts awarded this year.

(c) Long-term incentives vesting in the year

Over the four-year measurement period of the 2011 WLTIP (1 July 2011 to 30 June 2015), Wesfarmers delivered 6.18 per cent compound annual growth in ROE, placing it at the 71st percentile relative to the ASX 50 Index, which came close to meeting the ROE performance condition (with a 75 per cent weighting) in full. The Group delivered a TSR over the four-year period of 58.5 per cent, placing it at the 51st percentile relative to its ASX 50 peers and partially meeting the TSR performance condition (with a 25 per cent weighting). These strong outcomes resulted in 82.71 per cent of the WLTIP vesting.

(d) Fixed remuneration

Fixed remuneration did not increase for a number of senior executives during the 2015 financial year, as the current levels of remuneration were considered appropriate. The average fixed remuneration increase for key management personnel for the 2015 financial year was three per cent.

(e) Managing Director's remuneration

Mr Goyder's fixed remuneration has not increased since October 2011.

His total reported remuneration for the 2015 financial year was $9.9 million (2014: $9.4 million). This includes an accounting expense of $2.6 million (2014: $2.4 million) in relation to his performance shares granted under the 2011 WLTIP and unvested performance rights granted under the 2012, 2013 and 2014 WLTIP, and $1.5 million (2014:$1.3 million) from the deferred share component of his 2013, 2014 and 2015 annual incentive.

Excluding these accounting charges, Mr Goyder's remuneration for the year was $5.7 million (2014: $5.7 million) which comprised fixed remuneration, non-monetary benefits, post-employment benefits (including superannuation) and his annual cash incentive payment.

Framework

Wesfarmers is committed to an executive remuneration framework that is focused on:

- driving a performance culture, and
- linking executive pay to the achievement of the Group's strategy and business objectives.

The overriding objective is to provide satisfactory returns to shareholders and the remuneration principles are focused on driving the leadership performance and behaviours consistent with achieving this objective.

The executive key management personnel (KMP) includes the executive directors (the Group Managing Director and Finance Director) and those executives who have authority and responsibility for planning, directing and controlling the activities of a major profit-generating division of Wesfarmers.

Our executive remuneration framework comprises fixed annual remuneration, an annual incentive and a long-term incentive. The graphs below show each of the components as a percentage of total target annual remuneration for the 2015 financial year.

Group Managing Director

	%
FAR	34
STI	33
LTI	33

Other senior executives

	%
FAR	42
STI	25
LTI	33

- Fixed annual remuneration (FAR)
- At risk pay – annual incentive (STI)
- At risk pay – long-term incentive (LTI)

Guiding principles

The Remuneration Committee has adopted four guiding principles when considering remuneration plans and policies.

The principles used to guide Wesfarmers' remuneration policy for senior executives are:

- **ownership aligned** – remuneration arrangements generally encourage Wesfarmers' senior executives to behave like long-term 'owners'. There should be a strong link between remuneration earned and the achievement of sustainable performance that leads to satisfactory returns for shareholders;
- **performance focused** –remuneration arrangements should reward strategic, operational and financial performance of the business. A significant proportion of each executive's remuneration is dependent upon Wesfarmers' success and individual performance;
- **consistency and market competitiveness** – a common set of remuneration practices will generally apply to all senior executive roles. Wesfarmers positions remuneration to be competitive, with an opportunity for highly competitive total remuneration for superior performance; and
- **open and fit for purpose** – remuneration arrangements can be innovative to respond to business and operational needs. However, all remuneration arrangements for KMP will be communicated to key stakeholders in an open and transparent manner.

Remuneration framework

The diagram below provides a snapshot of our framework and the way in which each element of remuneration has been structured to support our Group business objectives and to align with the generation of shareholder wealth.

Component	Performance measure	At risk weight	Strategic objective/performance link
FIXED ANNUAL REMUNERATION (FAR) Salary and other benefits (including statutory superannuation) +	**Key result areas for the role:** As outlined in the position description		– Remuneration set at competitive levels, to attract, retain and engage key talent. Considerations: – Role and responsibility – Business and individual performance – Internal and external relativities – Contribution, competencies and capabilities.
ANNUAL INCENTIVE (STI) Cash for target performance Restricted shares for performance above target Voluntary deferral (of portion of cash award into shares) +	**Group Financial measures (for Group executives):** Group Net Profit After Tax (NPAT) and Return on Equity (ROE) **Divisional measures (for divisional executives):** Divisional Earnings Before Interest and Tax (EBIT), Divisional Return on Capital (ROC) and where appropriate, store sales growth, coal sales and mine cash costs **Non-financial measures (for both):** Including diversity, talent management, safety and agreed key objectives	**Target:** 60% of FAR (100% of FAR Group MD) **Maximum:** 120% of FAR	– Rewards performance at Group level. The financial performance measures were chosen principally because Group profit and ROE should drive dividends and share price growth over time. – Recognises and rewards achievement of divisional goals in the areas of earnings, return on capital employed in the division and business-specific financial targets. – Drives leadership performance and behaviours consistent with achieving the Group's long-term objectives in areas including safety, diversity, succession planning and talent management. – Aligns to the Group's material business risks, including strategy execution (earnings delivery) and loss of key management personnel (succession planning).
LONG-TERM INCENTIVE (LTI) Performance rights	**FY15:** **Wesfarmers' Compound Annual Growth Rate (CAGR) in ROE** (75% weighting) and **Total Shareholder Return (TSR)** (25% weighting) Relative to ASX 50 Index Measured over a four-year performance period **FY16 key change:** **CAGR in ROE** (50% weighting) and **TSR** (50% weighting) Relative to ASX 50 Index	**Group MD:** 100-200% of FAR **Others:** 80-160% of FAR	– Ensures a strong link with the creation of shareholder value. – CAGR in ROE was chosen as a performance hurdle as it is: – Used by Wesfarmers to measure the return on its portfolio of businesses. – A key metric to measure Wesfarmers' long-term success as it contains clear links to shareholder value creation. – TSR was chosen because it: – Provides a relative, external market performance measure having regard to Wesfarmers' ASX 50 peers.
= **TOTAL REMUNERATION**	The remuneration mix is designed to reflect the diversified nature of the Wesfarmers business and is structured to reward executives for performance at a Group level and, for divisional executives, also at a divisional level, and to align executive and stakeholder interests through share ownership.		

Company performance and remuneration outcomes

Overview of company performance

Wesfarmers has continued to demonstrate strong performance against key measures and relative to our peers. The table below summarises details of Wesfarmers' performance for key financial measures over the past five financial years.

Financial year ended 30 June	2011	2012	2013	2014	2015
Net profit after tax (NPAT) ($m)	1,922	2,126	2,261	2,689[1]	**2,440**
Total dividends per share (declared) (cents)	150	165	180	200	**200**
– Ordinary	150	165	180	190	**200**
– Special 'Centenary'	-	-	-	10	**-**
Closing share price ($ as at 30 June)	31.85	29.90	39.60	41.84	**39.03**
Capital management distribution (paid) (cents)	-	-	-	50	**100**
Earnings per share (cents)	166.7	184.2	195.9	234.6[2]	**216.1**
Return on equity (rolling 12) (%)	7.7	8.4	8.9	10.5	**9.8**

1 2014 includes $1,179 million in discontinued operations relating to the disposal of the Insurance division and WesCEF's interest in Air Liquide WA Pty Ltd along with ($743) million in non-trading items relating to the impairment of Target's goodwill and Coles Liquor restructuring provision.

2 2014 earnings per share includes the items outlined above; excluding these items, earnings per share were 196.6 cents per share.

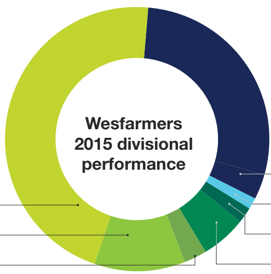
Annual incentive overview

The details of Wesfarmers' annual incentive plan is set out on page 82 of the 2015 annual report. The plan is designed to reward performance against measures developed for each of the KMP based upon their areas of responsibility (refer to the divisional performance graph below and the table on the following page). For the Group Managing Director and Finance Director, these include measures of Group performance – specifically Group NPAT and Group ROE. The table above illustrates the strong growth in both, over the past five years.

Wesfarmers divisional performance by 2015 EBIT and ROC

Group NPAT
2,440 $M

Group ROE
9.8 %



	EBIT $m	ROC %
Coles	1,783	11.0
Kmart	432	32.9
Target	90	3.6

	EBIT $m	ROC %
Home Improvement and Office Supplies		
– Bunnings	1,088	33.5
– Officeworks	118	11.4
Resources	50	3.4
Industrial and Safety	70	5.5
Chemicals, Energy and Fertilisers	233	15.2

The table below sets out the performance conditions for the 2015 annual incentive and the weighting between these measures for each of the executive directors and senior executives. The strong performance of Home Improvement and Office Supplies, Kmart and Coles divisions resulted in 'at or above' target awards for the executives of those divisions. Specific information relating to the actual incentive awards for the 2015 financial year are shown on page 77 of the 2015 annual report.

	WEIGHTING OF FINANCIAL MEASURES (%)						WEIGHTING OF NON-FINANCIAL MEASURES (%)	
Name **Division**	**Group NPAT (with ROE gate)**	**Balance sheet management**	**Divisional EBIT**	**Divisional ROC**	**Other specific divisional objectives[1]**		**Agreed objectives include diversity, talent management and safety**	
R J B Goyder Group	● 60	-	-	-	-		● 40	
T J Bowen Group, Industrial and Safety	● 35	● 10	● 5	-	-		● 50	
							Agreed objectives	**Safety**
S A Butel Resources	-		● 20	● 20	● 10	● 20	● 20	● 10
J P Durkan Coles	-		● 40	● 20	● 10	● 10	● 10	● 10
J C Gillam HIOS	-		● 35	● 35	-		● 20	● 10
S B Machin Target	-		● 40	● 10	● 30		● 15	● 5
T J P O'Leary Chemicals, Energy and Fertilisers	-		● 35	● 35	-		● 20	● 10
G A Russo Kmart	-		● 40	● 20	● 10		● 20	● 10

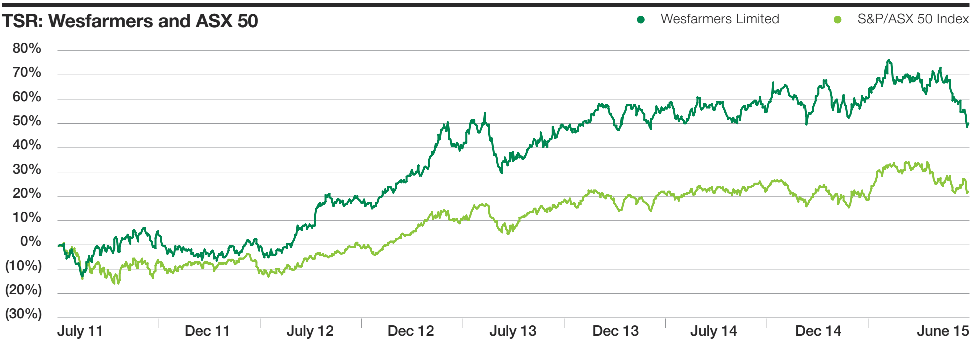
● Threshold not met ● Threshold met or exceeded ● Target met or exceeded ● Maximum achieved

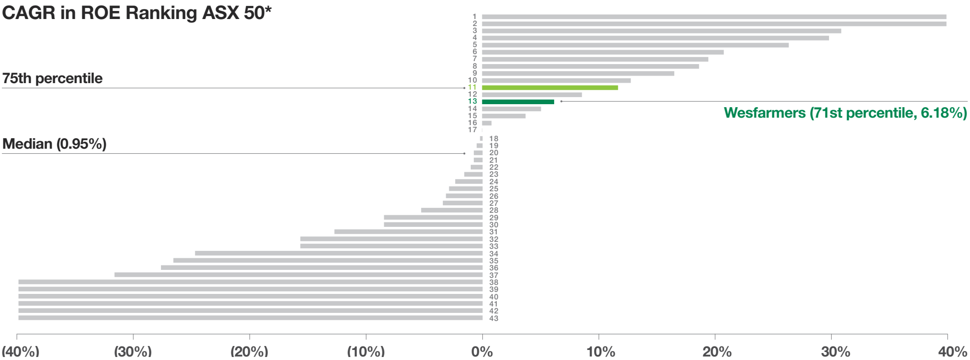
[1] Other specific divisional objectives include – for Resources division, coal sales and mine cash costs; for Coles and Kmart divisions, stores sales growth and transaction growth; and for Target division, stock keeping unit reduction, inventory and space.

Long-term incentive overview

The long-term incentive is issued as performance rights granted under the WLTIP. Key terms of this scheme are detailed on page 82 of the 2015 annual report.

The graphs below show our performance against both relative TSR and relative CAGR in ROE over the past four years to 30 June 2015. These graphs reflect the strong performance of Wesfarmers relative to the ASX 50 Accumulation Index over this period.





* The initial peer group comprises all companies within the Standard and Poor's (S&P) ASX 50 determined as at the beginning of the performance period. At the testing date however, some companies are excluded from the calculation, for example, if a company in the comparator group is taken over, merged with, or acquired (unless the acquiring/merging company is in the comparator group). Note the graph was scaled to show growth between –40% and +40%. A number of companies achieved growth outside these parameters.

As can be seen, the Group outperformed the majority of its peers over the vesting period, leading to a majority of the awards vesting (82.71 per cent of the potential total award). The shares vested per individual are shown on page 79 of the 2015 annual report. Shares remain subject to a trading restriction to 23 November 2015.

Remuneration governance

Responsibility for setting remuneration policy and determining non-executive director, executive director and senior executive remuneration rests with the Board.

The Remuneration Committee is delegated responsibility to review and make recommendations to the Board. Management and remuneration consultants provide information to assist the Board and Remuneration Committee, but do not substitute for the Board and committee processes.

Detail of the composition of the Remuneration Committee is set out on page 83 of the 2015 annual report. Further information regarding the objectives and role of the Remuneration Committee is contained in its Charter, which is available on the Corporate Governance section of the company's website at **www.wesfarmers.com.au**

Five-year financial history

All figures in $m unless shown otherwise	2015	2014[1] Restated	2013[2] Restated	2012	2011
SUMMARISED INCOME STATEMENT					
Sales revenue	**62,129**	59,903	57,466	57,685	54,513
Other operating revenue	**318**	278	283	395	362
Operating revenue	**62,447**	60,181	57,749	58,080	54,875
Operating profit before depreciation and amortisation, finance costs and income tax	**4,978**	3,877	4,486	4,544	4,155
Depreciation and amortisation	**(1,219)**	(1,082)	(1,033)	(995)	(923)
EBIT	**3,759**	2,795	3,453	3,549	3,232
Finance costs	**(315)**	(346)	(417)	(505)	(526)
Income tax expense	**(1,004)**	(939)	(908)	(918)	(784)
Profit after tax from discontinued operations	**-**	1,179	133	n/a	n/a
Operating profit after income tax attributable to members of Wesfarmers Limited	**2,440**	2,689	2,261	2,126	1,922
CAPITAL AND DIVIDENDS					
Ordinary shares on issue (number) 000's as at 30 June	**1,123,753**	1,143,275	1,157,194	1,157,072	1,157,072
Paid up ordinary capital as at 30 June	**21,844**	22,708	23,290	23,286	23,286
Fully-franked dividend per ordinary share declared (cents)	**200**	200	180	165	150
Capital management: capital return and fully franked dividend components	**100**	50	-	-	-
FINANCIAL PERFORMANCE					
Earnings per share (weighted average) (cents)	**216.1**	234.6	195.9	184.2	166.7
Earnings per share growth	**(7.9%)**	19.8%	6.4%	10.5%	22.8%
Return on average ordinary shareholders' equity (R12)	**9.8%**	10.5%	8.9%	8.4%	7.7%
Fixed charges cover (R12, times)	**3.0**	3.2	3.0	2.9	2.7
Interest cover (cash basis) (R12, times)	**20.5**	15.9	12.2	10.8	9.5
FINANCIAL POSITION AS AT 30 JUNE					
Total assets	**40,402**	39,727	43,155	42,312	40,814
Total liabilities	**15,621**	13,740	17,133	16,685	15,485
Net assets	**24,781**	25,987	26,022	25,627	25,329
Net tangible asset backing per ordinary share	**$4.85**	$6.14	$4.69	$4.45	$4.12
Net debt to equity	**25.1%**	13.1%	20.2%	19.1%	17.1%
Total liabilities/total assets	**38.7%**	34.6%	39.7%	39.4%	37.9%
STOCK MARKET CAPITALISATION AS AT 30 JUNE	**43,860**	47,835	45,936	34,846	36,913

[1] The 2014 numbers have been restated to reflect the disposal of WesCEF's interest in Air Liquide WA Pty Ltd as a discontinued operation.
[2] The 2013 numbers have been restated to reflect the classification of the Insurance division as a discontinued operation.

Corporate directory

Wesfarmers Limited ABN 28 008 984 049

Registered office

Level 11, Wesfarmers House

40 The Esplanade, Perth, Western Australia 6000

Telephone: (+61 8) 9327 4211
Facsimile: (+61 8) 9327 4216
Website: **www.wesfarmers.com.au**
Email: info@wesfarmers.com.au

Executive directors

Richard Goyder AO
Group Managing Director and Chief Executive Officer

Terry Bowen
Finance Director

Non-executive directors

Bob Every AO, Chairman

Michael Chaney AO, Chairman-elect

Paul Bassat

James Graham AM

Tony Howarth AO

Wayne Osborn

Diane Smith-Gander

Vanessa Wallace

Jennifer Westacott

Company Secretary

Linda Kenyon

Share registry

Computershare Investor Services Pty Limited
Yarra Falls, 452 Johnston Street,
Abbotsford, Victoria 3067

Telephone
Australia: 1300 558 062
International: (+61 3) 9415 4631

Facsimile
Australia: (03) 9473 2500
International: (+61 3) 9473 2500

Website: **www.investorcentre.com/wes**

Financial calendar+

Record date for final dividend	27 August 2015
Final dividend paid	30 September 2015
Annual general meeting	12 November 2015
Half-year end	31 December 2015
Half-year profit announcement	February 2016
Record date for interim dividend	February 2016
Interim dividend payable	April 2016
Year end	30 June 2016

+Timing of events is subject to change.

Annual general meeting

The 34th Annual General Meeting of Wesfarmers Limited will be held at the Perth Convention and Exhibition Centre, Mounts Bay Road, Perth, Western Australia on Thursday, 12 November 2015 at 1:00pm (Perth time).

Website

To view the 2015 annual report, shareholder and company information, news announcements, background information on Wesfarmers' businesses and historical information, visit the Wesfarmers website at **www.wesfarmers.com.au**

Wesfarmers brands

Wesfarmers owns some of the best-known businesses in Australia and New Zealand.

Retail operations

Coles

Home Improvement and Office Supplies

Kmart

Target

Industrials and other businesses

Chemicals, Energy and Fertilisers

Resources

Industrial and Safety

Other businesses

Wesfarmers

www.wesfarmers.com.au