2023 Annual Report

Wesfarmers

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 Perth, Wesfarmers' diverse businesses today span: home improvement, outdoor living products and supply of building materials; general merchandise and apparel; office and technology products; health, beauty and wellbeing products and services; management of a retail subscription program and shared data asset; wholesale distribution of pharmaceutical goods; manufacturing and distribution of chemicals and fertilisers; development of an integrated lithium project, including mine, concentrator and refinery; industrial and safety product distribution; gas processing and distribution; and management of the Group's investments.

Wesfarmers is one of Australia's largest private sector employers with approximately 120,000 team members and is owned by more than 510,000 shareholders.

About this report

This annual report is a summary of Wesfarmers and its subsidiary companies' operations, activities and financial performance and position for the year ending and as at 30 June 2023. In this report, 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 report to a 'year' or 'this year' are to the financial year ended 30 June 2023 (previous corresponding period to 30 June 2022) unless otherwise stated. All dollar figures are Australian dollars (AUD) unless otherwise stated.

References to 'AASB' refer to the Australian Accounting Standards Board and 'IFRS' refers to the International Financial Reporting Standards. There are references to 'IFRS' and 'non-IFRS' financial information in this report.

Non-IFRS financial measures are financial measures other than those defined or specified under any relevant accounting standard and may not be directly comparable with other companies' information. Non-IFRS financial measures are used to enhance the comparability of information between reporting periods. Non-IFRS financial information should be considered in addition to, and is not intended to be a substitute for, IFRS financial information and measures. Non-IFRS financial measures are not subject to audit or review.

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

References to Scope 1 and 2 data include emissions for businesses where we have operational control under the *National Greenhouse and Energy Reporting Act 2007 (Cth)* (NGER Act) and emissions in international operations. Scope 2 emissions are stated using market-based accounting, in accordance with the World Resource Institute's Greenhouse Gas Protocol Scope 2 guidance.

References to community contributions include direct community contributions from divisions (cash, in-kind and time) and indirect community contributions (from team members and customers).

Wesfarmers is committed to reducing the environmental footprint associated with the production of this annual report and printed copies are only posted to shareholders who have elected to receive a printed copy. This report is printed on environmentally responsible paper manufactured under ISO 14001 environmental standards.

Appendix 4E

For the year ended 30 June 2023

Results for announcement to the market[1]	2023	2022
Revenue from ordinary activities	Up 18.2% to $43,550 million	$36,838 million
Revenue from ordinary activities - excluding Wesfarmers Health[2]	Up 7.4% to $38,238 million	$35,598 million
Profit from ordinary activities after tax attributable to members	Up 4.8% to $2,465 million	$2,352 million
Net profit for the period attributable to members	Up 4.8% to $2,465 million	$2,352 million
Net tangible assets per share[3]	$3.17	$2.91
Operating cash flow per share[4]	$3.69	$2.03

1 Commentary on the results for the year is included in this report and on the Wesfarmers website.

2 Wesfarmers, through its wholly-owned subsidiary WFM Investments Pty Ltd, completed the acquisition of Australian Pharmaceutical Industries Ltd (API) on 31 March 2022, forming the Wesfarmers Health division. The results of Wesfarmers Health presented in this report for 2022 are for the period from 31 March 2022 to 30 June 2022.

3 Net tangible assets per ordinary share (excluding reserved shares) calculation includes right-of-use assets and lease liabilities. 2022 has been restated to reflect the adjustments to the provisional acquisition accounting for API.

4 Operating cash flow per share has been calculated by dividing the net cash flows from operating activities by the weighted average number of ordinary shares (including reserved shares) on issue during the year.

Dividends	Amount per security	Franked amount per security
Interim dividend	88 cents	88 cents
Final dividend	103 cents	103 cents
Total FY2023 dividend	**191 cents**	**191 cents**
Previous corresponding period:		
Interim dividend	80 cents	80 cents
Final dividend	100 cents	100 cents
Total FY2022 dividend	**180 cents**	**180 cents**
Record date for determining entitlements to the final dividend	5:00pm (AWST) on 31 August 2023	
Last date for receipt of election notice for the Dividend Investment Plan	5:00pm (AWST) on 1 September 2023	
Date the final dividend is payable	5 October 2023	

Acknowledgement of Country

Wesfarmers proudly acknowledges the Traditional Owners of Country throughout Australia and their continuing connection to lands and waterways upon which we depend and where our businesses operate. We pay our respects to their Elders, past and present.

Recognising its potential to advance social, economic and cultural equity for Aboriginal and Torres Strait Islander Australians, Wesfarmers supports the Uluru Statement from the Heart including the proposal to establish an Aboriginal and Torres Strait Islander Voice.

Contents

The Wesfarmers Way

Our primary objective is to deliver a satisfactory return to shareholders. We believe it is only possible to achieve this over the long term by —

Anticipating the needs of our customers and delivering competitive goods and services

Looking after our team members and providing a safe, fulfilling work environment

Engaging fairly with our suppliers, and sourcing ethically and sustainably

Supporting the communities in which we operate

Taking care of the environment

Acting with integrity and honesty in all of our dealings

Value-creating strategies

The Group's primary objective is driven by four overarching strategies.

Operating excellence

- Strengthening existing businesses through operating excellence and satisfying customer needs

Renewing the portfolio

- Renewing the portfolio through value-adding transactions

Entrepreneurial initiative

- Securing growth opportunities through entrepreneurial initiative

Operating sustainably

- Ensuring sustainability through responsible long-term management

Core values

Our core values underpin all of the Group's strategies and ways of working.

Integrity

- Acting honestly and ethically in all dealings
- Reinforcing a culture of doing what is right

Openness

- Openness and honesty in reporting, feedback and ideas
- Accepting that people make mistakes and seeking to learn from them

Accountability

- Decision-making authority in divisions
- Accountability for performance
- Protecting and enhancing reputation

Entrepreneurial spirit

- Adopting an owner mindset
- Encouraging teams to identify opportunities and apply commercial and financial acumen to support calculated risk-taking
- Encouraging teams to take initiative and pursue new and innovative ways of delivering value

Our businesses

Bunnings Group

Bunnings Group is the leading retailer of home improvement and outdoor living and building products in Australia and New Zealand. Bunnings' network of 513 locations includes warehouses, trade centres, Tool Kit Depot stores and Beaumont Tile stores. Bunnings Group employs more than 52,000 team members.

Kmart Group

Kmart Group comprises Kmart and Target and operates 449 stores across Australia and New Zealand, employing around 50,000 team members in Australia, New Zealand and key sourcing markets.

Chemicals, Energy and Fertilisers

Chemicals, Energy and Fertilisers manages nine businesses in Australia and employs almost 1,500 team members across its production and distribution facilities and support offices.

Officeworks

Officeworks is Australia's leading retailer and supplier of office products and solutions for small and medium-size businesses, students and households, operating through a nationwide network of 166 stores. Officeworks employs more than 9,000 team members.

Industrial and Safety

Industrial and Safety operates three main businesses spanning safety products, industrial and corporate workwear, and industrial and medical gases. Industrial and Safety employs approximately 3,600 team members.

Health

The Health division was formed in March 2022, with the acquisition of API, one of Australia's leading health and beauty companies. The Health division includes 76 company-owned Priceline stores, 390 Priceline pharmacy franchise stores and 92 Clear Skincare clinics and is also a wholesale distributor of pharmaceutical goods. The division employs more than 3,000 team members.

from July 2023

OneDigital

Established in 2022, OneDigital brings together the Group's digitally native businesses, including the OnePass membership program, the Catch marketplace, and the Group data asset. OneDigital powers the Group's data and digital growth ambitions and provides customers with a more seamless, rewarding and valuable omnichannel experience across the Group's retail businesses. The division employs about 600 team members.

Other activities

Wesfarmers is an investor in Flybuys, the BWP Trust, Gresham Partners and Wespine Industries.

Flybuys	BWP Trust	Gresham	Wespine
50%	24.8%	50%	50%

Our performance

Revenue

$43.5b

up 18.2%

Net profit after tax

$2.5b

up 4.8%

Dividends per share
Fully franked

$1.91

up 6.1%

Return on equity (R12)

31.4%

Salaries, wages and other benefits

$6.0b

Government taxes and other charges

$1.4b

Well-placed portfolio of businesses with exposure to growth

Strong, value-based retail offers focused on everyday products

Strategic manufacturing capabilities supporting critical industries

Health division providing exposure to growing sectors

Opportunities to contribute to global decarbonisation

Underpinned by a strong balance sheet to support disciplined, long-term investment, and data and digital capabilities that enable further productivity and efficiency gains

Focus on long-term sustainable value, consistent with our objective

People

11.3

total recordable injury frequency rate, up 23% from 9.2 in FY2022

3.3% **of Wesfarmers' Australian workforce**

Indigenous employment maintaining population parity

48%

Board and Leadership Team positions held by women

Environment

2.4%

decrease in Scope 1 and Scope 2 market-based emissions

37MW

capacity from 165 rooftop solar systems, with 43 installed during the year

71.6%

of operational waste recovered, and diverted away from landfill

Communities

15.5%

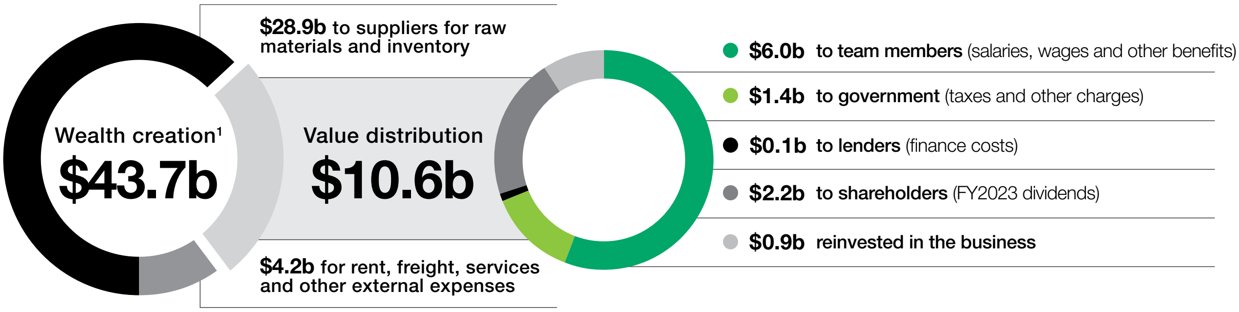
of Australian team members undertook cultural awareness training

$75m

in direct and indirect contributions, largely to community organisations in Australia and New Zealand

Performance overview

Wealth creation and value distribution



[1] Represents revenue, other income and share of net profits of associates and joint ventures.

Group performance

Financial results		2023	2022
Revenue	$m	**43,550**	36,838
Earnings before interest and tax	$m	**3,863**	3,633
Earnings before interest and tax (after interest on lease liabilities)	$m	**3,644**	3,416
Net profit after tax	$m	**2,465**	2,352
Basic earnings per share	cents	**217.8**	207.8
Cash flow and dividends			
Operating cash flows	$m	**4,179**	2,301
Net capital expenditure	$m	**1,183**	884
Acquisition of subsidiaries, net of cash acquired	$m	**24**	773
Free cash flows	$m	**3,627**	1,110
Equity dividends paid	$m	**2,132**	1,927
Capital return paid	$m	**-**	2,267
Operating cash flow per share	cents	**369.2**	203.3
Dividends per share	cents	**191**	180
Balance sheet and gearing[1]			
Total assets	$m	**26,546**	27,286
Net debt[2]	$m	**4,009**	4,491
Shareholders' equity	$m	**8,281**	7,981
Gearing (net debt to equity)	%	**48.4**	56.3
Sustainability			
Scope 1 and Scope 2 market-based emissions	$ktCO_2e$	**1,196.7**	1,225.7
Operational waste recovered and diverted from landfill[3]	%	**71.6**	69.6
Aboriginal and Torres Strait Islander team members[3]		**3,689**	3,601
Safety performance[3]	TRIFR	**11.3**	9.2
Gender balance, board and leadership team	% women	**48**	48

[1] 2022 has been restated to reflect the adjustments to the provisional acquisition accounting for API.
[2] Interest-bearing loans and borrowings less cash at bank and on deposit and held in joint operation. Excludes lease liabilities.
[3] 2022 excludes Wesfarmers Health.

Divisional performance

Bunnings Group		2023	2022
Revenue	$m	**18,539**	17,754
Earnings before tax	$m	**2,230**	2,204
Segment assets	$m	**8,900**	8,817
Segment liabilities	$m	**5,593**	6,113
Capital employed R12	$m	**3,410**	2,854
Return on capital employed R12	%	**65.4**	77.2
Cash capital expenditure	$m	**405**	349

Kmart Group[1]		2023	2022
Revenue	$m	**10,635**	9,129
Earnings before tax	$m	**769**	505
Segment assets	$m	**5,582**	5,848
Segment liabilities	$m	**4,359**	4,267
Capital employed R12	$m	**1,635**	1,569
Return on capital employed R12	%	**47.0**	32.2
Cash capital expenditure	$m	**127**	105

Chemicals, Energy and Fertilisers		2023	2022
Revenue	$m	**3,306**	3,041
Earnings before tax	$m	**669**	540
Segment assets	$m	**3,811**	3,627
Segment liabilities	$m	**594**	771
Capital employed R12	$m	**3,091**	2,503
Return on capital employed R12	%	**21.6**	21.6
Cash capital expenditure	$m	**518**	455

Officeworks		2023	2022
Revenue	$m	**3,357**	3,169
Earnings before tax	$m	**200**	181
Segment assets	$m	**2,141**	2,040
Segment liabilities	$m	**1,129**	1,041
Capital employed R12	$m	**1,092**	1,015
Return on capital employed R12	%	**18.3**	17.8
Cash capital expenditure	$m	**71**	68

Industrial and Safety		2023	2022
Revenue	$m	**1,992**	1,925
Earnings before tax	$m	**100**	92
Segment assets	$m	**1,787**	1,805
Segment liabilities	$m	**474**	599
Capital employed R12	$m	**1,257**	1,166
Return on capital employed R12	%	**8.0**	7.9
Cash capital expenditure	$m	**73**	64

Health[2]		2023	2022
Revenue	$m	**5,312**	1,240
Earnings before tax	$m	**45**	(25)
Segment assets	$m	**2,088**	2,037
Segment liabilities	$m	**908**	951
Capital employed R12	$m	**1,078**	n.r.
Return on capital employed R12	%	**4.2**	n.r.
Cash capital expenditure	$m	**41**	3

Catch		2023	2022
Revenue	$m	**354**	510
Earnings before tax	$m	**(163)**	(88)
Segment assets	$m	**209**	271
Segment liabilities	$m	**110**	106
Cash capital expenditure	$m	**10**	45

1 2022 has been restated to exclude Catch.

2 2022 includes API's results from 31 March 2022 to 30 June 2022. 2022 has been restated to reflect the adjustments to the provisional acquisition accounting for API.

Chairman's message

It is pleasing to report that in a year marked by significant uncertainty, both nationally and internationally, Wesfarmers continued to perform well and provide good returns to its shareholders.

The Group recorded a net profit after tax for the 2023 financial year of $2.5 billion, up five per cent on the previous year. The directors declared fully-franked dividends totalling $1.91 per share, comprising an 88 cent interim and a $1.03 final dividend. This compares with total dividends in the previous year of $1.80 per share.

As described more fully in the Managing Director's report, the strong result arose from increased earnings in our retail, chemicals and industrial operations. We continued to progress significant digital and data investments – expenditures which reduce the bottom line but are essential to the company's future success.

It would be no exaggeration to say that the past three years have been characterised by more uncertainty than in any similar period over recent decades. Consumer demand has been both unpredictable and volatile, as the COVID-19 pandemic progressed through different phases, and as very low interest rates, designed to counter potential economic slowdowns, rapidly increased to higher levels, in response to inflationary pressures.

Against this backdrop, it is pleasing that the positioning of Wesfarmers' businesses together with good efforts by management have resulted in continued resilience in our sales. As interest rate rises took hold, consumers moved towards lower-priced products and our Kmart business, for example, was strongly supported.

A key to operating successfully, regardless of the external environment, has been engaging in constant innovation; and we have seen many examples in the Group. Apart from rolling out new stores, Bunnings has expanded its ranges – in tiles, specialist tools and, most recently, pet products. Kmart has focused on expanding its high-quality, low-priced Anko ranges and converted a number of Target stores to its brand. Officeworks has become a leading retailer of technology products. At a portfolio level, we have moved into the lithium and healthcare industries.

The Wesfarmers of today is very different to the Wesfarmers of a decade ago and, in fact, of every decade since we listed on the stock exchange in 1984. That has undoubtedly resulted from the fact that we are driven by our single objective to provide a satisfactory return to shareholders – an objective that focuses our strategies on shareholder wealth creation rather than empire building. Fundamental to achieving the objective has been looking after the interests of our stakeholders – a subject I'll return to later in this letter.

A company's prosperity is obviously a function of the decisions made by its management and board, but also of the environment in which it operates. A prosperous country enables prosperity amongst its citizens and organisations of all types. In this regard, we share the concern expressed by others about whether Australia is doing all it must, to maintain its advantaged place in the world.

Of specific concern is the question of the country's weak productivity growth, without which our standard of living and capacity to provide the social services and infrastructure that Australians expect, will be threatened. Policies and actions by the Federal Government have a major influence on this issue and some of the industrial relations changes made and proposed are concerning in this regard. Some seem to have been designed to address specific issues, where there is no apparent cause for concern and without an appreciation of potential negative, wider implications and consequences.

One example is the proposed 'same job, same pay' legislation. A concept like this, which on the face of it seems fair, may in practice have detrimental outcomes for both employees and businesses. It is important to understand that the proposal is not about equal pay for men and women. It focuses on labour hire and contract workers who are essential and widely used by governments and private sector businesses, including to meet cyclical or seasonal needs, changes in economic conditions and to access the specialised skills that they require from time to time.

The problems with the proposal include the likely inequity of the outcome and the potential complexity that would accompany its implementation. Based on the information provided to date, employees with more experience would get paid the same as those with less skills and knowledge. The significant resources required to oversee and administer such a scheme may also cause small operators to become unviable and constrain the expansion of larger businesses, detrimentally affecting employment, productivity and competitiveness on a domestic or global scale.

Similar problems arise with the Government's proposals regarding casual employment. The devil is in the detail, but it is unclear what problem is being addressed. The changes may impact not just productivity, but also workers themselves, including young people and individuals with caring responsibilities who value the flexibility to accept the shifts that suit their personal commitments and higher hourly rates associated with casual work.

Our hope would be that in contemplating changes like those described, governments would engage deeply with business and others, to assess the potential wider effects and unintended consequences of their proposals, and apply a long-term productivity-improvement overlay, knowing its importance for national prosperity.

Productivity is also critical to our international competitiveness in a world where global market dynamics and regional instabilities can affect the operations of our businesses and demand for their products and services. What happens in economies offshore is obviously outside our control but one action we can take is to make sure we continue to have a strong balance sheet. Combined with maintaining strong disciplines in our investment activities, this should ensure that the company continues to prosper in good times and bad.

In recent times, there has been some public commentary on the question of companies focusing on environment, social and governance (ESG) matters, rather than on shareholder wealth creation. Of course, many ESG initiatives and reporting on them are now mandated by governments, stock exchange listing rules and emerging international reporting standards, but regardless of that, we do not see any conflict between looking after the interests of our shareholders and those of our other stakeholders. You can't achieve the former without doing the latter.

Wesfarmers has set out its position on these issues on many occasions but it is worth summarising them again here.

As a publicly-listed company we have one objective: to provide a satisfactory return to our shareholders. Why? Because that is why people buy and hold our shares: with the aim of earning superior returns. Since our listing, however, we have consistently stated that we aim to achieve satisfactory returns by looking after our employees, providing attractively-priced, quality products to our customers, dealing fairly with our suppliers, protecting the environment and supporting the communities in which we operate.

All of those stakeholder-orientated strategies are essential ingredients for long-term shareholder wealth creation. If done well, we'll be seen as an ethical company; good people will want to work for us, customers will buy our products, suppliers will trust us to pay them on time, other companies will want to work with us, and communities and governments will see us as a company worth supporting in our growth ambitions.

Wesfarmers has historically been one of the largest contributors to community organisations, ranging across health, education, Indigenous welfare and the arts. Our businesses are also active supporters of their local communities. It is no coincidence, in our view, that we have also been one of the most successful financially. The two go hand in hand.

In closing, on behalf of the Board I convey our thanks to Vicki Robinson, our Company Secretary, who retires at this year's Annual General Meeting. Vicki has provided outstanding professional service to the company and Board over her 20 years of service in legal affairs, our businesses and governance.

I also acknowledge with gratitude the efforts of the around 120,000 people employed in our Group. We thank our management team led so ably by Chief Executive, Rob Scott, for their dedication to the company and its welfare.

We look forward to continuing the success of the company in the years ahead.

Michael Chaney AO
Chairman

Managing Director's report

It's my pleasure to present this update on Wesfarmers' performance for the 2023 financial year.

Wesfarmers' strong results for the year demonstrate the strength of our operating model and the quality of the Group's portfolio. During the year, we maintained our focus on long-term shareholder returns by driving operating excellence, securing new growth opportunities, renewing the portfolio and progressing our sustainability agenda.

Our businesses continue to respond well to the challenges and opportunities presented by changing market conditions. While this was the first year since the 2019 financial year without interruptions from COVID-19, rising inflation and changes in economic conditions necessitated various operational responses.

As previously reported, Wesfarmers has been investing in technology and new business processes to enhance productivity and create new platforms for growth. The application of artificial intelligence (AI) and predictive analytics continues to develop across our retail operations and is supporting the delivery of productivity benefits. This enabled our businesses to maintain momentum and performance, which is critical to our future success in competitive markets.

To support satisfactory returns to shareholders over the long term, we understand the importance of anticipating customer needs, looking after our team members, collaborating with suppliers, investing in our local communities and looking after the environment. What was good last year won't be good enough in the future, and our relentless focus on improvement creates future value for our stakeholders.

During the year, our retail and health businesses reinforced their strong value credentials, at a time when households and businesses were focused on balancing their budgets. They also expanded into new categories and markets, providing opportunities for growth.

Our industrial businesses play a critical role supporting some of Australia's key export industries, and their reliability and efficiency has delivered another year of growth. Good progress has been made with the development of the Covalent lithium project, which provides another growth platform for our Wesfarmers Chemicals, Energy & Fertilisers (WesCEF) division.

Wesfarmers maintained its commitment to providing a safe and fulfilling work environment for team members, and improvements in safety results were recorded across most businesses. At a Group level, TRIFR increased to 11.3, largely attributable to Bunnings where TRIFR results were impacted by a change in reporting methodology to better align with the broader Group, as well as an increase in manual handling injuries. Bunnings has implemented a strategy to improve TRIFR.

We recognise the benefits of maintaining a diverse, inclusive workforce, and the Leadership Team and Board remain in gender balance. The Group also remains at proportional representation with approximately 3.3 per cent of Wesfarmers' Australian team members identifying as Aboriginal or Torres Strait Islander people. Increasingly, focus is turning to measures to support the career progression of Indigenous leaders across the Group with 103 team members participating in the Wesfarmers Indigenous Leadership Program to date.

During the year, we continued to implement actions to reduce the impact of the Group's businesses on the environment, and to better understand our dependencies on nature. We reported a 2.4 per cent reduction in Scope 1 and Scope 2 market-based emissions for the year. As the largest emitter within the Group, WesCEF continued to make pleasing progress, taking actions aligned with its net zero roadmap.

Our performance

The Group's continuing businesses generated net profit after tax of $2.5 billion, an increase of 4.8 per cent, excluding significant items. Divisional earnings before tax grew 12.9 per cent on the prior year.

Across the Group, our financial performance reflected strong operational execution. While growth in the retail businesses moderated in the second half, with pressure on household budgets impacting trading conditions, consumers have increasingly sought value which has benefited our businesses.

Bunnings delivered solid earnings and another record result, while continuing to expand its addressable market and participation across consumer and commercial segments.

Kmart Group reported strong growth and record earnings, with its unique product development capabilities and scale providing customers with a compelling offer at very competitive prices. Kmart's investment in technology and digitisation of business processes is starting to deliver meaningful commercial benefits and helping to keep prices low.

WesCEF also delivered record earnings, supplying industrial products to critical export industries, achieving very high levels of operational efficiency and strong safety performance. WesCEF benefited from strong global ammonia prices during much of the year.

It was pleasing to see earnings growth in Officeworks, which is realising the benefits of strategic investments in recent years, and continued improvement in performance at Industrial and Safety.

With its first full year under Wesfarmers ownership, the Health division delivered improved earnings and focused on accelerating its transformation activities, with a view to delivering improved performance and value over time.

It was a year of investment for OneDigital, and pleasing to see the initial rollout of the OnePass membership program and further enhancements in our shared data platform. Together with the retail divisions, the OneDigital team have established the foundations for further improvements in OnePass in coming months.

The financial performance of Catch for the year was disappointing. Changes made throughout the year started to deliver improved performance in the second half, and key operational and customer metrics are on a positive trajectory. Further, investments in Catch are benefiting Group digital and e-commerce initiatives, in the areas of fulfilment, subscription and customer growth.

Portfolio actions

Wesfarmers' approach to portfolio management supports our objective to deliver satisfactory returns to shareholders over the long term. This involves a disciplined approach to capital allocation and changes to the portfolio over time. I'm pleased with the significant progress during the year on key growth projects.

It has been satisfying to see continued progress at our Covalent lithium project which has completed mine construction and is commissioning the concentrator. WesCEF expects to sell spodumene concentrate early in 2024, delivering the first earnings for our lithium business.

The 2023 financial year was a foundational year for our Health division. The division is undergoing a period of investment to upgrade systems and processes associated with its transformation program and establishing its management team. It completed the acquisition of InstantScripts in July 2023, and is progressing a proposal to acquire SILK Laser Australia.

Wesfarmers sold its remaining 2.8 per cent interest in Coles in April 2023 and finished the year with significant balance sheet flexibility, providing capacity to continue to invest in the growth of our existing businesses and take advantage of investment opportunities where they create value for our shareholders.

Leadership team

I'd like to recognise and thank our outgoing Company Secretary, Vicki Robinson, who is stepping down from this role in October, after more than 20 years with Wesfarmers. As Company Secretary, Vicki has been a valuable member of the Leadership Team, always bringing commercial acumen and Wesfarmers' values to her work. We wish Vicki the best for the future.

During the second half of the year, we were pleased to appoint Michael Britton as Executive General Manager, Business Development, joining the Leadership Team. Michael brings deep experience in mergers and acquisitions, private equity and corporate advisory.

I'd also like to thank and congratulate Aaron Hood who has returned to WesCEF as Chief Operating Officer, having led the Business Development team this year. As a member of the Leadership Team, Aaron supported our businesses on a number of strategic initiatives and new investments.

Outlook

As we look to the future, Wesfarmers remains focused on long-term value creation and continues to invest to strengthen its existing businesses and develop platforms for growth.

While overall economic conditions will continue to present both opportunities and challenges, we have confidence that Wesfarmers is well positioned for the current environment.

Our retail divisions have strong value-based, omnichannel offers providing essential and everyday products. They will continue to benefit from increasing value-focus among consumers, expanding addressable markets, population growth and much-needed investment in housing.

Our industrial businesses have strategic domestic manufacturing capabilities that allow them to support world-class Australian export industries including agriculture, iron ore, gold and critical minerals. The Health division provides exposure to the growing health and wellness sector, with opportunities to deliver more accessible and affordable healthcare.

Our businesses are delivering on plans to reduce their emissions profile, which will strengthen their competitive position. Production of lithium for battery electric vehicles in the coming year will further support our contribution to global decarbonisation efforts.

Underpinning all of this is a strong balance sheet which provides flexibility to invest in our existing businesses and pursue transactions that create value for shareholders over the long term.

I express my gratitude to our dedicated team members across the Group for their exceptional contributions, as well as the Board for its invaluable support and guidance during another challenging year. I would particularly like to acknowledge this year's Leadership Team, including Emily Amos, Ian Bailey, Michael Britton, Jenny Bryant, Tim Bult, Naomi Flutter, Anthony Gianotti, Ian Hansen, Aaron Hood, Sarah Hunter, Vicki Robinson, Mike Schneider, Nicole Sheffield and Maya vanden Driesen. Your commitment and support have been instrumental in our success.

Rob Scott
Managing Director

Leadership Team

1 Rob Scott

MANAGING DIRECTOR AND
CHIEF EXECUTIVE OFFICER
WESFARMERS

Rob was appointed Managing Director and Chief Executive Officer in November 2017 following his appointment as Deputy Chief Executive Officer in February 2017.

Rob joined Wesfarmers in 1993, before moving into investment banking, where he held various roles in Australia and Asia. He re-joined Wesfarmers in Business Development in 2004, was appointed Managing Director of Wesfarmers Insurance in 2007 and then Finance Director of Coles in 2013. Rob was appointed Managing Director, Financial Services in 2014 and then Managing Director of the Wesfarmers Industrials division from August 2015 to August 2017.

Rob is the Chairman of Rowing Australia and a Director of the Business Council of Australia.

2 Anthony Gianotti

CHIEF FINANCIAL OFFICER
WESFARMERS

Anthony was appointed Chief Financial Officer of Wesfarmers in November 2017.

Anthony joined Wesfarmers in 2004 in Business Development and in 2005 was appointed Manager, Investor Relations and Business Projects. In 2006, he was appointed Head of Business Development and Strategy of Wesfarmers Insurance, then its Finance Director in 2009 and Managing Director in 2013. In August 2015, Anthony was appointed Finance Director of the Wesfarmers Industrials division and its Deputy Managing Director in February 2017. He is also a director of West Australian Opera.

3 Maya vanden Driesen

GROUP GENERAL COUNSEL
WESFARMERS

Maya was appointed Group General Counsel in January 2015. Prior to this, Maya held a number of senior roles in the company including Legal Counsel – Litigation, Senior Legal Counsel and General Manager Legal – Litigation. Before joining Wesfarmers, Maya practised law at Parker & Parker and Downings Legal.

Maya is a Graduate of the Australian Institute of Company Directors and sits on the Executive Committee of the GC 100, representing the general counsel of Australia's top 100 ASX-listed companies.

Maya is a member of Chief Executive Women, the UWA Law School's Advisory Board, Director for the Committee for Perth and Director of the Bell Shakespeare Company.

4 Michael Schneider

MANAGING DIRECTOR
BUNNINGS GROUP

Michael was appointed Bunnings' Managing Director in 2016.

Michael joined Bunnings in 2005, and prior to this held a range of senior operational, commercial and human resource roles across regional and national markets, in retail and financial services.

Outside Bunnings, Michael supports a range of not-for-profit and community organisations. He holds board roles with the Corporate Mental Health Alliance of Australia, Melbourne United basketball club and the Global Home Improvement Network. In addition, Michael chairs FightMND and the Love Me Love You Foundation.

5 Ian Bailey

MANAGING DIRECTOR
KMART GROUP

Ian was appointed Managing Director of Kmart in February 2016 and assumed the responsibility for leading Kmart Group in November 2018. Previously, Ian was Kmart's Chief Operating Officer where he was instrumental in Kmart's turnaround.

Ian's national and international experience covers a number of industries including retail, professional services, consulting, technology and healthcare in positions that include general management, sales, business development and project management.

6 Emily Amos

MANAGING DIRECTOR
WESFARMERS HEALTH

Emily was appointed Managing Director of Health in April 2022. She leads the turnaround of the API business and the development of health-related opportunities.

Prior to joining Wesfarmers, Emily's recent roles include Managing Director of BUPA Health Insurance and Managing Director of BUPA Health Services in Australia and New Zealand.

Emily is a former non-executive director of Adore Beauty and has significant retail experience through positions in Australia and the UK, in finance and strategy. Emily is a member of Chief Executive Women.

7 Sarah Hunter

MANAGING DIRECTOR
OFFICEWORKS

Sarah was appointed Managing Director, Officeworks in January 2019.

Prior to this, Sarah worked across many areas of the Coles Group in positions including Financial Controller, State General Manager Victoria and Demerger Program Director, overseeing Coles' implementation of the demerger from Wesfarmers.

Before joining Coles, Sarah worked in the UK for more than 10 years, holding several senior commercial positions in banking and airports including Strategy and Finance Director for Gatwick Airport from 2004 to 2006.

Sarah is a Council member of the Australian Retailers Association, a member of Chief Executive Women, a Fellow of the Association of Chartered Certified Accountants and a member of the Australian Institute of Company Directors.

8 Vicki Robinson

EXECUTIVE GENERAL MANAGER,
COMPANY SECRETARIAT
WESFARMERS

Vicki was appointed Executive General Manager, Company Secretariat in March 2020 and is the Company Secretary of Wesfarmers.

Prior to this, Vicki was General Manager, Legal (Corporate), playing a key role in many of Wesfarmers' key corporate transactions. Vicki joined Wesfarmers in July 2003 as a Legal Counsel with the Corporate Solicitors Office. In 2007, Vicki moved to the role of General Manager for enGen, and returned to the Corporate Solicitors Office in 2009.

Vicki is a director of RACWA Holdings Pty Ltd.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9 **Tim Bult**

MANAGING DIRECTOR
WESFARMERS INDUSTRIAL AND SAFETY

Tim was appointed Managing Director of Wesfarmers Industrial and Safety in April 2020.

Having joined Wesfarmers in 1999, Tim worked in commercial and business development roles within the Wesfarmers Energy division, before his appointment as General Manager of Wesfarmers Kleenheat Gas in 2005. In 2006, he was appointed Managing Director of Wesfarmers Energy. From 2009 to 2015, Tim was Executive General Manager, Business Development. In 2015, he was appointed Director, Associate Businesses and International Development and in 2018 was appointed Project Director for the demerger of Coles. In 2019, he was appointed Director, Associate Businesses and Corporate Projects at Wesfarmers.

10 **Nicole Sheffield**

MANAGING DIRECTOR
WESFARMERS ONEDIGITAL

Nicole was appointed Managing Director of OneDigital in November 2021, and leads the strategy and implementation of the Group-wide data and digital ecosystem. This includes the OnePass membership program and OneData, and from 1 July 2022, the Catch business.

Prior to joining Wesfarmers, Nicole held a number of leadership roles. Nicole was the Executive General Manager, Community & Consumer, at Australia Post where she led the Australia Post retail network of 4,400 post offices, all digital channels and the customer contact centre. Previous roles include Chief Digital Officer and Managing Director, Digital Networks at News Corp Australia, overseeing digital strategy, audience and subscription growth, and Chief Executive of NewsLifeMedia, leading the lifestyle publishing division.

Nicole is the President of the Australian Retailers Association Council and a Member of Chief Executive Women.

11 **Ian Hansen**

MANAGING DIRECTOR
WESFARMERS CHEMICALS, ENERGY & FERTILISERS

Ian has led the Chemicals, Energy and Fertilisers division since July 2016. Prior to this, Ian was the Chief Operating Officer of that business. From October 2007 to July 2010 he was the Managing Director of the Chemicals and Fertilisers division.

During Ian's more than 40 years with Wesfarmers, he has held a wide range of executive, operational and commercial management roles, primarily within the chemicals, energy and fertiliser businesses.

Ian is the Chairman of three Wesfarmers joint venture boards: Covalent Lithium, Queensland Nitrates and Australian Gold Reagents. He is also a board member of industry body Chemistry Australia, and Chair of the Australian Chapter of the Australia-Chile Business Council. He is a former board member of the International Fertilizer Association, Kwinana Industries Council and Australian Institute of Management.

12 **Naomi Flutter**

EXECUTIVE GENERAL MANAGER
CORPORATE AFFAIRS
WESFARMERS

Naomi joined Wesfarmers as Executive General Manager, Corporate Affairs in August 2018.

Prior to this, Naomi worked for Deutsche Bank for 20 years, in roles including head of the Global Transaction Banking division for Australia and New Zealand and head of the Trust and Agency business across Asia.

Naomi currently serves on the Council of the Australian National University where she is the Pro Chancellor and is a member of Chief Executive Women.

13 **Jenny Bryant**

CHIEF HUMAN RESOURCES OFFICER
WESFARMERS

Jenny was appointed Chief Human Resources Officer of Wesfarmers in October 2016.

Prior to this she worked at Coles Group, Mars Inc (Europe and USA), Vodafone (global) and EMI Music (global). Over her career, she has held a variety of roles including international human resources, data analytics and technology, operations and sales and marketing.

Jenny is a Director of the Flybuys joint venture with Coles Group Limited and a member of Chief Executive Women.

14 **Aaron Hood**

EXECUTIVE GENERAL MANAGER
BUSINESS DEVELOPMENT
WESFARMERS

Aaron was appointed interim Executive General Manager, Business Development in July 2022.

Prior to this, Aaron was the Chief Financial Officer of the Wesfarmers Chemicals Energy & Fertilisers division from 2019, having joined Wesfarmers in 2017 as General Manager, Business Development. Aaron started his career with Macquarie Bank in Sydney, before moving into private equity and leading investments for a prominent Australian family office.

Aaron was appointed Chief Operating Officer, Wesfarmers Chemicals, Energy & Fertilisers in July 2023.

15 **Michael Britton**

EXECUTIVE GENERAL MANAGER
BUSINESS DEVELOPMENT
WESFARMERS

Michael joined Wesfarmers in March 2023 in the role of Executive General Manager, Business Development.

Before joining Wesfarmers, Michael worked in the private equity industry with global investment firm The Carlyle Group. Michael has a background in M&A and strategic projects, with investment experience across a range of industries including healthcare, consumer retail and industrial sectors.

Operating and financial review

At Wesfarmers, our primary objective is to deliver satisfactory returns to shareholders over the long term.

It is my pleasure to provide this operating and financial review, which details our approach to delivering on this objective. This review includes an overview of our operating model, strategies, risks and prospects, as well as an update on the Group's financial position and performance. For context, the review shares some detail on the Wesfarmers Way and how we measure our performance and allocate capital to deliver long-term shareholder returns.

Divisional summaries on pages 22 to 64 provide more detail on performance and strategies for each of the operating businesses.

I am pleased that we have also continued to expand and integrate our sustainability and climate-related disclosures, which are summarised in this review. Detailed information, including performance data and extended case studies, can be found at **www.wesfarmers.com.au/sustainability**

This review should be read in conjunction with the financial statements, which are presented on pages 131 to 178 of this annual report.

The Wesfarmers Way

The Wesfarmers Way, as shown opposite, provides a framework for how we manage the Group to generate superior returns over the long term and sets out our core values and value-creating strategies.

Wesfarmers' model of divisional autonomy drives accountability and focus within the divisions, with access to capital, and specialist support available within the corporate office. A key focus of the Group is ensuring that each of our divisions has a strong and empowered management team that is accountable for long-term strategy development and execution, as well as day-to-day operational performance.

Wesfarmers focuses on seven key enablers to drive operating performance to best practice:

- outstanding people
- empowering culture
- commercial excellence
- innovation
- robust financial capacity
- social responsibility, and
- sustainability.

The Group maintains strong commercial discipline in relation to capital investment decisions and working capital management.

Measuring performance

The key measure used by the Group to assess satisfactory returns is total shareholder return (TSR) over the long term. We measure our performance by comparing Wesfarmers' TSR against that achieved by the broader Australian market.

Growth in TSR is achieved by improving returns from invested capital relative to the cost of that capital and by growing the capital base at a satisfactory rate of return on capital (ROC).

Given TSR performance is influenced by the movement in Wesfarmers' share price, which can be affected by factors outside the control of the company, 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 performance for the divisions.

The Wesfarmers Way

OUR PRIMARY OBJECTIVE

To deliver a satisfactory return to 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

CORE VALUES

Integrity	Openness	Accountability	Entrepreneurial spirit

ROC focuses divisional businesses on increasing earnings and/or increasing capital productivity by managing existing assets efficiently, as well as making an adequate return on any new capital deployed.

For those divisions already delivering strong ROC, key performance measures also include an earnings growth target. Divisional targets are reviewed annually with reference to the performance of the broader market.

Delivering shareholder returns

As part of Wesfarmers' approach to delivering a satisfactory return to shareholders we seek to:

- drive earnings and cash flow growth by enhancing the competitive position of existing businesses
- continue to invest in Group businesses where capital investment opportunities exceed return requirements
- acquire or divest businesses where doing so delivers an increase in long-term shareholder value, and
- ensure efficient capital management and the efficient distribution of franking credits to shareholders.

To support this, the Group endeavours to maintain balance sheet strength and flexibility so as to be able to take advantage of opportunities that arise. This includes maintaining access to diverse sources of funding, including bank facilities and global bond markets, and optimising funding costs.

The Group maintains strong credit metrics, in line with strong investment grade credit ratings, supported by good cash flow generation and disciplined capital management. Financial risks are managed by distributing debt maturities over time, limiting total repayments due in any given year.

Capital allocation

Wesfarmers continues to evaluate a broad range of investment opportunities. Importantly, in assessing these opportunities, the Group applies a long-term horizon to investment decisions and incorporates a detailed assessment of sustainability considerations focused on material sustainability issues.

The Group maintains strong commercial discipline in its approach to evaluating opportunities, with the most important criteria being whether the investment is going to create value for shareholders over time.

There are three broad avenues for incremental capital allocation that are considered by the Group:

- opportunities to deploy capital in the existing portfolio to drive growth and productivity and to build businesses with unique capabilities and platforms in expanding markets
- in adjacent opportunities where we can leverage existing assets and capabilities to develop new sources of long-term growth, and
- through value-accretive transactions, where we remain disciplined and opportunistic.

Overall the portfolio and balance sheet are well positioned, with a range of growth initiatives in train and the flexibility and capacity to continue to consider new opportunities.

Anthony Gianotti
Chief Financial Officer

Year in review

Overview

The Group reported a statutory net profit after tax (NPAT) of $2,465 million for the full year ended 30 June 2023, an increase of 4.8 per cent on the prior year. Overall, Wesfarmers' NPAT growth reflected the strong combined divisional earnings growth result, partially offset by a significant change in non-cash property revaluations recorded at the Group level.

The results were underpinned by strong divisional earnings, increasing 12.9 per cent to $3,850 million for the year, as the Group's operating businesses continued to respond well to trading and market conditions. Wesfarmers maintained its focus on long-term shareholder returns and continued to advance key growth projects during the year, while also taking proactive steps to drive productivity and efficiency across the businesses.

The Group's largest divisions performed particularly well during the year, with solid earnings reported in Bunnings, and strong earnings growth in Kmart Group and WesCEF.

It was also pleasing to see significant earnings growth in Officeworks, which is realising the benefits from productivity investments over recent years. Industrial and Safety continued to improve and the Health division accelerated its transformation activities. While the Catch result was disappointing, investments to date are benefiting Group digital and e-commerce initiatives, and actions taken during the year supported progress in the second half.

As operating conditions and customer behaviours continued to normalise during the year, the Group's retail businesses benefited from their well-established value credentials and strong omnichannel offers.

Earnings growth across the retail businesses reflected good operational execution during the year, in addition to the impact of cycling COVID-related lockdowns in the first half of the prior year. Through the year, retail customers have increasingly sought out value and traded down to lower-priced items within product ranges.

WesCEF delivered another strong operating performance and a record earnings result, supported by elevated global ammonia prices. Construction was completed at the Mt Holland mine and concentrator, with commissioning of the concentrator underway ahead of first earnings from the project in the first half of the 2024 calendar year.

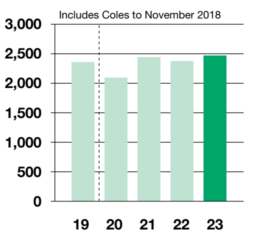
The Group continued to advance its data and digital capabilities during the year, supported by ongoing investments across the divisions and in OneDigital. The application of AI and predictive analytics continues to develop across the Group's retail operations and is supporting the delivery of productivity benefits. The OnePass membership program was expanded through new partnerships with Bunnings Warehouse, Disney+, and Flybuys, and additional member benefits both online and in stores.

Further details on divisional financial performance is outlined in pages 22 to 64 of this annual report.

Net profit after tax[1]

(excluding significant items)

$2,465m

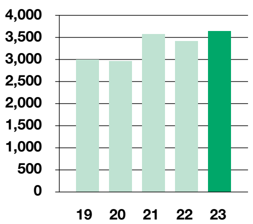


2023	**2,465**
2022	2,352
2021	2,421
Post-AASB 16 2020	2,075
Pre-AASB 16 2020	2,091
2019	2,339

Earnings[1, 2]

(excluding discontinued operations and significant items)

$3,644m

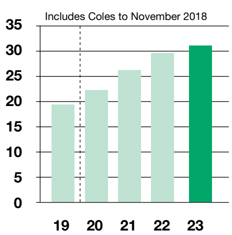


2023	**3,644**
2022	3,416
2021	3,550
Post-AASB 16 2020	2,942
Pre-AASB 16 2020	2,964
2019	2,974

Return on equity (R12)[1]

(excluding significant items)

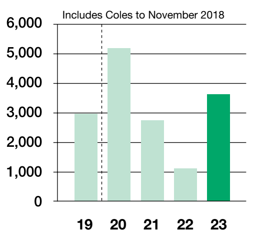
31.4%



2023	**31.4**
2022	29.4
2021	26.1
Post-AASB 16 2020	22.1
Pre-AASB 16 2020	21.1
2019	19.2

Free cash flow

$3,627m



2023	**3,627**
2022	1,110
2021	2,741
Post-AASB 16 2020	5,188
Pre-AASB 16 2020	4,239
2019	2,963

1 2021 excludes post-tax $41 million of restructuring costs in Kmart Group. 2020 excludes post-tax significant items including: $520 million of non-cash impairments, write-offs and provisions in Kmart Group, $298 million non-cash impairment of Industrial and Safety, $203 million gain on the sale of the 10.1 per cent interest in Coles and $154 million revaluation of the retained interest, and a benefit of $83 million from the finalisation of tax positions on prior year disposals. 2019 excludes post-tax significant items including: $2,264 million gain on demerger of Coles, $645 million gain on sale of Bengalla, $244 million gain on sale of Kmart Tyre and Auto Service (KTAS), $120 million gain on sale of Quadrant Energy and $102 million provision for Coles supply chain automation.

2 EBIT after interest on lease liabilities.

Operating cash flows

Divisional operating cash flows before interest, tax, and the repayment of lease liabilities increased 45.6 per cent compared to the prior year, with divisional cash generation of 101 per cent. Divisional cash flow growth was supported by stronger divisional earnings, the addition of the Health division, and the continued normalisation in working capital positions following the temporarily high balances recorded at the end of the 2022 financial year. Overall inventory health is strong, with good stock availability across the retail divisions, and inventory cover ratios have returned to broadly in line with pre-COVID levels.

Reported operating cash flows increased 81.6 per cent to $4,179 million, supported by higher divisional cash flows and lower tax paid due to the timing of tax payments.

Capital expenditure

Gross capital expenditure of $1,288 million was 12.6 per cent higher than the prior year, largely due to $394 million of capital expenditure and $42 million of capitalised interest relating to development of the Covalent lithium project. Proceeds from the sale of plant, property and equipment of $105 million were $155 million below the prior year, driven by lower proceeds from property sales in Bunnings. The resulting net capital expenditure of $1,183 million was $299 million, or 33.8 per cent, higher than the prior year.

Free cash flows

Free cash flows of $3,627 million reflected strong divisional cash flow results together with the proceeds from the sale of the Group's remaining interest in Coles. The $2,517 million increase in free cash flows for the year also includes the impact of cash consideration for the acquisitions of API and Beaumont Tiles in the prior year.

Balance sheet

The Group recorded a net financial debt position of $3,984 million as at 30 June 2023. The reduction compared to the net financial debt position of $4,296 million as at 30 June 2022 reflects strong operating cash flows and proceeds from the sale of the Group's remaining interest in Coles, which offset continued capital investment and the distribution of $2.1 billion in fully-franked dividends paid to shareholders during the year.

Divisional earnings summary

Year ended 30 June	2023 $m	2022 $m
Bunnings Group	**2,230**	2,204
Kmart Group	**769**	505
WesCEF	**669**	540
Officeworks	**200**	181
Industrial and Safety	**100**	92
Wesfarmers Health	**45**	(25)
Catch	**(163)**	(88)
Total divisional	**3,850**	3,409
Other	**(206)**	7
Total earnings[1]	**3,644**	3,416

1 EBIT after interest on lease liabilities.

Group capital employed

Year ended 30 June[2]	2023 $m	2022 $m
Inventories	**6,039**	6,084
Receivables and prepayments	**2,300**	2,364
Trade and other payables	**(5,268)**	(5,362)
Other	**252**	238
Net working capital	**3,323**	**3,324**
Property, plant and equipment	**5,365**	4,750
Goodwill and intangibles	**4,692**	4,684
Other assets	**1,099**	1,877
Provisions and other liabilities	**(1,818)**	(1,824)
Total capital employed	**12,661**	**12,811**
Net financial debt[3]	**(3,984)**	(4,296)
Net tax balances	**667**	575
Net right-of-use asset/(lease liability)	**(1,063)**	(1,109)
Total net assets	**8,281**	**7,981**

2 Balances reflect the management balance sheet, which is based on different classifications and groupings than the balance sheet in the financial statements. 2022 has been restated to reflect the adjustments to the provisional acquisition accounting for API.

3 Interest-bearing loans and borrowings less cash at bank and on deposit and held in joint operation, net of cross-currency interest rate swaps and interest rate swap contracts. Excludes lease liabilities.

Cash capital expenditure

Year ended 30 June	2023 $m	2022 $m
Bunnings Group	**405**	349
Kmart Group	**127**	105
WesCEF	**518**	455
Officeworks	**71**	68
Industrial and Safety	**73**	64
Health	**41**	3
Catch	**10**	45
Other	**43**	55
Gross capital expenditure	**1,288**	**1,144**
Sale of property, plant and equipment	**(105)**	(260)
Net capital expenditure	**1,183**	**884**

Year in review

Debt management and financing

Other finance costs increased 40.6 per cent to $135 million, reflecting higher average borrowings during the year. On a combined basis, other finance costs including the component of interest that was capitalised increased 36.2 per cent to $177 million.

The Group retains significant headroom against key credit metrics and maintained its strong credit ratings with a rating from Moody's Investors Service of A3 (stable) and a rating from S&P Global Ratings of A- (stable).

Dividends

A key component of total shareholder return is dividends paid to shareholders. The Group's dividend policy considers available franking credits, current earnings and cash flows, future cash flow requirements and targeted credit metrics.

The Board has determined to pay a fully-franked ordinary final dividend of 103 cents per share, taking the full-year ordinary dividend to 191 cents per share. Due to the accumulation of New Zealand franking credits, the final dividend will also carry a New Zealand franking credit, in addition to the Australian franking credit, of 10 cents (NZD) per share. The final dividend will be paid on 5 October 2023.

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.

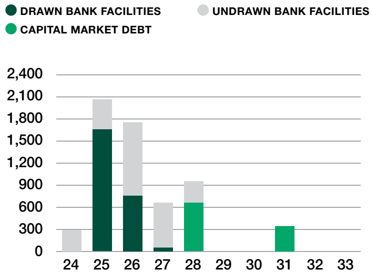
The last date for receipt of applications to participate in, or to cease or vary participation in, the Plan, is 1 September 2023. No discount will apply to the allocation price and the Plan will not be underwritten. Shares to be allocated under the Plan will be transferred to participants on 5 October 2023. Given the Group's strong credit metrics, it is intended that any shares to be issued under the Plan will be acquired on-market and transferred to participants.

Fixed financial obligations

●	Lease liabilities[1]	$6.7b
●	Bank facilities & bonds	$4.4b

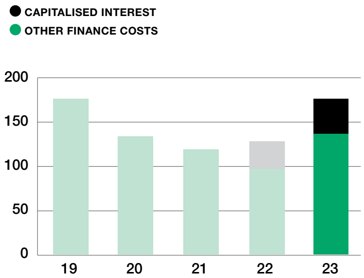
[1] Represents total discounted lease liabilities as at 30 June 2023.

Debt maturity profile ($m)[1]



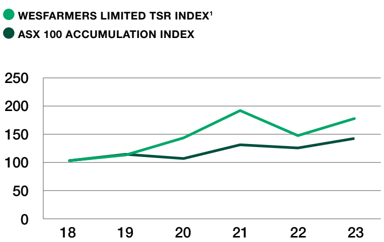
[1] As at 30 June 2023. Capital market debt is net of cross-currency interest rate swaps.

Other finance costs ($m)



TSR[1]: Wesfarmers and ASX 100

(last five years)

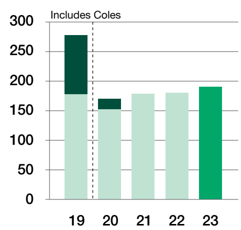


[1] Assumes 100 per cent dividend reinvestment on the ex-dividend date. Source: Bloomberg, excludes any additional value of franking credits.

Dividends per share

ORDINARY DIVIDENDS ● SPECIAL DIVIDENDS

191cents



Ordinary dividends	
2023	**191**
2022	180
2021	178
2020	152
2019	178

Risk

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

The following information sets out the material Group-wide risks, not in any particular order. These do not include generic risks such as changes to macroeconomic conditions affecting businesses and households in Australia, which would affect all companies with a large domestic presence, although Wesfarmers is well positioned in this regard to meet changing customer demand.

In line with previous years, information on climate-related risks is provided on pages 84 to 86 of this annual report.

Strategic risks

- Competition
- Strategy execution
- Business model disruption
- Digital disruption
- Changing customer expectations
- Portfolio management
- Climate-related risks

Operational risks

- Risks to the health, safety or wellbeing of team members and customers
- Technology, cyber-security and data-related risks, inclusive of privacy and data optimisation
- Business disruption, loss of major infrastructure and physical security
- Risks inherent in distribution and sale of products, including product safety
- Conduct risk
- Human rights risks, including modern slavery in own operations and supply chains
- Climate and nature-related risks, including emissions management
- Risks inherent in asset management, including process safety risk
- Talent attraction, retention and engagement
- Supply chain and inventory management
- Clinical governance risks in Wesfarmers Health
- Geopolitical risks including potential impacts on global supply chains or input prices

Regulatory risks

- Compliance with applicable laws, regulations and standards
- Regulatory or legislative change

Financial risks

- Currency and commodity price movements
- Liquidity and access to funding

Further information on risk management, including policies, responsibility and certification, can be found on page 94 of this annual report and in the corporate governance section of the company's website at **www.wesfarmers.com.au/cg**

Prospects

Wesfarmers remains focused on long-term value creation and continues to invest to strengthen its existing businesses and develop platforms for growth.

Following investment over recent years, the Group's lithium business is expected to commence production and sale of spodumene concentrate during the 2024 financial year. The ongoing development of Wesfarmers' lithium operations reflects the Group's disciplined focus on long-term shareholder value creation and opportunities to contribute to, and benefit from, global efforts to reduce emissions.

Elevated inflation and higher interest rates are expected to continue to impact demand in parts of the Australian economy, with many customers becoming more value conscious and trading down to lower-priced retailers and products. Low unemployment and the recent acceleration in Australian population growth both support demand, and contribute to the ongoing need for construction of additional housing stock.

In the current environment, the strong value credentials and core offer of everyday products across the Group's retail businesses position them well to meet changing customer demand, acquire new customers and profitably grow market share.

Cost pressures in Australia and New Zealand are expected to remain elevated, driven by inflation, labour market constraints and wage cost increases, and domestic supply chain costs. Wesfarmers' larger businesses are benefiting from their capacity to leverage their scale and sourcing capabilities. Together with benefits from proactive productivity and efficiency investment over recent years, this provides confidence in the Group's capacity to adjust costs in line with trading conditions.

The performance of the Group's industrial businesses remains subject to international commodity prices, foreign exchange rates, competitive factors and seasonal outcomes. Earnings from WesCEF's existing operating businesses are expected to decline significantly in the 2024 financial year, primarily as a result of lower ammonia prices and higher input gas costs. First earnings from WesCEF's lithium business are expected in the second half of the 2024 financial year as production of spodumene concentrate ramps up.

Wesfarmers will continue to invest in its existing operations and in the development of platforms for long-term growth and shareholder value creation.

Wesfarmers will continue to manage its divisions and the portfolio with carbon awareness, remaining focused on delivering progress against its net zero and renewable electricity targets and making disciplined investments to strengthen the climate resilience of its businesses. The Group sees opportunities to support the supply of critical minerals and essential industries, aligned with customer and community decarbonisation and energy transition goals.

Bunnings Group

Bunnings is one of Australia's most-trusted retail brands, supported by its commitment to lowest prices, widest range and best experience along with a unique capacity to expand its addressable market.

Our business

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

Bunnings operates a network of 513 locations, including large warehouse stores, smaller format stores, trade centres, specialist stores, as well as online. Bunnings employs more than 52,000 team members across Australia and New Zealand.

Bunnings' three pillars remain core to how it delivers for customers; lowest prices, widest range, and best experience. These pillars come to life through its physical and digital presence and the ways that Bunnings connects and serves its customers onsite, in the home, on the phone, instore and online.

Bunnings has evolved from a warehouse model offering around 34,000 hardware and home improvement products to an omnichannel business with over 110,000 home, commercial and lifestyle products across its instore, online and marketplace offers.

Bunnings is expanding its brand reach through the opening and expansion of stores, growing specialist retail brands, digital innovation and by deepening its commercial relationships. The focus is on creating value for customers and delivering the best experience while working to ensure that products are sourced ethically and responsibly.

Highlights and outlook

Revenue

$18,539m

2023	**18,539**
2022	17,754
2021	16,871
2020	14,999
2019	13,166

Earnings before tax

$2,230m

2023	**2,230**
2022	2,204
2021	2,185
2020	1,826
2019	1,626

Revenue for Bunnings increased 4.4 per cent to $18,539 million for the year, with earnings increasing 1.2 per cent to $2,230 million. Excluding net property contribution, earnings increased 1.9 per cent. The solid sales and earnings results reflect the resilience of demand across its offer and continued strong execution of Bunnings' strategic agenda.

Bunnings remains committed to reducing its environmental footprint and sustainability is an important part of ensuring its business continues to make a positive impact into the future. Bunnings is actively progressing towards 100 per cent renewable electricity by 2025 and has made significant progress towards its Scope 1 and Scope 2 emissions net zero target.

Bunnings' 52,000 team members are at the heart of the business and their safety and wellbeing remain the number one priority. TRIFR increased to 16.5 for the period, largely driven by a change in methodology from 1 July 2022 to align the classification of recordable injuries with the Group's other businesses as well as an increase in the number of manual handling injuries for the period. Safety remains a key focus and a comprehensive plan to improve safety performance throughout the business has been developed and is being rolled out.

Bunnings continues to be well positioned, benefiting from the breadth and diversity of its business, its focus on necessity products, and the strength of its offer across consumer DIY and commercial customers.

Inflationary pressure on household budgets and costs of doing business is expected to remain elevated during the 2024 financial year.

In this environment, Bunnings will continue to deliver strong customer value supported by a sharpened focus on operational execution, strong cost disciplines and ongoing progress on key productivity initiatives.

Bunnings remains focused on delivering its strategic agenda and will continue to strengthen its offer across consumer and commercial customer segments and across channels instore, online, onsite and at home.

Bunnings will continue to invest in the expansion and renewal of its store network, and maintain its focus on optimising the use of retail space. Work on key strategic initiatives will continue, with actions to:

- further develop the commercial offer to better service builders, trades and organisations
- strengthen data and digital capabilities to allow customers to shop seamlessly across channels, and
- evolve the supply chain.

Michael Schneider
Managing Director
Bunnings Group

Our performance

Key financial indicators

For the year ended 30 June	2023	2022
Revenue ($m)	**18,539**	17,754
Earnings before tax ($m)	**2,230**	2,204
Capital employed ($m) R12	**3,410**	2,854
Return on capital employed (%) R12	**65.4**	77.2
Cash capital expenditure ($m)	**405**	349

Sustainability results	2023	2022
Total recordable injury frequency rate (TRIFR)[1] R12	**16.5**	11.3
Aboriginal and Torres Strait Islander team members	**1,246**	1,288
Scope 1 and Scope 2 market-based emissions (ktCO_2e)	**59.9**	104.9
Operational waste diverted from landfill (%)	**57.1**	54.9
Community contributions ($m)	**47.4**	29.8
Sites in the ethical sourcing program that were monitored (%)[2,3]	**65**	51

1 TRIFR measures the number of lost time and medical treatment injuries per million hours worked.
2 The frequency of monitoring varies depending on prior audit findings and the level of assessed risk.
3 Ethical sourcing data for the twelve months to 15 June.

Year in review

Revenue for Bunnings increased 4.4 per cent to $18,539 million for the year, with earnings increasing 1.2 per cent to $2,230 million. Excluding net property contribution, earnings increased 1.9 per cent.

Bunnings' solid financial results continue a four-year period of significant growth, during which sales have increased more than $5.3 billion or 40.7 per cent and earnings excluding net property contribution have increased more than $650 million or 42.2 per cent.

Total store sales increased 3.7 per cent and store-on-store sales increased 1.8 per cent. Sales growth results for the year demonstrate the resilience of demand across the Bunnings offer and continued strong execution of its strategic agenda. Growth was recorded in both consumer and commercial customer segments and across all trading regions, despite the impact of prolonged wet weather on spring trading on the east coast during the first half of the year.

In the second half, Bunnings total store sales increased 2.1 per cent and store-on-store sales increased 0.8 per cent. Second half sales growth reflected strong demand and activity from commercial customers partially offset by lower consumer sales. Robust consumer demand continued for necessity products that support recurring home repairs and maintenance and smaller-scale DIY home improvement projects. Compared to the prior corresponding half, consumers demonstrated more caution in making big-ticket purchases and commencing larger DIY projects.

Bunnings maintained its focus on delivering value to customers through lowest prices, widest range and best experience. Product ranges were reviewed and refreshed during the year, and new expanded categories were introduced, including the successful launch of pet food and durables, as well as the introduction of additional own-brand products that provide customers attractive value options.

Bunnings continued to invest to improve the customer experience instore and through digital channels. New instore concepts and layout changes made Bunnings stores easier to shop and enabled team members to spend more time helping customers, while enhancements to the website, PowerPass app and Bunnings app improved the way customers gather information, find products and transact in digital channels.

Key supply chain, data and technology projects continued to progress during the year, supporting improvements in efficiency, space utilisation and customer experience. Within the supply chain, this included enhancements to fulfilment capabilities such as ongoing pilots using stores as hubs to deliver an efficient and low-cost last mile experience for customers.

Advances were made in the commercial 'Whole of Build' strategy, with improvements in the sales and service model, enabling customers to shop more efficiently. Bunnings also expanded its Frame and Truss network creating more opportunities to connect with builders early in a project and become a partner of choice for the whole build. Tool Kit Depot expanded into Queensland and Victoria catering to local demand for professional tools while Beaumont Tiles expanded into timber flooring.

Earnings growth for the period highlighted the resilience of Bunnings' business model and its ability to adjust operating costs and drive productivity initiatives to manage the impact of higher cost inflation during the year.

As always, Bunnings retained its focus on ensuring it operates at the lowest cost, driving operational efficiencies and productivity across the business. Technology and process improvements led to 700,000 hours of team member time reinvested back into service.

During the year, Bunnings completed 18 upgrades and three store expansions to improve the local offer and opened three net new Bunnings warehouses. At the end of the financial year there were 285 warehouses, 67 smaller format stores and 31 trade centres in the Bunnings network, 14 Tool Kit Depots and 116 Beaumont Tiles stores.

Bunnings expands its range of pet products

In March 2023, Bunnings launched a major expansion to its pet product range, introducing hundreds of new items across categories such as pet food, toys and accessories in Australia.

The launch marked the largest category expansion for Bunnings in almost 20 years and responded to strong customer research indicating the growing importance pets play in families.

Pets is the latest example of Bunnings applying its proven strategy of listening to customers and identifying opportunities to expand its addressable market through range innovation and expansion.

The product line-up includes household favourites such as Pedigree and Supercoat along with Bunnings-exclusive own brands, including Trusty and Happy Tails.

Store presentation has always been critical to Bunnings, and dedicated space was created across the Australian store network to merchandise products and create a one-stop pet owners' destination. Team members underwent special training so they can provide the expert advice Bunnings customers have come to love and expect.

At a time when Australian shoppers are looking to make their household budgets go further, especially for higher frequency items like pet food, the expanded range represents more value and choice for pet owners.

The new range has resonated strongly with Bunnings' loyal customers and attracted new customers that have not shopped with the brand previously.

People

Safety, health and wellbeing

Bunnings' TRIFR was 16.5 for the period, compared to 11.3 in the prior corresponding period. Bunnings' deterioration in safety performance is predominantly due to a change in methodology from 1 July 2022 to align the classification of recordable injuries with the Group's other businesses, as well as an increase in manual handling injuries. Bunnings developed a comprehensive plan to improve safety performance throughout the business, with the aim of managing injury risk and improving safety performance.

During the year, Bunnings:

- continued to identify safety risks in the workplace, implementing the Life-Threatening Risk Program which included introducing lifesaving controls for forklift and pedestrian interactions across all sites
- launched an early intervention injury management program for team members, ensuring prompt advice and recovery treatment options for team members are available if required, and
- commenced a program to improve capability of leaders and support team to proactively prevent and manage mental ill-health and widened access to counselling and wellbeing support services.

Bunnings also strengthened incident investigation processes, with a focus on learning and improving from near-miss incidents. Over 50 investigations were completed, many with business-wide actions implemented. This change is intended to reduce the risk of team member and customer injury as a result of handling large, bulky items.

Bunnings has seen an increase in the frequency of violence and aggression towards retail team members by customers. In response, Bunnings trialled increased signage in higher risk areas and launched a high-risk role working group, with the aim of accelerating efforts to protect team members. Bunnings continues to focus on the mental and physical health and wellbeing of its team. Efforts to enhance team member wellbeing in 2023 included streamlining access to support, building internal capability through the redesign and delivery of training to leaders, and addressing identified psychosocial hazards.

Bunnings supports mental health in the trade industry

Bunnings believes that suicide prevention is everyone's business.

Recognising this responsibility, Bunnings Trade has partnered with an industry-based charity, MATES in Construction (MATES), which is working to reduce the suicide rate among Australian construction workers.

In August 2022, Bunnings Trade and MATES released a limited edition, co-branded hoodie, with all profits from sales going directly to MATES. The campaign helped raise and contribute $500,000 to support MATES' vital work.

To celebrate the launch, Bunnings hosted a National Trade BBQ across all Australian stores, providing an opportunity for tradies to engage with MATES and each other, to raise awareness of mental health and suicide prevention.

A similar initiative took place in New Zealand, with Bunnings Trade partnering with Movember to raise more than NZ$63,000 for their important work supporting men's health and wellbeing.

Diversity and inclusion

Bunnings actively works to ensure that its team is representative of the communities in which it operates, providing employment opportunities for all, regardless of age, gender, cultural heritage, sexual orientation or ability.

Bunnings is proud that half of its team members are women, and team members speak more than 70 languages. Team members represent a wide range of ages with 28 per cent of team members aged over 50, and 46 per cent aged under 30 years.

Supporting Aboriginal and Torres Strait Islander people to secure fulfilling jobs with career and leadership opportunities is a priority for Bunnings. In Australia, 1,246 or 2.7 per cent of team members identify as Aboriginal and Torres Strait Islander. To better enable recruitment of Aboriginal and Torres Strait Islander team members, Bunnings operates programs to support Indigenous candidates during recruitment and onboarding. This includes the Transition to Work program which is focused on supporting people experiencing hardship as they progress into permanent and rewarding work at Bunnings.

Climate and energy

Reducing energy consumption and transitioning to renewable electricity across its network are the foundation of Bunnings' efforts to reduce greenhouse gas emissions. During the year, Bunnings made significant progress towards its target to achieve 100 per cent renewable electricity by 2025, and net zero Scope 1 and Scope 2 market-based emissions by 2030.

As of June 30, renewable electricity accounted for 64.4 per cent of all electricity use by Bunnings and Scope 1 and Scope 2 market-based emissions reduced by 42.9 per cent.

Bunnings' progress is largely attributable to new long-term renewable power purchase agreements (PPAs). In Victoria, Bunnings executed a PPA contract that took effect on 1 July 2022, covering 97.9 per cent of Bunnings' electricity load in Victoria. In South Australia, Bunnings' large sites currently use 57.5 per cent renewable electricity and expect to transition to 100 per cent renewable electricity from 1 July 2024. Bunnings also executed a new renewable electricity contract for small sites across New South Wales, Queensland, South Australia, the Australian Capital Territory and Victoria. Bunnings sites in New Zealand continue to be powered by 100 per cent renewable electricity.

During the year, Bunnings rolled out 31 new solar photovoltaic (PV) systems and as at 30 June 2023, 127 solar PV systems were installed on Bunnings' Australian store network. Each solar PV system provides up to 30 per cent of a store's electricity needs.

Circular economy

Reducing operational waste and increasing resource recovery are key areas of focus, as Bunnings seeks to reduce its impact on the natural environment.

This year, Bunnings diverted 57.1 per cent of its operational waste from landfill, an improvement of 2.2 percentage points compared to the previous year.

In September 2022, Bunnings also launched a uniform recycling program for all team members.

As a member of the Australian Packaging Covenant Organisation (APCO), Bunnings is committed to working towards 100 per cent sustainable packaging. During the year, Bunnings launched its Sustainable Packaging Guidelines to internal teams and selected suppliers to accelerate this transition.

Bunnings continued to offer instore, drop-off services to recycle household and power tool batteries across Australia and New Zealand, and products with a power cord in selected South Australian stores.

Bunnings launches a plant pot recycling program

As a member of the APCO, Bunnings is committed to supporting improvements in recycling plastic packaging. In 2021, a plastic plant pot recycling program was trialled in selected stores in New Zealand.

After a successful trial, Bunnings extended the program which now covers more than 80 stores across Australia and New Zealand.

Through the program, Bunnings' customers can return used plant packaging, such as plant pots and stakes, made from polypropylene plastic (PP5), for reuse and recycling. Given many recycling facilities cannot readily accept PP5 packaging, this program diverts plastic away from landfill.

The plastic packaging collected is recycled into new items, such as recycled plastic pots, creating a circular solution.

Additionally, to promote reuse, used plastic plant pots are available to customers free-of-charge.

Community contributions

Bunnings supports communities to come together, through activities such as sausage sizzles, hands-on programs and instore fundraising. Bunnings' community contributions include cash donations, gift cards, labour and product contributions, and indirect contributions, enabled by Bunnings and donated by team members and customers.

During the year, Bunnings' community contributions totalled $47.4 million, comprising $6.4 million in direct contributions and $41.0 million in indirect contributions.

Bunnings supported more than 70,000 community activities, with team members assisting local groups (including schools, nursing homes and hospitals) to build community gardens, to complete painting projects and to conduct educational workshops.

In October 2022, devastating floods in Victoria, New South Wales and Tasmania impacted many Bunnings stores, team members and local communities. Bunnings assisted relief efforts by supplying $25,000 in products and materials, and the Bunnings team supported The Salvation Army with a national Reds Run sausage sizzle, raising over $400,000 for recovery work.

In January 2023, extreme weather and floods impacted communities across the Kimberley region, in Western Australia. To support these communities Bunnings donated products and hosted a state-wide Reds Run sausage sizzle, with volunteer support from The Salvation Army and Wesfarmers, raising more than $50,000 for The Salvation Army.

In January and February 2023, Cyclone Gabrielle caused severe flooding and destruction in New Zealand. Team members provided on-the-ground support in the community, helping with the clean-up, alongside volunteers and government agencies. Bunnings supported community groups, emergency services and other government agencies with over NZ$100,000 in products and materials, including gumboots, clean-up equipment, personal protective equipment, storage supplies, water, batteries, generators and gas cylinders. The Bunnings team also held a Reds Run sausage sizzle, with NZ$35,000 raised for New Zealand Red Cross.

Late in the financial year and for the fifth consecutive year, Bunnings supported FightMND to raise $1.5 million from team members and customers. Funds raised are directed by FightMND to enable research into motor neurone disease.

Circular Head Aboriginal Corporation partnership

Bunnings recognises the importance of supporting Indigenous communities and employment by ranging products that directly engage and benefit Indigenous organisations. This includes partnering with Indigenous organisations and Traditional Owner groups to support strategies that enable them to realise an economic value from Native Title interests in land.

During 2022, a new collaboration was established between Circular Head Aboriginal Corporation (CHAC), Bunnings and Seasol.

Working together, the collaborators are developing a Seasol indoor plant liquid fertiliser made with sea kelp harvested by CHAC.

CHAC is an Indigenous, not-for-profit organisation established in 1994, to represent the Aboriginal people of Circular Head and the nine Aboriginal tribes of northwest Tasmania.

Selina Maguire-Colgrave, Chairperson of CHAC, explains, 'culture is at the heart of all we do at CHAC. It informs our operations and guides our direction'. CHAC's vision is to embrace culture, leverage ancient practice and empower future Indigenous leaders. It promotes sustainable management of natural resources to provide training and employment opportunities for future generations.

Together, Bunnings and Seasol are working with CHAC to bring this product to life.

The collaboration will enable CHAC to employ local Indigenous people to harvest kelp, which will be purchased by Seasol for use as a key ingredient in liquid fertiliser.

Bunnings and Seasol have provided commercial support to CHAC, and the product will be exclusively sold in Bunnings stores once the product is ready for sale to customers. Bunnings and Wesfarmers have also provided financial support to CHAC through the Wesfarmers Building Outstanding Aboriginal Businesses (BOAB) Fund.

Human rights and ethical sourcing

Bunnings' ethical sourcing program is based on the United Nations Guiding Principles on Business and Human Rights and aligns with the minimum standards set out in Wesfarmers Ethical Sourcing and Modern Slavery Policy. Key elements of Bunnings' ethical sourcing program include clear guidance in supplier trading terms, and active monitoring of working conditions in high-risk supply chains including through supplier assessments, third-party audits and worker voice initiatives.

During the year, Bunnings conducted more than 950 pre-qualification risk assessments of suppliers and manufacturers and supported 530 independent third-party audits. In response to these activities, Bunnings supported 235 supplier manufacturing sites to remediate more than 1,400 identified minor, major and reportable non-conformances, with the aim of improving working conditions for more than 70,000 workers in 18 countries.

See page 73 describing the Your Voice Grievance Mechanism.

Visit our website to read more: wesfarmers.com.au/sustainability

Strategy

Bunnings' strategy starts with demonstrating genuine care for its team, customers, suppliers, and the environment every day and building strong relationships with the communities it serves.

To continue to grow, Bunnings is focused on providing customers the best offer, delivering exceptional value, innovating on range and pushing into new product categories to expand the addressable market. It is deepening its relationships with commercial customers by having a service model and product offer to better meet their needs.

Simplicity is core to the Bunnings strategy and supports the business to operate as efficiently as it can to reinvest in lower prices. This is underpinned by a program of continuous improvement and evolution across supply chain, space management and the use of data and digital assets.

Strategies	Achievements	Focus for the coming years
Deliver lowest prices	– Strong investment in maintaining price leadership – Created more value for customers on products that matter most to them – Disciplined focus on lowest cost – Introduced high quality own-brand products to provide greater value in selected categories	– Reinvest in price by simplifying processes and systems to lower costs – Deliver low prices by lowering the cost of goods – Introduce new own-brand options
Deliver widest range	– Focused on growth across all of our product categories through a number of range reviews – Identified opportunities to achieve step-out growth by expanding our addressable market, including launching an expanded pets range – Strengthened our own-brand offering with the launch of Citeco – Expanded Frame and Truss offering	– Continue to innovate and introduce new products and categories to expand the addressable market – Expand Bunnings Marketplace offering – Optimise space instore to ensure the right products in the right locations – Invest in technology to optimise inventory and supply chain management to improve stock availability
Deliver best experience	– Opened three net new Bunnings stores, three Tool Kit Depot stores and one Beaumont Tiles store and closed one Bunnings Trade Centre – Expanded three stores to improve the local offer – Continued focus on removing non-customer facing tasks in stores so teams can spend more time with customers – Enhanced online search functionality to improve ease of shop – Used data more effectively to improve and personalise the customer experience	– Network expansion opportunities across Bunnings, Tool Kit Depot and Beaumont Tiles – Innovate and simplify to improve efficiency and reinvest in service – More personalised digital communications – Make instore service even easier and more convenient for customers – Continue to develop fulfilment and last mile capabilities
Making a positive difference	– Good progress made towards 100 per cent renewable electricity by 2025 – Assistance for local communities and emergency services following natural disasters – Continued to support local communities through community BBQs, hands-on local projects, DIY workshops and instore family events	– Focus on achieving net zero Scope 1 and 2 emissions by 2030 – Continue to strengthen support for local communities through community BBQs, hands-on local projects, DIY workshops and instore events

Risk mitigation

Bunnings recognises that taking appropriate business risks is a critical aspect of generating acceptable business returns. In doing so, it seeks to appropriately manage risks to minimise losses and maximise opportunities.

Risks deemed unacceptable in terms of the business' risk appetite are subject to appropriate control and mitigation measures to reduce the potential negative impact on the business. The level of controls implemented is commensurate with the potential impact on the business from the risk occurring (taking account of likelihood and consequence).

Bunnings recognises climate change as a key risk (and opportunity) which is discussed elsewhere within this annual report.

Risk	Mitigation
Safety	– Continued focus on critical safety risks, robust safety systems and targeted training and awareness campaigns – Focus on how we move product safely through our supply chains, our warehouses and to the customer – Strategies, processes and training for protecting team members from threatening situations
Talent recruitment and retention	– Strategies directed at creating and maintaining status as an employer of choice – Creating a welcoming environment for everyone through continued focus on diversity and inclusion programs, and respectful workplace training – Succession planning, retention and targeted development plans
New and existing competitors	– Relentless focus on strategic pillars of lowest price, widest range and best experience – Ongoing strategies to increase customer centricity and deepen customer engagement – Focus on digital transactional capability
Reputation	– Strong culture of 'doing the right thing' supported by training and policies – Focus on responsible sourcing and product standards – Ongoing regulatory compliance training
Supply chain resilience and disruptions	– Structured range review processes incorporating alternative sources of supply – Continued development of domestic supply chain capabilities and continued strengthening of processes and systems
Data, privacy and cyber security	– Strategy built around protection, detection and responding to cyber threats – Use of leading technology to protect against cyber incidents – Strong internal processes to protect and control data access

Kmart Group

Kmart Group comprises retail businesses Kmart and Target, with operations across 449 stores in Australia and New Zealand and around 50,000 team members. Kmart and Target are supported by KAS Group Asia through direct sourcing and global wholesale operations.

Our business

Kmart

Kmart was established in 1969, with the opening of its first store in Burwood, Victoria. Kmart is a leading product development company and trusted brand that operates 325 stores throughout Australia and New Zealand, offering customers a wide range of everyday products at the lowest prices.

Kmart employs around 40,000 team members, who are focused on the Kmart vision of making everyday living brighter for Australian and New Zealand families. Kmart executes this vision by being a great place to shop that is simple to run and providing customers with better products at even lower prices.

Target

Target began as a drapery store in 1926 in Geelong, Victoria, and has since grown to become a destination for apparel and soft home products. Target operates 124 stores and employs around 10,000 team members across Australia, with a vision to make great quality products truly affordable for Australian families.

Highlights and outlook

Revenue[1]

$10,635m

2023	**10,635**
2022	9,129
2021	9,982
2020	9,217
2019	8,713

Earnings before tax[1]

$769m

2023	**769**
2022	505
2021[2]	693
2020[3]	410
2019	550

[1] 2022 has been restated to exclude Catch. 2021 and 2020 include Catch from 12 August 2019. 2019 includes KTAS until its divestment in November 2018.

[2] 2021 earnings before tax for Kmart Group excludes $59 million of restructuring costs.

[3] 2020 earnings before tax for Kmart Group excludes pre-tax impairment of the Target brand name and other assets of $525 million and restructuring costs and provisions of $110 million, and includes $9 million of payroll remediation costs relating to Target.

Kmart Group's revenue increased 16.5 per cent to $10,635 million for the year. Earnings of $769 million were 52.3 per cent above the prior year and represented a record for the business.

During the year, Kmart Group worked with local communities and charity partners to meet a diverse range of needs for families and team members. Significant advances were also made in ethical sourcing factory compliance and supply chain traceability, as well as towards meeting Kmart Group's public commitments in the areas of sustainable operations and products. Safety performance also improved once again, with a year-on-year reduction in TRIFR.

Kmart remains uniquely positioned to extend its low-price leadership and profitably grow its share of customer wallet as customers continue to increase their focus on value in an inflationary environment.

The focus on driving growth in share of customer wallet will be supported by delivery of strategic initiatives, including leveraging leading product development capabilities to expand existing categories and enhance ranges that cater to growing demographics, developing a winning omnichannel proposition enabled by loyalty and personalisation, and seeking to selectively expand the distribution of Anko products into new markets globally.

Building on investments over recent years, Kmart will also pursue opportunities to drive further efficiencies in its business through continued digitisation of sourcing and supply chain operations, and by digitisation of the store operating model.

General inflation remains elevated and cost pressures are expected to persist across operating expenses despite moderation in raw material and international freight costs. Kmart will leverage the strength of its business model to focus on productivity and cost control to mitigate these impacts while continuing to lead on lowest price.

Target will continue to focus on improving its product offering, particularly in the focus categories of apparel and soft home, and look to further leverage the scale of the Kmart Group to support operational and strategic outcomes.

The integration of the Kmart and Target processes, systems and organisational structures to achieve one operating model across the two brands will progress over the 2024 financial year. The proactive changes will drive greater operating efficiencies and better leverage the relative strengths of the Kmart and Target propositions.

Ian Bailey
Managing Director
Kmart Group

Our performance

Key financial indicators

For the year ended 30 June	2023	2022[1]
Revenue ($m)	**10,635**	9,129
Earnings before tax ($m)	**769**	505
Capital employed ($m) R12	**1,635**	1,569
Return on capital employed (%) R12	**47.0**	32.2
Cash capital expenditure ($m)	**127**	105

Sustainability results	2023	2022[1]
Total recordable injury frequency rate (TRIFR)[2] R12	**7.4**	8.5
Aboriginal and Torres Strait Islander team members	**1,986**	1,847
Scope 1 and Scope 2 market-based emissions ($ktCO_2e$)	**218.1**	250.9
Operational waste diverted from landfill (%)	**82.0**	80.6
Community contributions ($m)	**8.9**	6.9
Sites in the ethical sourcing program that were monitored (%)[3,4]	**84**	85

1 2022 has been restated to exclude Catch.
2 TRIFR measures the number of lost time and medical treatment injuries per million hours worked.
3 The frequency of monitoring varies depending on prior audit findings and the level of assessed risk.
4 Ethical sourcing data for the twelve months to 15 June.

Year in review

Kmart Group's revenue increased 16.5 per cent to $10,635 million for the 2023 financial year. Earnings of $769 million were 52.3 per cent above the prior year and a record for the business. These financial results reflect strong underlying trading performance as well as the normalisation of trading conditions following the significant COVID-19 restrictions in the first half of the 2022 financial year.

Kmart's total sales increased 22.0 per cent for the year, with comparable sales increasing 14.5 per cent. Sales increased across all categories for the year, with units sold and transaction volumes also above the prior year. Kmart accounted for 79 per cent of total Kmart Group sales in the year.

Target's total sales increased 1.1 per cent for the year, with comparable sales decreasing 0.5 per cent. Target's trading performance was in line with the prior year, but with more variable trading in the second half, with relatively stronger performance in apparel compared with challenging trading conditions in home and toys.

Earnings growth for the year reflected strong sales growth and strong execution of pricing strategies and operational plans, as well as the continued realisation of benefits from the significant network change program undertaken across

Kmart and Target. Kmart Group's focus on productivity and cost control helped mitigate cost of doing business pressures from inflation, increased shrinkage and ongoing volatility in exchange rates. Target maintained a low cost base during the year and the business remains profitable.

Kmart continued to invest in strategic initiatives to enhance its omnichannel customer experience, digitise its operations, and further develop its data and digital assets. The rollout of RFID technology across all Australian Kmart stores was completed during the year, increasing stock visibility and improving replenishment efficiency as well as providing an important platform for the further digitisation of the store operating model.

Kmart opened four new stores and closed three stores during the year, and Target closed four stores. There were 449 stores across Kmart Group as at 30 June 2023.

Kmart partnership supports an inclusive workplace

Kmart is a proud member of the Australian Human Rights Commission – IncludeAbility Employer Network. As part of this network, Kmart has partnered with the Australian Human Rights Commission and the Disability Trust to provide employment opportunities for people with acquired disability across four stores in the Illawarra region.

In April 2023, Kmart commenced a dedicated hiring process for participating stores, which saw seven team members with a disability hired and onboarded. All candidates were offered workplace adjustments as part of the interview and onboarding processes. These seven team members are now employed across three pilot stores, undertaking a variety of roles.

Kmart is continuing to focus on building disability confidence within its business across all levels of the team.

People

Kmart Group's safety performance continued to improve with Kmart reducing its TRIFR to 8.4 and Target achieving a 21 per cent TRIFR reduction to 3.8.

Kmart Group maintained its ongoing focus on the employment of Aboriginal and Torres Strait Islander people. At Kmart, Indigenous team member representation increased from 4.4 per cent last year, to 4.6 per cent this year. At Target, Indigenous team members represent 3.1 per cent of its workforce.

Community

Kmart Group continued support for community partners and during the year, Kmart contributed more than $8 million and Target contributed almost $900,000 to community partners and charities, through direct and indirect contributions.

Ethical sourcing

The Kmart Group Ethical Sourcing Program includes a detailed compliance framework designed to support suppliers to meet its Ethical Sourcing Code. There were 1,200 Tier 1 Kmart Group supplier factories which were subject to 1,379 third-party ethical sourcing audits in the financial year.

During the year, Kmart and Target's social and environmental transparency efforts were recognised, with Kmart Group ranking equal third in the 2023 Fashion Transparency Index (FTI) out of 250 of the world's largest fashion brands and retailers, and in equal 10th place out of 120 companies in the Baptist World Aid Ethical Fashion Report.

Environment

Kmart Group's Scope 1 and Scope 2 market-based emissions reduced by 13.1 per cent to 218.1 kilotonnes of CO_2e, principally due to revised emissions factors nationally, reflecting the increased contribution of renewable energy in the grid. Scope 3 emissions were 11.3 megatonnes of CO_2e. Ongoing data improvement efforts refined our Scope 3 emissions calculations this financial year and prepares Kmart Group to establish a Scope 3 emissions reduction roadmap.

Waste diversion from stores and distribution centres across Kmart Group improved during the year, from 80.6 per cent in 2022 to 82.0 per cent in 2023.

Kmart and Target continued to implement their sustainable materials strategies to meet commitments in the areas of

Indigenous collaboration develops new homeware range

During the year, Kmart was pleased to collaborate with Waradgerie artist, Judith Young, to co-develop and launch the Judith Young | Waluwin collection at Kmart.

Waluwin is a Waradgerie (Wiradjuri) word that means healing and good health.

This is the first time Kmart has worked directly with a First Nations collaborator to develop an entire home range.

The collection was launched in March 2023, and has performed strongly with more than 115,000 units sold nationwide since its inception, delivering income to both Kmart and Judith Young.

polyester, cellulose and wool. Kmart has now transitioned approximately 24 per cent of the polyester used in its own-brand clothing and bedding to recycled materials. Target has transitioned approximately 22 per cent of the wool used in own-brand clothing and bedding instore from July to December 2022 to be certified with the Responsible Wool Standard.

Kmart Group has set a commitment that by January 2030, 50 per cent of the plastic used in own-brand merchandise will be made from recycled or plant-based materials. This year, it conducted a baseline assessment of plastic usage and composition in own-brand products to progress this target.

Kmart Group, continues to apply the Australasian Recycling Label (ARL) on own product packaging in consultation with APCO. During the year, 1,677 (Kmart) and 709 (Target) Packaging Recyclability Evaluation Portal assessments were completed for Kmart Group products.

Visit our website to read more: wesfarmers.com.au/sustainability

Kmart - Strategy

Kmart provides families with everyday products at the lowest prices. The business continues to drive sustainable growth through a focus on making Kmart a great place to shop that is simple to run and delivering better products at even lower prices. Kmart is also exploring opportunities for new and profitable channels to market and seeking to selectively expand distribution of Anko products into new markets globally.

Kmart will enhance customer experience through developing a winning omnichannel proposition, enabled by personalisation and loyalty. Digitisation, as well as use of data and technology, will drive further efficiencies in Kmart's sourcing and supply chain operations and enable it to continue to improve the instore experience for customers. Kmart will continue to leverage its product development capabilities to look for opportunities to grow share of wallet, including in new markets. This will be supported by Kmart's market-leading scale and focus on maintaining its price leadership position while pursuing its sustainability commitments.

Strategies	Achievements	Focus for the coming years
A great place to shop that is simple to run	– Completed national rollout of RFID technology to all Australian large format stores for apparel, realising benefits from digitisation of back-fill processes – Launched Kmart App and scaled user numbers, leading to improved online conversion and customer engagement – Deepened customer engagement through improved omnichannel experience, leveraging OnePass, personalisation, social content and instore capabilities (e.g. four-hour Click and Collect)	– Expand the scope and application of instore technology (including RFID) to enhance customer experience and drive further operational efficiencies – Further develop the Kmart App and web experience – Continue to focus on instore experiences (e.g. expansion of our Direct to Boot trial) and increasing engagement, driven through social and community content – Continue to build the Kmart data asset to increase engagement with customers through personalisation and loyalty
Better products at even lower prices	– Continued to demonstrate lowest price leadership – Leveraged product development capabilities to grow share of wallet in existing categories and delivered new and expanded ranges – Further progressed digitisation of Kmart's supply chain and sourcing operations delivering reductions in cost and lead times, and improved availability	– Continue to leverage unique competitive advantages to further extend price leadership position and diversify product offerings – Further leverage product development capabilities to grow share of wallet, broaden existing product ranges, and enhance offerings in growing demographics – Continue to digitise the supply chain to reduce lead times, improve the accuracy of supply and demand matching, and lower end-to-end costs – Continue to provide customers with products that are sustainably and ethically sourced
New and profitable channels to market	– Launched Anko in Canada with the Hudson Bay Company via a store-in-store concept with Zellers	– Explore additional global opportunities for distribution of Anko products

Target - Strategy

Target's vision is to make great quality products truly affordable for Australian families. Following the business reset, Target is a smaller, simpler business, focused on maintaining consistent profitability. Target has a clear category proposition to be a destination for apparel and soft home, with a core customer focus around 'mum' and her growing family. The integration of the Kmart and Target businesses, which includes introducing select general merchandise Anko ranges into Target stores in early 2024, will enable Target to maintain greater focus on its core categories and access to Kmart Group technology and data capabilities. 'Affordable quality' will remain the key differentiator.

Strategies	Achievements	Focus for the coming years
Destination for apparel and soft home, with 'affordable quality' the key differentiator	– Established clear customer value proposition with a focus on quality, value and style – Clear customer, product and channel strategies, targeting 'mum' as the core customer	– Continue to improve customer perception of product quality, style and range, leveraging an iconic brand with strong customer awareness – Continue to provide customers with products that are sustainably and ethically sourced
Accelerate digital capability and online growth	– Continued to improve the omnichannel experience through enhancements to the website and app – Improved delivery experience through hybrid store and DC fulfilment capabilities – Leveraged Group capabilities to support a personalised shopping experience through OnePass, analytics and data assets	– Enhance fulfilment capabilities and options to improve the customer experience and online profitability – Increase apparel participation in online by enhancing product availability and improving the end-to-end customer experience – Leverage sourcing, technology, data, advanced analytics and digital advantages from Kmart Group and OneDigital

Kmart Group Risk mitigation

Kmart Group understands and recognises that rigorous risk management is essential for corporate stability and for sustaining its competitive market position and long-term performance. Risk identification, assessment and mitigation is an integral part of Kmart Group's annual corporate planning and budgeting processes from which the key material risks, opportunities and uncertainties are derived. Set out below are the key risks and uncertainties that could have a material impact on Kmart Group's ability to achieve its stated objectives.

Additionally, Kmart Group recognises climate change as a key risk (and opportunity) which is discussed elsewhere in this annual report.

Risk	Mitigation
International and domestic supply chain disruptions	– Increased use of digital technologies to reduce supply chain lead times and increase flexibility – Leverage unique sourcing model to increase diversification of sourcing operations
Cost inflation	– Leveraging scale advantages and unique sourcing model to mitigate cost impacts – Disciplined assessment of cost-reduction opportunities, including through leveraging technology, data, advanced analytics, digital and sustainability advantages from Kmart Group and OneDigital – Increased focus on optimising and expanding online fulfilment capabilities to facilitate changing customer shopping habits at the lowest cost
Competitor activity	– Maintaining price leadership position in the market by making use of extensive sourcing ranges, in-house design capabilities and volume-driven efficiencies – Continuing to leverage technology to enhance customer experience and provide increased personalisation, product availability and seamless omnichannel experience – Analysis of business performance and trend forecasting to identify future opportunities and clarify business proposition and purpose
Exchange rate volatility	– Hedging and pricing frameworks will be used to effectively manage foreign exchange movements
Sustainability, ethical sourcing, and human rights	– Ongoing improvements to environmental compliance across all factories and a commitment to upholding ethical sourcing standards, which include protecting and respecting human rights – Continued operation and promotion of the Speak Up program to channel and support a culture of honesty, transparency and good governance
Data and IT security	– Dedicated team and threat intelligence partnerships responsible for oversight of cyber security and monitoring of evolving cyber threats – Regular reporting provided to executive management and the board to govern cyber security

Chemicals, Energy and Fertilisers

WesCEF manages a portfolio of leading, sustainable businesses that operate in domestic, national and international markets. Our businesses are recognised as safe, reliable and innovative industry leaders driven by around 1,500 diverse and skilled team members who are committed to meeting our customers' needs.

Our business

WesCEF manages nine businesses in Australia across the chemicals, energy, fertilisers and lithium sectors with a shared services model that supports businesses across the portfolio.

Chemicals includes:

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

Energy includes:

- Kleenheat, which extracts LPG from natural gas and distributes bulk and bottled LPG to the residential and commercial markets in Western Australia and the Northern Territory. Kleenheat is also a retailer of natural gas to residential and commercial markets, and
- EVOL LNG, which distributes bulk LNG primarily to the remote power generation market in Western Australia.

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

Covalent Lithium, Wesfarmers' 50 per cent joint venture with Chilean-based lithium producer, Sociedad Química y Minera (SQM), is progressing with the development of the Covalent lithium project. Once complete, the joint operation will include a mine and concentrator producing spodumene concentrate at Mt Holland and a lithium hydroxide refinery at Kwinana, Western Australia. Commissioning of the concentrator has begun with first ore mined in December 2022 and crushed in May 2023.

Highlights and outlook

Revenue

$3,306m

2023	**3,306**
2022	3,041
2021	2,146
2020	2,085
2019	2,078

Earnings before tax

$669m

2023	**669**
2022	540
2021	384
2020	394
2019	438

Revenue for WesCEF increased 8.7 per cent to $3,306 million from the prior year, and earnings increased 23.9 per cent to $669 million. Strong revenue and earnings growth during the period reflected favourable global ammonia prices and strong plant performance.

WesCEF's TRIFR improved to 3.8, underpinned by an ongoing focus on investigating high potential incidents.

Emissions for the year increased 6.8 per cent but remain 11.1 per cent below the 2020 baseline, due to WesCEF's continued investment in optimising secondary nitrous oxide abatement catalyst performance. The increase in emissions for the period was largely attributable to a 13 per cent increase in ammonia production as operations normalised following the planned major maintenance shutdown in the prior year. Emissions associated with ammonia production account for approximately half of WesCEF's total Scope 1 and 2 emissions.

Going forward, Chemicals' earnings are anticipated to be adversely impacted by lower global ammonia pricing. Demand for ammonium nitrate from the WA mining and agricultural sectors is expected to remain robust, and demand for sodium cyanide is anticipated to be supported by increasing global gold production and declining ore grades.

Increasing WA natural gas costs are expected to impact both Chemicals and Kleenheat earnings, with domestic market supply constraints likely to lead to continued elevated prices over the medium term.

In the Fertilisers business, successive strong harvests, moderating input costs and an improved grain pricing outlook are contributing to a generally positive grower sentiment, but earnings will remain dependent on seasonal conditions.

Earnings from the Lithium business are expected to commence in the first half of the 2024 calendar year from the sale of interim spodumene concentrate.

Spodumene concentrate offtake agreements with tier-one customers are well progressed, with contracted pricing expected to broadly reflect movements in Asia lithium hydroxide spot market prices.

Construction of the Kwinana refinery continues to progress with Covalent managing a challenging environment. Expectations for production timing and capital expenditure remain in line with prior guidance.

The feasibility study evaluating the opportunity to increase the production capacity of the Mt Holland lithium mine and concentrator will continue to be progressed, with regulatory approvals expected to be submitted over the coming months.

Expansion studies for major growth projects across the portfolio continue to progress, as does the evaluation of abatement technologies and initiatives to drive the division's decarbonisation strategy. Investment in systems such as the new Enterprise Resource Planning (ERP) system will also support WesCEF's long-term growth.

Overall, earnings for WesCEF will remain subject to international commodity prices, exchange rates, competitive factors and seasonal outcomes.

Ian Hansen
Managing Director
Wesfarmers Chemicals, Energy & Fertilisers

Operating and Financial Review

Our performance

Key financial indicators

For the year ended 30 June	2023	2022
Revenue ($m)	**3,306**	3,041
Earnings before tax ($m)	**669**	540
Capital employed ($m) R12	**3,091**	2,503
Return on capital employed (%) R12	**21.6**	21.6
Cash capital expenditure ($m)	**518**	455

Sustainability results	2023	2022
Total recordable injury frequency rate (TRIFR)[1] R12	**3.8**	4.2
Aboriginal and Torres Strait Islander team members	**50**	48
Scope 1 and Scope 2 market-based emissions ($ktCO_2e$)	**849.5**	795.4
Operational waste diverted from landfill (%)	**87.4**	85.9
Community contributions ($m)	**0.7**	0.5
Sites in the ethical sourcing program that were monitored (%)[2,3]	**75**	100

1 TRIFR measures the number of lost time and medical treatment injuries per million hours worked.
2 The frequency of monitoring varies depending on prior audit findings and the level of assessed risk.
3 Ethical sourcing data for the twelve months to 15 June.

Year in review

Chemicals' earnings increased significantly on the prior year. Strong earnings were driven by favourable global ammonia pricing in the first half of the financial year, coupled with a timing benefit due to the pricing lag in pass-through mechanisms for some customer contracts as the ammonia price declined in the second half. Ammonium nitrate earnings benefited from robust demand from WA mining customers. Record production volumes in Chemicals were supported by strong plant performance resulting from asset maintenance activities and investment in incremental process improvements.

Kleenheat's earnings declined on the prior year, driven by a lower Saudi Contract Price, the international benchmark indicator for LPG price, and higher WA domestic natural gas costs. The natural gas retailing business continued to grow its residential customer base in WA, resulting in higher sales volumes for the year.

Fertilisers' earnings decreased significantly on the prior year, affected by a declining global commodity price environment, together with a later seasonal break which resulted in delayed grower commitments, reduced sales volumes and lower margins. The business continued to invest in data and digital capabilities, product innovation and upgrading storage and despatch assets to provide further improvements in reliability, experience and advice for growers.

The WesCEF result includes costs associated with the development and management of its 50 per cent interest in the Covalent lithium project. Construction was recently completed at the Mt Holland mine and concentrator. Mining operations have commenced, triggering depreciation of the mine from May 2023, and commissioning of the concentrator is underway. Good progress was made on construction of the Kwinana refinery and lithium hydroxide offtake agreements with tier-one customers were executed during the year. WesCEF's share of capital expenditure, excluding capitalised interest, for the development of the project was $394 million during the year.

Little science geniuses program

This year, CSBP funded a series of primary school workshops for female students to inspire and empower them to participate in science, technology, engineering, and mathematics (STEM). More than 80 girls participated in workshops held over eight weeks.

Topics such as the laws of motion, science of light, chemistry, the ecology of coral reefs, hydraulics, and palaeontology were packaged together in a fun, hands-on approach to encourage the girls to become 'little science geniuses'.

Volunteer CSBP team members, who have each built a successful career in differing fields, shared their knowledge of working in science.

CSBP has always been a strong supporter of increasing female representation in STEM. These initiatives encourage students to think about their future and what they could do when they grow up.

People

WesCEF focuses on operating safely, continually monitoring and adjusting processes and procedures to minimise risk to team members, assets, and neighbouring communities. Inherently, WesCEF operations present several high potential (HiPo) risks which cannot be eliminated and require a comprehensive system of layers of protection to manage and mitigate.

This year, WesCEF's TRIFR was 3.8 and there were 26 HiPo incidents, 20 of which relate to risks associated with dropped objects.

WesCEF welcomes recent changes to work health and safety regulations that focus on preventing or minimising psychosocial risks.

During the year, WesCEF continued to provide training to support team member wellbeing, with 96.8 per cent of all team members completing resilience and mental health awareness training, and 82.3 per cent of supervisors completing 'Managing Workplace Mental Health' training.

Environment

An integral part of WesCEF's environmental management program is undertaking activities to monitor, assess, and remediate physical, chemical, or biological processes.

At CSBP's Kwinana site, design and construction began on a small-scale pilot groundwater remediation system.

The supply of water and management of wastewater are business-critical issues at CSBP's Kwinana site. A review of water source options for both daily operations and future growth projects was undertaken, identifying two potentially viable solutions:

- To receive an increase in water allocation from the Kwinana Water Reclamation Plant (KWRP); or
- To build an additional reverse osmosis plant onsite that removes contaminants from wastewater for operational re-use.

WesCEF continues to evaluate both options to manage its water requirements and wastewater.

Progress against Net Zero Roadmap

WesCEF continues to avoid approximately 850,000 tonnes of carbon dioxide equivalent of emissions annually as a result of the implementation of abatement technology prior to 2020. These investments included secondary nitrous oxide abatement catalysts, electricity generation from process heat recovery, and the capture and sale of carbon dioxide.

WesCEF's Net Zero Roadmap presents how it expects to achieve its targets of a 30 per cent Scope 1 and Scope 2 reduction in emissions by the end of financial year 2030, relative to a financial year 2020 baseline, and net zero Scope 1 and Scope 2 emissions by 2050. While the technologies that underpin the 2030 target are well established, there is greater uncertainty around the optimal combination of technology that will be deployed from 2030 onwards.

This year's Scope 1 and Scope 2 market-based emissions were 11.1 per cent below baseline, reflecting good progress towards the 2030 target.[1] This is primarily due to additional investment to optimise secondary nitrous oxide abatement catalysts in CSBP's three nitric acid plants.

WesCEF continued to reduce the uncertainty around its pathway beyond 2030 with a focus on collaboration, partnerships, and transparency. Workstreams are focused on studying and testing low-carbon hydrogen technologies and project configurations.

Supporting communities

WesCEF continues to support youth organisations, environmental initiatives, Aboriginal health programs and STEM education, chiefly in the Kwinana and Rockingham areas of Western Australia. This includes support of the local Clontarf Academy at Gilmore College for young Indigenous students.

Diversity and inclusion

WesCEF made progress improving gender balance across its workforce with an increase in the representation of women from 36.0 per cent to 36.8 per cent this year.

To retain Indigenous team members, WesCEF offers culturally appropriate support including access to mentors, skill development and healing workshops, and support with responding to personal and work-related issues. Aboriginal and Torres Strait Islander team member representation at 30 June 2023 was 3.4 per cent, in line with the prior year.

1 The FY2020 baseline was established using the Scope 2 location-based accounting method and has not been restated using the Scope 2 market-based method as they were not materially different for the baseline year.

Visit our website to read more: wesfarmers.com.au/sustainability

Strategy

WesCEF's vision is to grow a portfolio of leading, sustainable businesses. WesCEF has a high-quality portfolio of assets and seeks to grow these through incremental investment and innovation to meet the needs of its customers. WesCEF also focuses on investment in adjacent opportunities where it can add value through utilising its infrastructure, manufacturing and processing expertise and the project management capabilities of its people.

Strategies	Achievements	Focus for the coming years
Safe person, safe process, safe place	– Improvement in TRIFR through dedication to investigating high potential incidents and identifying hazards – Continued deployment and assurance of high potential risk management program to reduce injury risk – Ongoing utilisation of checklists to verify critical controls in place for high-risk tasks – Increased focus on psychosocial risk hazards with expanded range of initiatives, resources and training to support team members	– Ongoing focus on team member health and wellbeing – Complete major maintenance program of chemicals plants with no safety incidents occurring – Ongoing commitment to improve safety performance, maintenance planning and corrosion control across assets
Enhance our reputation	– Ongoing reviews of high-risk suppliers in line with WesCEF's ethical sourcing framework – Ongoing community partnerships and grants that focus on Indigenous, youth, STEM education and environmental initiatives – Introduction of a data governance framework focused on customer data privacy and security – Improvements to cyber threat monitoring of operational technology platforms	– Maintain focus on regulatory compliance – Further investment in cyber security and data governance – Continued investment in sustainable water sources and wastewater management – Investigate further opportunities for Indigenous procurement relationships – Enhance local community investment strategies with a focus on STEM education and environmental responsibility
Investing for growth	– Continued to support the Covalent lithium project – Kwinana ammonia expansion proposal submitted to the Western Australian Environmental Protection Agency – Progressed studies for potential expansion of ammonium nitrate and sodium cyanide production capacity – Commenced expansion study to evaluate doubling the production capacity of the Mt Holland mine and concentrator – Executed agreements for lithium hydroxide offtake with tier one customers	– Progress construction of Covalent lithium project including Kwinana refinery and commercialise interim spodumene concentrate – Consider opportunities to leverage existing infrastructure and expand capacity across chemical plants – Assess opportunities for additional fertiliser storage and despatch capacity – Investigate low carbon fuel and renewable energy opportunities – Continue to investigate investment opportunities in existing or adjacent markets
Deliver progress against net zero 2050 Scope 1 and 2 emissions target	– Continued to progress efforts on abatement projects that underpin the accomplishment of interim 2030 and net zero 2050 targets – Completed pre-feasibility study with APA Group into hydrogen production via electrolysis – Progressed carbon capture and storage and blue ammonia concept study in partnership with Mitsui & Co – Investment in optimising performance of existing abatement catalysts in chemical manufacturing processes to reduce emissions – Commenced supplier engagement to enhance Scope 3 emissions reporting relating to WesCEF's most material purchased goods – Completed materiality assessment of WesCEF's Scope 3 footprint – Launched carbon neutral natural gas product for Kleenheat customers	– Continue to investigate and implement technologies and opportunities to support achievement of net zero 2050 Scope 1 and 2 emissions target – Collaborate and invest in relationships with key research institutions and industry participants to advance climate-related technology opportunities – Explore a range of climate change-related growth opportunities across the division – Continue progress in reducing emissions intensity and meeting commitments made as part of sustainability-linked financing – Engage and collaborate with key supply chain partners and customers to enable development of Scope 3 decarbonisation roadmap
Maintain world-class performance	– Continued strong plant availability due to robust asset maintenance and incremental process improvements – Strong operational performance and customer service resulting in increased demand – Commenced multi-year program to implement a single integrated Enterprise Resource Planning (ERP) solution to optimise business processes – Progressed divisional Asset Management Improvement Program to mitigate risk, reduce cost and maximise asset performance	– Continued focus on operational excellence, including through implementation of a new ERP system – Maintain market-leading customer service and investigate expanding service offerings

Risk mitigation

WesCEF recognises that effective risk management practices at both an enterprise and operational level are crucial to informed decision-making, and effective management of our operations to drive commercial outcomes. Risk identification, assessment and management is an integral part of the annual corporate planning, quarterly risk review processes, and the way in which our business units manage risk as an intrinsic part of their daily operations. WesCEF is committed to conducting activities in a way that generates sustainable growth while enhancing its reputation. Risks deemed unacceptable in terms of the risk appetite of the relevant business are transferred through contractual arrangements or insurance, mitigated or avoided.

WesCEF continues to actively manage the impacts of its key risk areas through the implementation of appropriate control and mitigation measures outlined below. Additionally, WesCEF recognises climate change as a key risk (and opportunity) which is discussed elsewhere within this annual report.

Risk	Mitigation
Serious injury, safety or environmental incident	– Continue to invest in improving safety culture and asset maintenance for the safe operation of facilities and distribution of products in a way that minimises any adverse effect on team members, contractors, local communities or the environment
Sustained competition	– Focus on consistently satisfying the needs of customers and continued investment in initiatives that further improve customer experience or differentiate service/product offering – Effective allocation of resources to optimise existing operations and capitalise on growth opportunities in existing or adjacent markets – Ongoing focus on cost of operations and security of supply of key raw materials to ensure sustainable cost curve positioning
Economic and political uncertainty	– Focus on employee retention and training and contractor relationships to support workforce availability and business continuity – Proactive contract management, continued investment in diverse supplier relationships and ongoing monitoring of inventory holdings – Ensure commercial agreements account for economic risks where possible to limit inflation or supply chain risks to acceptable levels – Ongoing engagement with government representatives in relation to approvals processes and key energy policies
Sustainability and meeting community expectations	– Ongoing investigation of emissions abatement technologies and decarbonisation opportunities to support delivery of WesCEF's commitment to net zero Scope 1 and 2 emissions by 2050 – Minimise the risk of modern slavery occurring in the businesses or supply chains through a risk-based ethical sourcing framework – Grow workplace diversity with focus on improving gender balance and growing the number of Indigenous team members to reflect the communities in which we operate – Ongoing positive contributions to the communities in which we operate
Governance and cyber security	– Continue to focus on enhancing cyber and information security risk controls – Continue to invest in systems and processes to ensure responsible use of data and security of information
Major project execution	– Ongoing communication and collaboration with regulators to ensure timely approvals – Creation of dedicated major projects team and develop processes and major project capability – Diligent and robust financial investment decision processes

Officeworks

Officeworks, established in 1994, operates across Australia with a network of 166 stores, a significant online business and a national business-to-business specialist sales team, as well as owning and operating the Geeks2U business.

Our business

Officeworks is Australia's leading retailer of stationery, technology, furniture, art supplies, and learning and development resources, with more than 40,000 products available online as well as services like Print and Create, and Geeks2U.

The products and services at Officeworks provide solutions to address changing customer needs, and inspire Australians to work, learn, create and connect. Its customers include households, students, those working from home, small and medium-sized businesses and schools.

Officeworks' offering is strengthened by its everyday low price credentials, supported by its price beat guarantee, widest range and great service. Irrespective of how customers choose to shop, Officeworks is committed to providing customers with easy, engaging, personalised every-channel experience, including instore, online, via a national call centre or through the support of business specialists.

Officeworks is focused on the safety, health, wellbeing, and career progression of more than 9,000 team members. Aboriginal and Torres Strait Islander employment in Officeworks exceeds employment parity of three per cent of its Australian workforce.

Officeworks is committed to ensuring the long-term sustainability of the business, including building and maintaining meaningful connections with the communities in which it operates, fundraising for national partners and local community groups, reducing its impact on the environment, and sourcing products and services responsibly and sustainably.

Highlights and outlook

Revenue

$3,357m

2023	**3,357**
2022	3,169
2021	3,029
2020	2,787
2019	2,314

Earnings before tax

$200m

2023	**200**
2022	181
2021	212
2020	197
2019	167

Officeworks' revenue increased 5.9 per cent for the year to $3,357 million. Earnings of $200 million were 10.5 per cent higher than the prior year.

The safety, health and wellbeing of team members and customers remains a priority for Officeworks, and continued investment in team member safety, supported an improvement in TRIFR to 5.4 for the year. Officeworks understands that its stakeholders expect action to address complex issues such as climate change and resource use. During the year, Officeworks reduced its Scope 1 and Scope 2 market-based emissions by 12 per cent to 27.1 kilotonnes of CO_2e.

Officeworks' sales growth was supported by improved Back to School trading, significant growth in business-to-business (B2B) sales, and continued above-market growth in technology categories. Sales also benefited from increased demand across stationery, art, office supplies and Print and Create, as foot traffic to stores continued to normalise following the impacts of COVID-19 in the prior period.

The pleasing earnings growth result was supported by higher sales and the realisation of benefits from recent investments to drive productivity and efficiency across the business.

Officeworks' widest range, low prices, great service, and well-established every-channel offer make it well positioned to support value-conscious personal and business customers in continued challenging economic conditions.

Officeworks maintains its focus on driving profitable growth in key markets by solving customer missions to work, learn, create and connect. This will be supported by the continued evolution of its core offer, expansion of market share with B2B and education customers, and further investment in the every-channel offer and personalisation to deliver an even easier and more engaging customer experience.

Officeworks remains focused on delivering further benefits from productivity and efficiency initiatives across stores and modernising the supply chain and the support centre to help mitigate the impact of cost inflation.

Sarah Hunter
Managing Director
Officeworks

Our performance

Key financial indicators

For the year ended 30 June	2023	2022
Revenue ($m)	**3,357**	3,169
Earnings before tax ($m)	**200**	181
Capital employed ($m) R12	**1,092**	1,015
Return on capital employed (%) R12	**18.3**	17.8
Cash capital expenditure ($m)	**71**	68

Sustainability results	2023	2022
Total recordable injury frequency rate (TRIFR)[1] R12	**5.4**	5.8
Aboriginal and Torres Strait Islander team members	**302**	323
Scope 1 and Scope 2 market-based emissions ($ktCO_2e$)	**27.1**	30.8
Operational waste diverted from landfill (%)	**87.8**	88.0
Community contributions ($m)	**6.0**	7.3
Sites in the ethical sourcing program that were monitored (%)[2,3]	**50**	45

1 TRIFR measures the number of lost time and medical treatment injuries per million hours worked.
2 The frequency of monitoring varies depending on prior audit findings and the level of assessed risk.
3 Ethical sourcing data for the twelve months to 15 June.

Year in review

Officeworks' revenue increased 5.9 per cent for the year to $3,357 million. Earnings of $200 million were 10.5 per cent higher than the prior year.

Sales growth of 6.0 per cent reflected improved Back to School trading results, including a benefit from the NSW Government's back-to-school voucher program, as well as significant growth in B2B sales and continued above-market growth in technology categories. Sales results also benefited from increased demand across stationery, art, office supplies and Print and Create as foot traffic to stores continued to normalise following the impacts of COVID-19 in the prior period.

Strong earnings growth of 10.5 per cent for the period was supported by higher sales together with the realisation of benefits from proactive investment over recent years to drive productivity and efficiency across stores, supply chain and in the support centre.

Officeworks continued to invest in everyday low prices and value for customers, expanded private label ranges and the every-channel offer, including enhanced delivery options. Investments in technology delivered strong net promoter score improvements during the year, while programs such as Flybuys and 30-day business accounts enabled more personalised experiences and targeted offers for both personal and business customers.

Officeworks completed the transition to a new Victorian Import Distribution Centre and progressed the development of a new WA Customer Fulfilment Centre, which is on track to be completed in the 2024 financial year.

Officeworks completed its store renewal program during the year, opened one new store, and closed three stores, including the temporary closure of the Underwood, Queensland store. As at 30 June 2023, there were 166 Officeworks stores across Australia.

Safety, health and wellbeing

Officeworks improved its safety performance, with TRIFR reducing to 5.4 from 5.8 in 2022.

Officeworks' safety behaviour program, Switch On, provided training and resources to help develop and sustain a culture of safety awareness, accountability and courage. The program engaged Officeworks leaders, store operations and supply chain team members and provided resources to help embed a safety mindset through workshops, team talks and by including Switch On moments in Leadership Team business updates.

In November 2022, at the National Safety Council of Australia's National Safety Awards of Excellence, Officeworks' wellbeing programs were recognised with awards for Best Health and Wellbeing Program and Best Mental Health Program.

Community

Officeworks' annual Make a Difference Appeal allows customers to donate by rounding up the cost of their purchases. Together with its customers, Officeworks raised more than $920,000. This year, the appeal focused on supporting 15 organisations and charities with a strong focus on education, sustainability and biodiversity.

One of Officeworks' strategic priorities is promoting strong educational outcomes for all Australian students, no matter their circumstances. Through its 'Literacy is Freedom' and 'Back to School' appeals, Officeworks team members and customers raised more than $2.1 million, helping 7,640 Australian students with sponsorships and educational resources.

Ethical sourcing

Officeworks is committed to establishing a culture of integrity and accountability where everyone, including workers in its global supply chain, can raise a concern and have their voices heard.

The business continues to implement its worker survey program at supplier factories, which captures worker sentiment across wages and working hours, workplace wellbeing, environment, health and safety, and productivity and stability.

Based on worker feedback, Officeworks collaborated with factory management across eight sites to implement actions to address worker concerns. Six months after the first survey, follow-up surveys showed a 13 per cent improvement in worker sentiment.

To date, Officeworks has mapped over 28,400 products to the primary site of manufacturing, with 1,131 sites in its ethical sourcing program. More than 600 third-party ethical sourcing audits were reviewed, and 940 major non-conformances were remediated.

Environment

Officeworks reduced its Scope 1 and Scope 2 market-based emissions from 30.8 to 27.1 kilotonnes of CO_2e, a 12 per cent reduction on the 2022 financial year. Officeworks continues to transition to 100 per cent renewable electricity by the end of 2025, including through its procurement of renewable electricity and the installation of rooftop solar PV systems in 26 stores across Australia.

In June 2023, Officeworks announced the installation of its first 100 kilowatt hour (kWh) lithium battery and 100 kilowatt (kW) solar PV system in Warana, Queensland. When fully charged, the battery will meet approximately 70 per cent of the store's electricity needs, equivalent to around 35 residential homes.

Forests play a critical role in biodiversity, providing vital ecosystems to 80 per cent of the Earth's land animals. Through its People and Planet Positive commitments, by December 2025, all products sold and procured by Officeworks that contain paper and wood must demonstrate that they are deforestation-free.

Officeworks is committed to planting two million trees on behalf of its customers based on the weight of paper and wood products sold. Since 2017, through its Restoring Australia initiative, Officeworks has supported land restoration activities by planting 1.4 million trees. This year nearly 250,000 trees were planted.

Officeworks repair trial champions circularity with Circonomy

Officeworks partnered with Circonomy, Australia's first recovery, repair and resale service, to achieve its People and Planet Positive commitment to contribute to a more circular economy and repair, repurpose, and recycle 17,000 tonnes of unwanted products by 2025.

Officeworks together with Circonomy, completed a 10-week furniture repair trial across 10 stores in Victoria. A key objective of the program was to develop an approach to handling imperfect products and eliminate some of the costly and inefficient processes that come with managing unsellable or damaged furniture, while reducing waste to landfill.

Repairs were made onsite with spare parts and returned to the shop floor for resale at a reduced price or to use as display stock. Stock unable to be repaired in store was taken offsite to a Circonomy facility to be refurbished and resold by Circonomy, providing a circular solution for unwanted or damaged stock.

During the trial, Officeworks diverted 5.5 tonnes and 271 furniture items from landfill. Participating stores saw a reduction in time and labour costs used to deal with damaged items. In total, 191 pieces were repaired onsite and 80 pieces were diverted to Circonomy for resale.

Officeworks has committed to repairing, repurposing, and recycling 17,000 tonnes of unwanted products by 2025. Its Bring it Back program saves waste from going to landfill by recycling, repurposing, or repairing over 9,000 tonnes of unwanted products at the end of their life since 2017.

Visit our website to read more: wesfarmers.com.au/sustainability

Strategy

Officeworks is committed to delivering sustainable long-term growth for its shareholders by addressing changing customer needs and enhancing its solutions across its work, learn, create and connect customer missions.

The division continues to leverage its every-channel experience, breadth of range and data-driven personalisation to enable a differentiated experience. Officeworks will continue to drive profitable growth and productivity by executing its strategy, centred around five key areas.

Strategies	Achievements	Focus for the coming years
Our team We are skilled, committed and healthy	– Improved safety performance, with a TRIFR of 5.4 – Invested in the physical and mental wellbeing of the team – Participation rate of Aboriginal and Torres Strait Islander team members at 3.3 per cent – Opened a newly refurbished support office in Chadstone, Victoria – More than 1,600 team members were seconded to another role, promoted or transferred into another opportunity	– Continue to invest in team member safety, health and wellbeing – Strengthen position as an employer of choice, attracting, retaining and upskilling the team – Strengthen engagement across the team, their connection to Officeworks and sense of belonging – Continue to invest in diversity and inclusion programs – Continue building on principles of collaboration and connection supporting hybrid ways of working
Customer experience We make things easy and engaging	– Enabled broader customer missions through an expanded offer – Invested in developing new personalised customer offers and communications – Enhanced online shopping experience through ongoing improvements to digital platforms – Invested in new Print and Create self-service offer in stores, improving the experience and productivity – Launched online booking for Geeks2U – Enhanced delivery offer with two-hour delivery, increased same day and next day coverage	– Continue investment instore and online to improve the every-channel customer experience – Create more relevant and personalised customer experiences and rewarding offers – Acquire new customers, increase frequency of shop and build loyalty through OnePass and Flybuys – Continue to create simple and easy ways for customers to engage with Geeks2U experts for tech support – Continue investment in new ways for products to be delivered at speed – Continue to invest in efficiencies to improve instore services and productivity
Growing our business We are ambitious in driving growth	– Expanded ranges, including premium commercial technology hardware and accessories, and private-label products and services – Completed renewal of the store network including increased ranges of art, craft, education and furniture – Enhanced market penetration in the education segment enabled by a national B2B sales team	– Continue investment in expanding and improving the store network and enhancing digital platforms – Continue to improve the range of products and services to meet changing customer needs – Invest in OnePass to enable more personalised shopping experiences – Continue to invest in the B2B segment, growing Officeworks' range of educational products and platforms to provide value and choice – Continue to invest in infrastructure to provide the flexibility and scale to support long-term growth ambitions in a cost-effective way
Operational excellence We strive to do things better	– Continued investment in modernising and optimising the supply chain – Continued focus on stock loss and availability for customers through improved processes – Increased operational capability, capacity and productivity in customer fulfilment centres – Investment in new technology to improve the efficiency of store processes – Invested in demand planning and inventory management capabilities	– Customer fulfilment centre relocation in Western Australia – Transform inventory management and demand planning system and processes to improve product availability and speed of delivery – Continue investment in technology and optimise workplace planning to improve customer experience and team member productivity – Simplify and modernise technology systems, architecture and infrastructure
Connecting with our communities We are a part of where we live	– Recycled 87.8 per cent of all operational waste – Reduced Scope 1 and Scope 2 market-based emissions by 12 per cent and installed PV solar on 26 sites across stores, customer fulfilment centres, import distribution centres and support centres – Installed first 100 kWh lithium battery and 100 kW solar PV in Warana, Queensland – Planted more than 247,600 trees across 195.6 hectares of land – Continued to support disadvantaged Australian students and helping small business customers	– Continue to invest in renewable energy to support transition to 100 per cent renewable electricity by the end of 2025 – Continue to expand circular economy solutions, including through the partnership with Circonomy – Deepen connections in communities through local and national programs – Continue to invest in the Restoring Australia initiative to plant two million trees on behalf of customers

Risk mitigation

Officeworks recognises that taking appropriate business risks is a critical aspect of driving profitable business returns. We encourage our team to understand risk as it relates to their roles, and in doing so, we maximise their ability to identify and seize opportunities.

Additionally, Officeworks recognises climate change as a key risk (and opportunity) which is discussed elsewhere within this annual report.

Risk	Mitigation
Competition and business model disruption	– Leverage existing and developing competitive advantages, including our portfolio of businesses, every-channel capability, and the Group data and digital ecosystem – Continue to strengthen everyday low prices credentials supported by our extensive range, great service and convenient every-channel offer strategic pillars to enable differentiation – Productivity improvements including leveraging the investments made to date in modernising the supply chain, optimising rostering and stock management processes, and expansion and diversification of global sourcing – Continue to invest in strategic partnerships and leverage existing relationships to become a first-choice supplier and develop and differentiate our offers
Changing customer behaviours	– Further diversify our offering and deliver more value to customers by expanding own-branded ranges to address customer needs across work, learn, create and connect customer missions – Monitor trends and respond with data-driven range reviews, new products (e.g. Geeks2U cyber security product) and new customer propositions (e.g. Flexiworks - a hybrid working platform for businesses and their employees) – Continued investment in data, digital and e-commerce capabilities to deepen understanding of customers to provide more timely, personalised and engaging experiences
Cyber security	– Cyber security framework and strategy in place – Dedicated team responsible for operational management of cyber security – Regular reporting provided to executive management and the Board to govern cyber security – Introduce new product offers through Geeks2U including security, networking and data services and repairs
Ethical sourcing and sustainability	– Published five-year sustainability strategy (People and Planet Positive Plan 2025) to identify and mitigate sustainability risks and opportunities – Responsible sourcing policies supported by investment in detailed compliance programs including ethical sourcing and modern slavery

Industrial and Safety

Industrial and Safety is a leading supplier of industrial, safety and workwear products to a wide range of customers, including Australia and New Zealand's largest corporate and government entities. The division operates three main businesses: Blackwoods, Workwear Group and Coregas.

Our business

The Industrial and Safety portfolio of businesses services customers across diverse industries such as mining, manufacturing, construction, retail, food and beverage, utilities, transport, facilities maintenance, health and government. The businesses service a wide range of customer groups including large corporate enterprises, government organisations and small- to medium-sized businesses.

Industrial and Safety operates three main businesses: Blackwoods, Workwear Group and Coregas, and employs approximately 3,600 team members.

Blackwoods is the largest business in terms of revenue and is a distributor of tools, workplace safety and personal protective equipment, workwear and electrical and industrial supplies. It services a wide variety of customers of different sizes across Australia and New Zealand through an extensive supply chain, branch network and online platforms. It includes the trading businesses Blackwoods Australia, NZ Safety Blackwoods, Bullivants and Cm3.

Workwear Group is a leading workwear solutions provider, featuring iconic Australian brands Hard Yakka and King Gee. Workwear Group also supplies bespoke and catalogue uniforms to large organisations in professional services, health, industrial and emergency services segments through its NNT and Workwear Group Uniforms brands.

Coregas is a supplier of industrial, specialty and medical gases in Australia and New Zealand, serving customers of all sizes through multiple sales channels and distribution networks.

Highlights and outlook

Revenue

$1,992m

2023	**1,992**
2022	1,925
2021	1,855
2020	1,745
2019	1,752

Earnings before tax

$100m

2023	**100**
2022	92
2021	70
2020[1]	39
2019	86

1 2020 earnings before tax for Industrial and Safety excludes pre-tax impairments of $310 million, and includes $15 million of payroll remediation costs.

Industrial and Safety revenue of $1,992 million was 3.5 per cent above the prior year. Earnings increased 8.7 per cent to $100 million for the year.

Industrial and Safety's results were supported by sales growth across the division. Earnings increased in Workwear Group and Coregas, while Blackwoods' earnings were impacted by inflationary cost pressures and the timing lag in changes to customer contract pricing, as well as continued investment in customer service and digital capabilities during the year.

Industrial and Safety has made positive progress against its sustainability commitments. The key safety measure, TRIFR, improved with a reduction to 3.3, continuing its long-term positive trend. The division continued to build climate resilience across its businesses, lowering Scope 1 and Scope 2 market-based emissions by 6.8 per cent excluding Coregas. Coregas increased its overall emissions during the period due to increased production of gases to meet business demand. Positive progress has also been made on other core initiatives, including the continuation of end-of-life garment partnerships, better identification of waste streams and recycling avenues, continued collaboration and spend with Indigenous businesses and supporting a variety of community events and charities.

Near-term market conditions in Australia and New Zealand are expected to be impacted by ongoing economic pressures, particularly from the continued inflationary cost environment.

The Industrial and Safety businesses will continue to actively manage cost inflation, labour availability constraints and product availability pressures, and each business remains focused on delivering continued improvements in performance in this environment.

Blackwoods is focused on strengthening its customer value proposition and enhancing core operational capabilities, including in data and digital.

Workwear Group remains focused on driving growth in its industrial brands and uniforms business, improving operational excellence and strengthening its digital offer.

Coregas is expected to benefit from continued strong demand in the healthcare and industrial segments, despite ongoing competitive pressures and rising input and distribution costs.

Tim Bult
Managing Director
Wesfarmers Industrial and Safety

Our performance

Key financial indicators

For the year ended 30 June	2023	2022
Revenue ($m)	**1,992**	1,925
Earnings before tax ($m)	**100**	92
Capital employed ($m) R12	**1,257**	1,166
Return on capital employed (%) R12	**8.0**	7.9
Cash capital expenditure ($m)	**73**	64

Sustainability results	2023	2022
Total recordable injury frequency rate (TRIFR)[1] R12	**3.3**	3.5
Aboriginal and Torres Strait Islander team members	**97**	92
Scope 1 and Scope 2 market-based emissions ($ktCO_2e$)	**27.2**	26.4
Operational waste diverted from landfill (%)	**40.4**	41.6
Community contributions ($m)	**0.8**	0.8
Sites in the ethical sourcing program that were monitored (%)[2,3]	**55**	53

1 TRIFR measures the number of lost time and medical treatment injuries per million hours worked.
2 The frequency of monitoring varies depending on prior audit findings and the level of assessed risk.
3 Ethical sourcing data for the twelve months to 31 May.

Year in review

Industrial and Safety revenue of $1,992 million was 3.5 per cent above the prior year. Earnings of $100 million were 8.7 per cent above the prior year.

Blackwoods' revenue increased on the prior year, with growth underpinned by demand from strategic customers in Australia, particularly those in the mining, utilities and manufacturing sectors. Pleasingly, sales growth was recorded across major trading regions in Australia as well as in New Zealand.

Blackwoods' earnings were below the prior year, with sales growth offset by the margin impact of inflationary cost pressures and the timing lag in corresponding changes to customer contract pricing. Earnings were also impacted by continued investment in customer service and digital capabilities, including the completion of the ERP system implementation, along with some costs associated with domestic supply chain disruptions during the year.

Workwear Group's revenue and earnings increased on the prior year, driven by higher customer demand for corporate, emergency and defence uniforms. Revenues from the industrial workwear brands, including KingGee and Hard Yakka, increased on the prior year. Earnings were partially offset by costs associated with domestic supply chain disruptions in both Australia and New Zealand.

Coregas' revenue and earnings increased on the prior year, driven by higher demand from industrial and healthcare customers. Earnings growth was partially offset by higher material, energy and distribution costs.

On 1 August 2022, the Industrial and Safety division completed the sale of the Greencap consulting business to WSP Global Inc, impacting revenue growth. The modest gain on sale is included within the division's earnings result in the first half.

Blackwoods' Stop, Assess, Move program improves safety behaviour

In 2020, Blackwoods conducted a study into its injury trends and identified that most injuries were soft tissue, and directly associated with manual handling of heavy, long, sharp or awkward products.

To help reduce these injuries, Blackwoods introduced S.A.M. — Stop, Assess, Move — to empower team members to make safer choices when undertaking manual handling. S.A.M. is a simple catchphrase unique to Blackwoods that gives team members ownership of their actions. The behavioural-based program asks team members to do a quick mental assessment of a task prior to it being undertaken.

Since the program was introduced, Blackwoods has seen a reduction in its TRIFR. Stories that showcase how S.A.M. was applied are discussed at Blackwoods' daily pre-starts, team meetings, customer meetings, displayed on workplace noticeboards and broadly circulated to team members.

People

The Industrial and Safety division TRIFR trended positively, reducing from 3.5 last year to 3.3 in the 2023 financial year.

Blackwoods and Bullivants continued to implement the Stop Assess Move (SAM) initiative, and NZ Safety Blackwoods rolled out a variation of SAM. Workwear Group trialled a training program for three new mobile handling equipment operators during March to May 2023. Coregas launched a Safety Refresh event in October 2022, to align with Safe Work Month.

Representation of women in senior manager roles remains within the target range at 35.3 per cent. In Australia, Aboriginal and Torres Strait Islander representation continues to trend positively at 3.3 per cent, up 0.3 percentage points from last year. In NZ Safety Blackwoods, 124 team members identify as either Maori or Pasifika, making up 21 per cent of the workforce.

Product quality and safety

Industrial and Safety is committed to zero own-brand product recalls and this year there were no recalls.

Ethical sourcing

As a supplier to government and business, the division engages with customers and provides them with increased transparency concerning its supply chains and ethical sourcing program. We believe this also delivers additional value to our customers.

This year, Blackwoods, Bullivants and Workwear Group embedded grievance mechanisms across selected suppliers sites in China, Taiwan, Vietnam and Indonesia. The division closed the reporting period covering more than 100 manufacturing sites and about 24,000 workers. The grievance mechanism includes a helpline that allows workers to raise concerns which are investigated by a third party and reported to the Industrial and Safety business.

Environment

To support emissions reduction targets, Workwear Group implemented LED lighting and a solar PV system at its Port Melbourne office and Blackwoods has scheduled warehouse LED lighting upgrades for 2024. NZ Safety Blackwoods is transitioning its fleet to hybrid vehicles by the end of 2024, with 88 hybrid and 17 non-hybrid vehicles in the business currently. Coregas prioritised several hydrogen projects, supporting the transition to a low-emissions economy. The division is establishing long-term transition plans away from petrol/diesel for its vehicle fleet.

Blackwoods continues to strive towards zero waste to landfill by 2032, diverting approximately 30 per cent of operational waste from landfill this year. NZ Safety Blackwoods diverted waste by reviewing waste streams within its Trade Centres and introduced soft plastic recycling in 25 out of 32 sites through its waste management provider.

Workwear Group developed a packaging standard that uses no plastic clips or kimble tags, only one swing ticket, a recyclable plastic garment bag, and recycling instructions.

Coregas' initiatives include phasing out single-use cylinders and ensuring the appropriate disposal and recycling of cylinders at end of life through third-party providers.

Coregas works toward clean energy transition

With the support of the NSW Government, Coregas commissioned Australia's first heavy vehicle refuelling station, known as the 'Coregas H2Station'. The facility is equipped with a high-pressure hydrogen dispenser with capacity to refuel up to ten prime movers per day.

Coregas' involvement in the Hydrogen Energy Supply Chain project, Australia's most advanced clean hydrogen initiative, has positioned the company as a key player in advancing liquefied hydrogen competence. Coregas is now preparing the pilot facility for hydrogen research, market development, and training.

Visit our website to read more: wesfarmers.com.au/sustainability

Strategy

Industrial and Safety continues to focus on performance improvement activities to enhance growth initiatives including investment in digital capabilities.

Across Blackwoods and Workwear Group, this includes focusing on data, e-commerce, product and service capabilities and cost improvement initiatives aimed at deepening customer relationships while improving operating efficiencies. Coregas is focused on expanding in key sectors including mining and healthcare, enhancing its product offer and renewable opportunities.

Strategies	Achievements	Focus for the coming years
Implementation of a market-leading offer in the Australian and New Zealand industrial distribution market	– Strengthened relationships with strategic customers – Progressed integrated supply program delivering end-to-end procurement solution – Increased digital engagement and improved customer experience across the digital offerings – ERP deployment fully completed – Continued investment in Cm3, a leading digital contractor management platform in Australia and New Zealand, operating within Blackwoods	– Continue to enhance customer value proposition through unbeatable range, reliability, expertise and ease of doing business – Transform business modelling, including through increased use of data and digital tools – Leverage scale from operations and benefits of the ERP system to improve operating efficiencies – Engineering range growth and ongoing trade store refresh program in New Zealand
Digital transformation of Workwear Group and targeting growth from uniforms and industrial brands	– Strengthened market position of industrial brands through product innovation, improved service levels and brand desirability – Growth in new distribution channels, including international for the KingGee and Hard Yakka brands – Targeted focus on winning and retaining uniforms contracts – Part-deployment of significant e-commerce platform	– Continue investment in digital transformation including full deployment of e-commerce platform that will enhance the customer offer and simplify the business – Realise new business opportunities for uniforms – Accelerate growth from industrial and corporate brands – Enhance service levels through logistical excellence and investment in planning systems
Grow Coregas market share	– Continued revenue growth and increased market share, particularly strong in mining, healthcare and LNG – Continued growth in disruptive Trade N Go Gas offer – Increasing activity in hydrogen projects	– Key customer growth, including in major customers – Invest in production capacity and supply chain – Invest in digital projects including an ERP system upgrade – Continue to explore renewable opportunities and leverage expertise in the hydrogen supply chain

Risk mitigation

As a supplier of industrial, safety and workwear products, the business is exposed to the performance of customers' industry sectors, new and existing competitor activity and trends, as well as macroeconomic factors such as capital investment, employment, exchange rates and interest rates.

Industrial and Safety recognises climate change as a key risk (and opportunity) which is discussed elsewhere within this annual report.

Risk	Mitigation
Supply chain disruptions and labour availability	– Implementation of strategies such as supplier engagement and sourcing visibility, enhanced customer engagement and alternative sourcing options – Enhance recruitment capabilities and team member value proposition – Investment in planning systems to further optimise stock availability – Strengthen partnerships with local manufacturers for Workwear Group to support local production
Subdued profitable growth and margin pressure, particularly as a result of the inflationary and uncertain economic environment	– Enhance Blackwoods' customer value proposition through unbeatable range, reliability, expertise and ease of doing business – Target new growth opportunities, strengthen brand positioning and enhance service level excellence in Workwear Group – Continue to develop distribution channels for Coregas, expand large customer segments by leveraging Blackwoods' relationships and diversify product offering – Enhance pricing and contract management, including cost tracking activities, across all Industrial and Safety businesses, as well as focus on initiatives that improve the cost to serve model
Growth of new and existing competitors, including digital market entrants	– Build data and digital capabilities to deepen customer relationships and improve operating efficiencies – Continue to optimise range, price and supply chains
Safety or environmental incident	– Continue to focus on quality control systems and ensuring compliance with regulatory requirements and standards – Fully operational safety program including regular monitoring and the continuation of the safety culture – Active safety engagement by senior management – Regular review of appropriate emergency response and crisis management plans, including in the event of environmental incidents
Data and IT security	– Developing cyber-resilient workforce through increased training – Continue to focus on enhancing security monitoring systems

Wesfarmers Health

In its first full year as part of the Wesfarmers Group, the Health division has focused on developing and executing a transformation program to drive profitable growth following the acquisition of its foundation asset, Australian Pharmaceutical Industries (API).

Our business

The Health division was formed in March 2022, with the acquisition by Wesfarmers of API, a health, wellbeing and beauty company that has served Australians for more than 100 years.

Wesfarmers Health operates as a wholesale distributor to over 2,500 pharmacies across Australia and offers additional retail support services through its Priceline Pharmacy and other franchise partners. Wesfarmers Health also owns and operates non-pharmacy Priceline stores, the Sister Club loyalty program and Clear Skincare clinics.

The wholesale business provides pharmaceutical and related goods to community pharmacies. This includes the distribution of Pharmaceutical Benefits Scheme (PBS) items under the Australian Government's Community Service Obligation (CSO) arrangements.

Priceline is one of Australia's leading pharmacy, health and beauty retailers with more than 460 stores across Australia. Priceline partners with community pharmacists through franchise arrangements and owns non-pharmacy Priceline stores. Priceline's Sister Club loyalty program has over eight million members, making it Australia's largest health and beauty loyalty program.

Wesfarmers Health's other major franchise banner, Soul Pattinson, has over 40 stores and has provided pharmacy services, professional care and value for money to Australian communities for over 130 years.

Through the Club Premium program the division also offers a suite of flexible programs, tools and services to independent pharmacies.

Clear Skincare is one of Australia and New Zealand's most experienced skin, acne, cosmetic injecting and laser hair removal clinics. Established in 1999 and developed by Doctor Philippa McCaffery, Clear Skincare has been a changemaker in Australian skincare by making the most advanced clinical treatments and effective skincare accessible and affordable to millions of people in more than 90 clinics. Clear Skincare's team of highly trained therapists, nurses and doctors are passionate about helping clients live their best skin.

Highlights and outlook

Revenue

$5,312m

2023	**5,312**	
2022[1]	1,240	

Earnings before tax

$45m

2023	**45**	
2022[1]	(25)	

[1] 2022 results are for the period of 31 March to 30 June 2022.

Wesfarmers Health reported revenue of $5,312 million and earnings of $45 million for the year. Earnings were $58 million excluding depreciation and amortisation expenses of $13 million relating to assets recognised as part of Wesfarmers' acquisition of API. The Health division's results were supported by strong sales growth in the Pharmaceutical Wholesale business, supported by net customer acquisition, along with elevated sales of COVID-19 antiviral products.

The Health division recognises that human health is inextricably linked to a healthy planet and healthy communities. During its first full financial year in the Group, the business invested in understanding its material sustainability issues and baseline performance, which provides a platform for management of sustainability priorities into the future.

Wesfarmers Health has a complementary portfolio of health, wellbeing and beauty assets and is well positioned to deliver long-term growth and capitalise on health sector tailwinds.

Near-term market conditions are expected to remain challenging, and the division continues to actively manage the impact of cost inflation and increasing competition, along with changes to the Pharmaceutical Benefits Scheme and implications of the recent announcement of 60-day dispensing of PBS medicines.

The division remains focused on delivering on the 'Accelerate' transformation plan and will continue to invest to strengthen the Priceline offer, expand the franchise store network, reset the wholesale proposition and optimise the supply chain. Development of the new fully-automated fulfilment centre in Brisbane will continue, with construction commenced in May 2023.

The Health division continues to pursue logical expansion opportunities across digital health, medical aesthetics and pharmaceutical wholesale, including the recently completed acquisition of InstantScripts and the proposed acquisition of SILK Laser Australia.

On 26 June 2023, API entered into a Scheme Implementation Deed to acquire skin treatment franchise SILK Laser Australia (ASX: SLA) for approximately $180 million. SILK is one of the largest non-surgical aesthetics clinic operators in Australia and New Zealand with a network of over 140 clinics. It will complement the existing Clear Skincare clinic network, providing greater scale and efficiency benefits through an expanded presence in a growing market. The Scheme is subject to conditions including the completion of due diligence, Wesfarmers and SILK Board approvals, Court approval and SILK shareholder approval.

Emily Amos
Managing Director
Wesfarmers Health

Our performance

Key financial indicators

For the year ended 30 June	2023	2022[1]
Revenue ($m)	**5,312**	1,240
Earnings before tax ($m)	**45**	(25)
Capital employed ($m) R12	**1,078**	n.r.
Return on capital employed (%) R12	**4.2**	n.r.
Cash capital expenditure ($m)	**41**	3

Sustainability results	2023	2022
Total recordable injury frequency rate (TRIFR)[2] R12	**6.6**	n.r.
Aboriginal and Torres Strait Islander team members	**3**	n.r.
Scope 1 and Scope 2 market-based emissions ($ktCO_2e$)[3]	**11.6**	13.8
Operational waste diverted from landfill (%)[4]	**73.0**	n.r.
Community contributions ($m)	**0.8**	n.r.
Sites in the ethical sourcing program that were monitored (%)[5,6]	**100**	n.r.

1 Results are for the period 31 March to 30 June 2022.
2 TRIFR measures the number of lost time and medical treatment injuries per million hours worked.
3 2022 full year emissions estimated for comparison purposes.
4 2023 operational waste data is for distribution centres only.
5 The frequency of monitoring varies depending on prior audit findings and the level of assessed risk.
6 Ethical sourcing data for the twelve months to 15 June.

Year in review

Wesfarmers Health revenue was $5,312 million for the year, with earnings of $45 million. Earnings were $58 million excluding depreciation and amortisation expenses of $13 million relating to assets recognised as part of Wesfarmers' acquisition of API.

The Pharmaceutical Wholesale business delivered strong sales growth for the year, underpinned by increased demand from trading partners and net customer acquisition. Sales also reflect the impact of over $300 million in sales of COVID-19 antiviral products, and price inflation in some categories.

Priceline recorded solid sales results for the year, with increased sales across both health and beauty categories. Sales growth was supported by more normal operating conditions following the impact of COVID-related restrictions in the prior year, partially offset by a moderation in trading conditions in the second half as customers responded to cost-of-living pressures.

Clear Skincare saw an increase in sales as customer traffic continued to normalise, while earnings results were impacted by higher costs to attract and retain clinic team members during the year.

Earnings reflected the acceleration of transformation activities, additional costs associated with the transition to the new Sydney fulfilment centre and the impact of higher operating costs in Clear Skincare. As at 30 June 2023, the Health division included 76 company-owned Priceline stores, 390 Priceline Pharmacy franchise stores and 92 Clear Skincare clinics.

As part of its transformation strategy, Wesfarmers Health strengthened its e-commerce capabilities with the launch of the new Priceline website in February 2023.

In addition, supporting the digital health strategy, the Health division increased its ownership in the digital health business SiSU to 60 per cent. SiSU owns and operates a network of more than 300 medical-grade health stations in the Priceline network and third-party locations. The health stations deliver health checks and provide key biometric data to users, adding an alternative health delivery channel to enhance the current healthcare system infrastructure. SiSU provided more than 355,000 digital health checks across Australia this year, passing a global health check milestone of 4.5 million checks.

Ethical sourcing training builds workplace capability

Delivering training that provides greater awareness of ethical sourcing and modern slavery risks is a focus of Wesfarmers Health's Ethical Sourcing Program. The training material is relevant for team members in the context of their operational roles, such as for those in Category, Supplier Relationship Management, Indirect Procurement, and Logistics teams. It shows team members how their actions may improve the lives of workers in the upstream supply chain and enables them to better support suppliers.

The training sessions covered ethical sourcing requirements, best industry practice and international standards, and how to identify ethical sourcing risks.

Safety, health and wellbeing

This year Wesfarmers Health focused on psychosocial risk management and mitigation, to address the risk of mental harm to team members, and to promote positive mental health outcomes. The division's mental health and wellbeing strategy offers a suite of services for team members, including the Employee Assistance Program, Mental Health Partners network, and NewAccess by Beyond Blue. Each service focuses on the different mental health and wellbeing challenges that team members may face in their professional or personal lives.

Wesfarmers Health had a TRIFR of 6.6. Manual handling is the primary cause of recordable injuries across the business and a key focus area. In the 2022 financial year, two manual handling safety programs were launched in the wholesale business, which resulted in a 30 per cent reduction in musculoskeletal injury claims. Based on this success, the Participative Ergonomics for Manual Handling (PErforM) and Manual Task Risk Assessment (ManTRA) programs were launched in the retail network this year.

Climate resilience

Wesfarmers Health acknowledges it has a role to play accelerating the decarbonisation of its operations and supply chains.

During the year, the Health division adopted a Climate Policy and reported actual emissions for the first time. Scope 1 and Scope 2 market-based emissions were 11.6 kilotonnes of CO_2e, and Scope 3 emissions were 2.1 megatonnes of CO_2e. To reduce emissions, abatement initiatives will be focused on electricity use and may involve energy efficiency projects (such as LED lighting upgrades), solar PV systems and procurement of renewable electricity.

Human rights

Wesfarmers Health expects its operations and supply chains to prioritise ethical sourcing practices and to operate in accordance with legal obligations and community expectations.

During the year, the division established its ethical sourcing and supplier due diligence program. The division also commenced mapping its own-brand product suppliers and services suppliers.

Wesfarmers Health takes a risk-based approach to assess and mitigate human rights in its operations and supply chains. The division uses Sedex Members Ethical Trade Audit to monitor manufacturing facilities of own-brand product suppliers. Goods not for resale that contain cotton, latex or polysilicon are considered high risk, and suppliers are risk-assessed on a manufacturing facility level.

Priceline partnerships support families

During the year, the Priceline Sisterhood Foundation partnered with three charities: Perinatal Anxiety & Depression Australia (PANDA), Raise Foundation, and Motherless Daughters Australia, donating more than $700,000 to these organisations.

PANDA supports women, men and families across Australia to recover from perinatal anxiety and depression, and postnatal psychosis during the first twelve months of a new baby's life.

With the Foundation's funding, PANDA has upgraded its Learning Hub, which includes materials for health professionals, including evidence and practice-based information and tools.

Community

Providing care and support to the communities in which it operates is a priority for Wesfarmers Health. The division's direct and indirect community contributions totalled nearly $800,000 in the 2023 financial year.

The Priceline Sisterhood Foundation was formed in 2011, with the purpose of supporting the community, particularly women and their families. This year the Foundation raised almost $1.7 million which allows the Foundation to provide essential funding for on-the-ground support services, medical research and sustainable programs through its charity partners.

Priceline directly contributes to wellbeing and women's health through sports sponsorships, including with the Western Bulldogs Australian Football League Women's team and MiniRoos which introduces soccer to kids of all abilities.

Visit our website to read more: wesfarmers.com.au/sustainability

Strategy

Wesfarmers Health's goal is to make Australians' health, beauty and wellness experiences simpler, more affordable and easier to access. Wesfarmers Health is focused on delivering winning propositions for pharmacists and consumers and will continue to drive growth through the following strategies.

Strategies	Achievements	Focus for the coming years
Win in wholesale	– Continued customer acquisition growth – Strengthened sales force capability	– Expand category management and invest in technology to better serve customers – Improve service levels: availability, on-time delivery, consistency of performance
Reinvigorate the customer proposition in Priceline	– Strengthened retail network – Continued to optimise pricing and improve promotional effectiveness – Sister Club is now one of Australia's largest loyalty programs with 8.3 million members	– Rationalise range, improve on-shelf availability and space allocation – Improve private label penetration – Optimise and refurbish franchise store network – Expand Sister Club benefits
Expand health and wellness	– Leading team of highly trained therapists, nurses and doctors – Established physical network	– Strengthen the customer and employee value proposition – Explore partnerships and synergies with other Wesfarmers Health businesses and brands
Deliver operational excellence	– Sydney fulfilment centre in operation and improving effectiveness – Development of the new Brisbane distribution centre has commenced, expected to be operational in calendar year 2024	– Continue to invest in automation and optimisation of distribution centre network – Drive competitive advantage through leading service and efficiency levels
Develop world-class digital systems	– Launch of new **Priceline.com.au** website – Investment in SiSU, providing digital health services and proprietary population health data	– Accelerate API's e-commerce capabilities and performance and drive enhanced loyalty and personalisation

Risk mitigation

Wesfarmers Health's risk management is a fundamental part of daily operations. The division encourages its teams to understand and mitigate risks, noting that taking appropriate business risks is an essential aspect of generating acceptable business returns.

Additionally, Wesfarmers Health recognises climate change is a key risk (and opportunity) which is discussed elsewhere in this annual report.

Risk	Mitigation
Competitor activity	– Continue to innovate and maintain high standards of quality and safety – Position as one of only four Community Service Obligation pharmaceutical wholesalers, supported by a national network of seven distribution centres
Changing macro-economic conditions, including sustained high inflation	– Leverage Priceline's strong brand, its well-known beauty-led offering, and large national network – Opportunities arising from increasing consumer focus on health and wellbeing – Investment in differentiated and digital health offerings
Data and IT security	– Continued modernisation of technology infrastructure, ensuring systems are fit for purpose, and have been assessed as featuring strong cyber security – Continue to invest in systems and processes to ensure responsible use of data
Supply chain disruptions	– Continue to automate and modernise supply chain facilities – Proactively manage inventory position to support the efficient use of capital and align with customer demand
Talent recruitment and retention	– Ability to leverage benefits of the Wesfarmers Group – Investments to strengthen the employee value proposition to ensure that the right talent is attracted and retained by the division

Wesfarmers OneDigital

Wesfarmers OneDigital supports the Group's data and digital ambitions by providing customers with a more seamless, rewarding and valuable omnichannel experience across the Group's retail businesses, and using data analytics to support each Wesfarmers division's growth agenda and emerging cross-divisional opportunities.

OnePass and supporting capabilities

Our business

Wesfarmers OneDigital was established in April 2022 and brings together the Group's digitally native businesses, including the OnePass membership program, the Group shared data asset and Catch, which moved into the division from Kmart Group on 1 July 2022.

OneDigital supports the Group's data and digital ambitions by providing customers with a more seamless, rewarding and valuable omnichannel experience across the Group's retail businesses, and using data analytics to support each division's growth agenda and emerging cross-divisional opportunities.

The OnePass program provides members with additional benefits and convenience when shopping with the Group's retail businesses, and appeals to their most valuable customer cohorts. OnePass partners include Bunnings, Kmart, Target and Catch, alongside a multi-year strategic partnership and streaming bundle with Disney+.

OneDigital enables deeper customer insights through the shared data asset, providing a single view of the customer and enabling the divisions to deliver a more compelling offer to customers.

Critically, underpinning this is a strong privacy, security and data governance framework driving the use of customer and divisional data across the Wesfarmers ecosystem.

OneDigital is uniquely placed to leverage the Group's trusted retail brands, and its near-term priority is to deliver enhancements to the OnePass customer value proposition and scale the membership base.

Highlights and outlook

The development of the Group's data and digital capabilities continued during the year, with initiatives and investment across the divisions and through OneDigital.

These capabilities support each division's growth agenda, as well as emerging cross-divisional opportunities to support incremental growth. The use of data analytics and increased digitisation of operations supports productivity and efficiency improvements. Use cases continue to develop through the application of more sophisticated AI and predictive analytics models that are delivering improved outcomes in areas such as demand forecasting, product design, instore and online availability, and marketing effectiveness.

The Group has large-scale digital reach across its portfolio of retail brands through a diverse range of digital assets and unique and complementary membership, programs. Investment in the divisions' digital channels continued during the year, and the Group delivered more than 210 million digital interactions with customers per month on average in the 2023 financial year.

These touchpoints support the divisions to drive deeper customer connections through stronger instore and digital engagement, improved personalisation and targeted offers. As connectivity and engagement have increased, the Group's share of sales to known customers has grown from 34 per cent in the 2018 financial year to 56 per cent in the 2023 financial year.

Investment in the OnePass membership program and the Group's customer and data insight capabilities continued during the year, with an operating loss of $82 million for the year, broadly in line with the prior period.

During the year, OneDigital established a sustainability framework identifying six material sustainability issues and representative baseline performance to inform future decarbonisation strategies.

Bunnings Warehouse joined the OnePass membership program during the year, and OnePass launched a multi-year strategic partnership and streaming bundle with Disney+. Instore activation of OnePass benefits increased during the year through new offers allowing members to redeem 'spend and save' vouchers at Kmart and Target, and the OnePass app was launched on both Android and iOS.

Early indications are that OnePass members are valuable, and increasingly engaged and connected across the Group. Around 70 per cent of members have linked their account across two or more Group brands and OnePass transactions represented an increasing share of retail partners' online transactions during the year, with penetration rising in the second half. OnePass members are also typically younger, digitally native and also spend more online than non-members, with more than twice as many online transactions per year and higher conversion rates of online baskets.

The Group's shared data asset and insight capabilities continued to develop during the year, with the launch of new products for the retail divisions including customer life-stage and affluence analytics products and use cases for AI, including exploratory use cases for generative AI.

During the year Wesfarmers also made a non-controlling investment in Tecsa, a UK-based specialist customer data and loyalty analytics consultancy.

Investments in data and digital will continue through the expansion of divisional capabilities and ongoing development of the OnePass membership program and shared data asset.

In the 2024 financial year, OnePass will launch an enhanced omnichannel customer value proposition, with a strong focus on instore benefits and an improved delivery offer for members. In addition, Officeworks is expected to join the OnePass program as a partner in the first half of the 2024 financial year.

Nicole Sheffield
Managing Director
Wesfarmers OneDigital

Catch

Our business

Catch is an e-commerce marketplace which commenced operations in 2006 and was acquired by Wesfarmers in August 2019. From 1 July 2022, Catch moved from the Kmart Group and joined Wesfarmers OneDigital.

Catch operates an online business model offering branded products on a first-party basis and a third-party online marketplace. Its online operations are supported by fulfilment centres located in Victoria and New South Wales.

Highlights and outlook

Catch's gross transaction value declined by 25.9 per cent for the year to $733 million, impacted by a moderation in sales as the business cycled elevated demand as a result of COVID-19 restrictions in the prior year. Catch's reported loss of $163 million for the year includes restructuring costs of $40 million relating to inventory provisions, team member redundancies and asset write-offs.

Catch's disappointing financial performance was impacted by weak margin outcomes in its in-stock range, due to increased clearance activity following poor range expansion choices in prior years. Catch also incurred additional supply chain costs associated with the commissioning and ongoing developments at the Moorebank automated fulfilment centre in New South Wales, as well as higher transport and fuel costs.

In response to disappointing operating and financial results, Catch announced restructuring actions and changes to management to strengthen the business' leadership capabilities during the year.

Performance in the second half indicates signs of progress from restructuring activities, with losses excluding restructuring costs reducing relative to the first half, but significant further progress is still required. Initial improvements have been supported by lower employee costs from reduced headcount, the exit of unprofitable ranges and a significant reduction in SKU count in the in-stock business, and significant reduction in inventory balances. Marketing spend efficiency increased during the second half, and initiatives to improve fulfilment processes supported significantly reduced labour costs per unit and average days to despatch.

Investments made in Catch in recent years are being leveraged across the Group to provide some centralised e-commerce fulfilment capabilities and strengthen digital marketing programs. The business is focused on continuing its progress to address operational challenges and reduce costs as part of ongoing restructuring activities.

Our performance

Key financial indicators

For the year ended 30 June	2023	2022
Gross transaction value ($m)	**733**	989
Revenue ($m)	**354**	510
Earnings before tax ($m)[1]	**(163)**	(88)
Cash capital expenditure ($m)	**10**	45

Sustainability results

Total recordable injury frequency rate (TRIFR)[2] R12	**4.7**	2.1
Scope 1 and Scope 2 market-based emissions (ktCO_2e)	**2.8**	3.0

1 2023 includes restructuring costs of $40 million.
2 TRIFR measures the number of lost time and medical treatment injuries per million hours worked.

Strategy

The OneDigital ecosystem creates network effects to develop deeper connections with customers. This is driven by the OnePass membership program which builds deeper engagement with the retail partners' most valuable customers through a compelling omnichannel customer experience.

Catch remains focused on building on recent decisive actions and results to address underperformance, improve its customer value proposition and support sustainable growth.

Strategies	Achievements	Focus for the coming years
Accelerate growth in membership program	– Addition of Bunnings as a OnePass partner – Launched Disney+ bundle product in an Australian-first streaming partnership – Began to launch instore rewards, recognising the importance of an omnichannel proposition as a key point of differentiation for OnePass – Launched the OnePass app on iOS and Android – Formalised relationship with Flybuys through a new partnership agreement	– Further enhance the OnePass value proposition through new partners, features and benefits – Leverage OnePass and OneDigital to enhance the omnichannel customer experience and deliver more personalised interactions – Maintain growth discipline through focus on customer lifetime value relative to customer acquisition cost
Continuation of key initiatives to improve Catch performance	– Changes to leadership with new Managing Director of Catch and new heads of retail, technology, and supply chain – Material reduction in headcount to lower costs – Clearing of unprofitable first-party range and excess stock – Initiatives to optimise fulfilment costs at the Moorebank fulfilment centre – Optimising marketing spend	– Further reduce in-stock range to create a more profitable proposition – Optimise performance of fulfilment centres – Further reduce costs through lower discretionary spend – Leverage benefits and traffic from OnePass

Risk mitigation

OneDigital recognises that taking appropriate business risks is a critical aspect of generating acceptable business returns. In doing so, it seeks to appropriately manage risks to minimise losses and maximise opportunities. OneDigital's operations are underpinned by a mature risk culture that includes a strong privacy, security and data governance framework driving the responsible use of customer and divisional data across the ecosystem.

Risk	Mitigation
Data and IT security	– Threat intelligence partnerships in place to monitor evolving cyber threats – Dedicated team responsible for operational management and oversight of cyber security – Regular reporting provided to executive management and the Board to govern cyber security
Competitor activity	– Monitoring of competitor activity and consumer trends – Pipeline of planned investment to improve the OnePass customer value proposition – Using data analytics to drive insights across the retail divisions and improve customer experience and personalisation – Continuing to maintain high standards of product quality and safety – Leveraging Wesfarmers' retail assets to provide a differentiated customer experience
Execution of Catch turnaround	– Executing key initiatives to drive continued improvement in performance including first-party range optimisation, improving performance of fulfilment centres, cost reduction initiatives, and benefits from OnePass member volume growth – Reshaping first-party range with consideration of the categories that matter most to Catch's most valuable customer cohorts to ensure a sustainable proposition

Other activities

Wesfarmers is an investor in Flybuys, the BWP Trust, Gresham Partners and Wespine Industries.

Flybuys

Wesfarmers owns a 50 per cent shareholding in leading loyalty and data company Flybuys, with Coles holding the other 50 per cent. Formerly part of Coles, following the demerger of Coles in November 2018, the Flybuys business was set up as an independent, stand-alone business.

As at 30 June 2023, there were nine million active members in the Flybuys loyalty scheme. For more information on Flybuys, please visit **www.flybuys.com.au**

Gresham Partners

Wesfarmers has a 50 per cent shareholding in Gresham Partners Group Limited, the holding company for the Gresham Partners operations. Gresham Partners is a leading independent financial services business with activities in corporate advisory, funds management, property, and capital solutions.

For more information on Gresham Partners, please visit **www.gresham.com.au**

BWP Trust

Wesfarmers' investment in the BWP Trust (the Trust) contributed earnings of $9 million for the financial year compared to $121 million in the prior year, reflecting negative property revaluations.

The Trust was established in 1998 with a focus on large format retailing properties and, in particular, properties leased to Bunnings. 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 2023.

The Trust's portfolio as at 30 June 2023 consisted of a total of 73 properties. For more information on the Trust, please visit **www.bwptrust.com.au**

Wespine Industries

The 50 per cent-owned Wespine Industries (Wespine) operates a plantation softwood sawmill in Dardanup, Western Australia. Wespine manufactures structural timber used for the construction, landscaping and packaging industries. Wespine is also continuing to develop an import wholesale operation under the brand Staxa.

Following unprecedented demand through the COVID-19 pandemic, the level of demand for sawn timber products has moderated as home buyer incentives and other government stimulus has tapered. Timber sales of $140 million were achieved, only slightly behind last year's record result of $145 million. This continued strong sales performance reflects the addition of imported supply to the Wespine offer and wider recognition of the benefits of timber for construction relative to more carbon intensive alternatives.

Safety continues to be a focus for management with ongoing investment and operational initiatives to ensure a strong safety performance.

For more information on Wespine, please visit **www.wespine.com.au**

Sustainability

2023 highlights

Safety performance

11.3

23% increase in total recordable injury frequency rate from 9.2 in FY2022[1]

Ethical sourcing program

4,563

supplier sites in the ethical sourcing program, a 4.8% increase from FY2022

Indigenous employment

3.3%

Indigenous employment maintaining population parity

Sustainability is core to the Wesfarmers Way. Our primary objective, values, and value-creating strategies embed care for people and planet, and a focus on the long term across the Group.

We understand that it is essential that our businesses look after our team members, anticipate the needs of our customers, treat our suppliers ethically and fairly, invest in our local communities, take care of the environment, and behave with honesty and integrity.

These sustainability pillars underscore our work including management of the divisions, Group strategy and capital allocation, knowing this approach aligns with long-term sustainable value creation.

This section of the annual report includes information about those sustainability issues that we and our stakeholders have identified as most material to the Group. Most importantly, our approach to the management of these issues is focused on driving positive, sustainable long-term outcomes.

We report progress in safety and inclusion, which remains ongoing work.

Our climate-related disclosures detail how Wesfarmers' businesses are contributing to global decarbonisation efforts, supporting the transition to net zero.

We remain focused on eliminating modern slavery in our network of suppliers, and our ethical sourcing program invests in our teams and training, increased transparency in our supply chains and grievance mechanisms.

Data and cyber security are material issues for our divisions, as are the concerns regarding the environment and circular economy. This year, we completed a nature-based pilot in readiness for future reporting using the Taskforce on Nature-related Financial Disclosures (TNFD) framework.

Our approach to governance and corporate conduct is detailed in the Corporate Governance Overview and in the climate-related disclosures in this annual report.

This year, the Health division's sustainability performance is included in our Group sustainability disclosures.

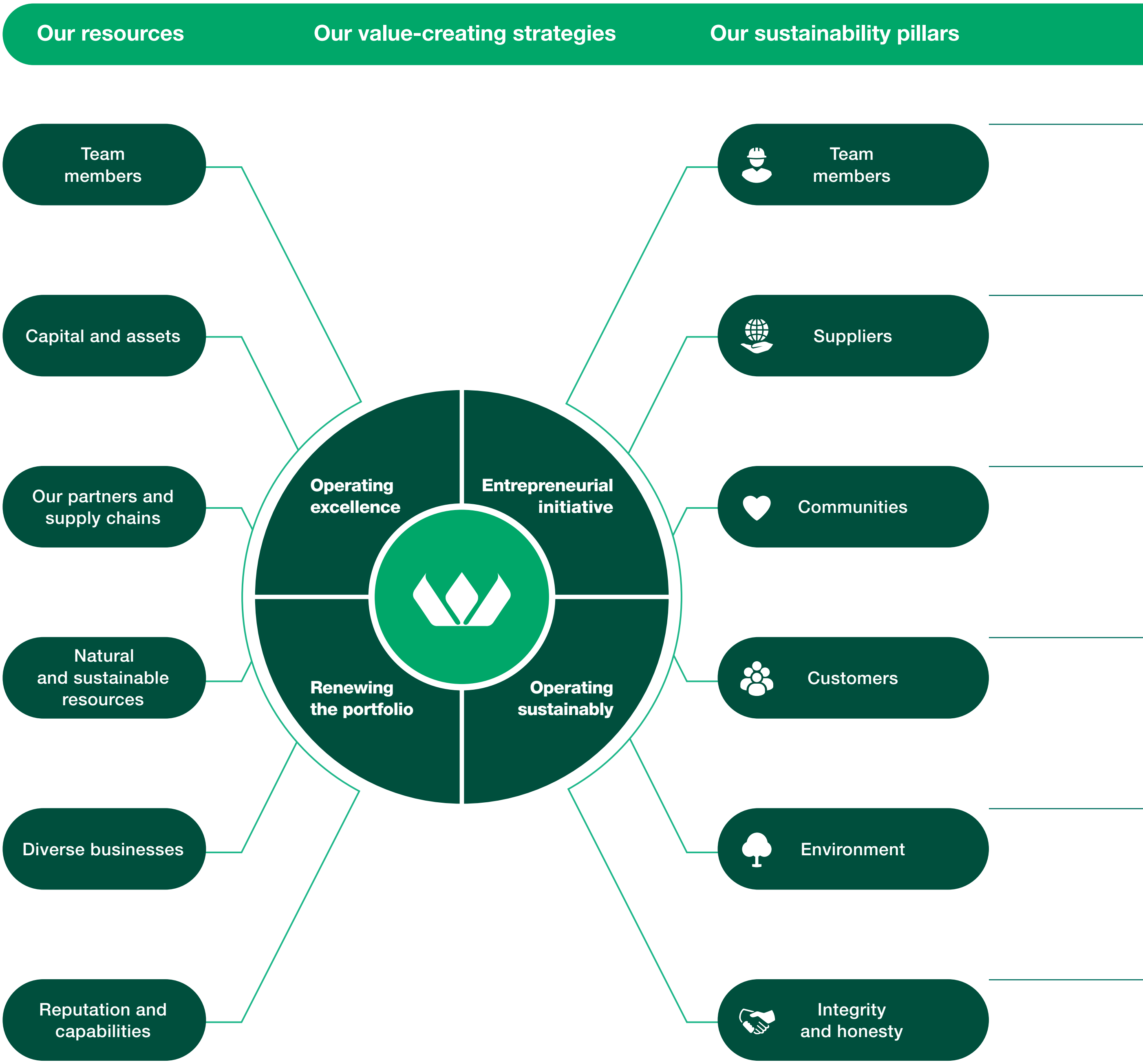
Wesfarmers' sustainability disclosures are prepared in accordance with the Global Reporting Initiative (GRI) and linked to the United Nations Sustainable Development Goals. Further information on our sustainability disclosures, including performance data, is set out at **www.wesfarmers.com.au/sustainability**

[1] Excludes Wesfarmers Health in FY2022.

How our approach creates value for Wesfarmers stakeholders

Sustainability has long been integrated into Wesfarmers' approach to capital allocation, and the oversight and management of our businesses. We invest considerable resources, including human and financial capital, often alongside partners, consistent with our value-creating strategies, to support the delivery of satisfactory returns to shareholders.

Each year, we determine our most material sustainability issues, with input from internal and external stakeholders. We monitor these issues closely and our approach embeds them into decision-making, creating sustainable long-term value, as detailed in the following pages. For more information on our approach to materiality assessment see **www.wesfarmers.com.au/sustainability**



Our approach	Our material issues	Selected FY2023 outcomes	
Looking after our team members and providing a safe, fulfilling work environment Safe and fulfilling workplaces strengthen business productivity and performance and team member retention and engagement. We support gender balance, and employment parity for Indigenous team members because diverse teams perform better.	**PEOPLE DEVELOPMENT, DIVERSITY AND INCLUSION** **ADVANCING RECONCILIATION** **HEALTH, SAFETY AND WELLBEING**	**23%** increase in total recordable injury frequency rate to 11.3	**15.5%** of Australian team members completed cultural awareness training
Engaging fairly with our suppliers, and sourcing ethically and sustainably By sourcing products and services in a responsible, sustainable way, we strengthen critical supplier relationships and support workers in our supply chains. Customers value our ethical approach.	**ETHICAL SOURCING AND HUMAN RIGHTS**	**4,563** supplier sites in the ethical sourcing program with 3,050 or 67% monitored during the year	**88%** of reportable breaches identified during the year, were or are being remediated, improving working conditions for workers in our supply chains
Supporting the communities in which we operate By being connected to and invested in local communities, we help them to succeed. Connected and creative communities are more agile, inclusive and innovative.	**ECONOMIC AND COMMUNITY CONTRIBUTION**	**$75.2m** in direct and indirect contributions to community organisations, primarily in Australia and New Zealand	**124,000** visitors to *Ever Present: First Peoples Art of Australia*, showcasing 178 artists in Australia and Singapore
Anticipating the needs of our customers and delivering competitive goods and services Our businesses perform better when providing customers with affordable, safe and reliable products and services. By investing to ensure products and services are safe, we build confidence among customers which strengthens our businesses.	**DATA AND CYBER SECURITY** **PRODUCT SAFETY**	**10** own-brand product recalls supporting customer confidence and safety	**>1,200** retail outlets in Australia and New Zealand supporting an omnichannel offering which included more than 210 million digital interactions per month
Taking care of the environment Being nature- and climate-aware builds resilience and creates opportunities for our businesses. Managing resources responsibly resonates with team members, customers and others, reduces our environmental impact, supports regeneration and enhances our reputation.	**CLIMATE RESILIENCE** **CIRCULAR ECONOMY**	**2.4%** reduction in Scope 1 and Scope 2 market-based emissions relative to FY2022	**71.6%** of operational waste recovered and diverted from landfill
Acting with integrity and honesty in all our dealings Accountability, transparency and achievement of sustainable outcomes is supported through Board oversight of risks and opportunities, robust governance systems, investment in data integrity and systems, and engagement with government on policy.	**GOVERNANCE, CORPORATE CONDUCT AND ETHICS** **GOVERNMENT POLICY AND REGULATORY COMPLIANCE**	**Remuneration** for senior executives includes consideration of financial and other matters (including safety and sustainability performance)	**Group Risk Compliance project** delivered a Group-wide system to improve the efficiency and effectiveness of risk management processes

Team members

Looking after our team members and providing a safe and fulfilling work environment

Safety, health and wellbeing

Wesfarmers is focused on team member safety and wellbeing. While we acknowledge that there is always more work to do, we are pleased with the Group's overall safety performance.

Wesfarmers maintained its commitment to providing a safe and fulfilling work environment for team members, and improvements in safety were recorded across most businesses. At a Group level, TRIFR increased to 11.3, largely attributable to Bunnings where TRIFR results were impacted by a change in methodology to better align with the broader Group, as well as an increase in manual handling injuries. Bunnings has implemented a strategy to improve TRIFR. This year, Wesfarmers had 4,681 workers' compensation claims compared to 8,651 last year.

The Group has maintained its focus on enhancing mental health, conducting a baseline mental health survey across all businesses to identify opportunities to further support team members.

During the year, we completed an external safety review, identifying leading safety and wellbeing practices including measurement and risk management. The review validated many of the Group's safety and wellbeing strategies and identified opportunities to enhance wellbeing measurement and develop new indicators which will be introduced in FY2024.

Safety performance

11.3 TOTAL RECORDABLE INJURY FREQUENCY RATE (TRIFR)[1]

2023	**11.3**
2022	9.2
2021	9.6
2020	10.4
2019	13.5

[1] TRIFR measures the number of lost time and medical treatment injuries per million hours worked.

People, development and diversity

Integrity, openness and accountability are Wesfarmers values. Our Code of Conduct details our commitment to treating everyone with respect, valuing diversity and providing a safe work environment.

By offering open, inclusive workplaces, we attract and retain outstanding teams with diverse capabilities and experiences. This is critical to strengthening our existing divisions, executing our value-creating strategies, renewing the Wesfarmers portfolio and ensuring long-term sustainability.

A respectful culture helps ensure our diverse team members provide valuable insights into the evolving needs and expectations of our customers, communities and stakeholders.

Across the Group, we focus on providing sustainable employment for Aboriginal and Torres Strait Islander people.

To support our focus on diversity, inclusion and respectful workplaces, Wesfarmers engages leading individuals and organisations, with relevant expertise, to support the development and sharing of best practice.

Training and development

We are committed to providing opportunities to enhance the approximately 120,000 team members' performance at work, promoting a learning culture and investing in training and development, to help advance careers.

Wesfarmers' divisions have primary responsibility for training and developing their team members. This may include job-specific training, or technical and career development training for full-time, part-time and casual team members.

Building data and digital skills have been a key focus, alongside investment in technologies to enable flexible working (for those in suitable roles) and on-demand learning.

In recent years, the Group added training for leaders and team members on wellbeing and mental health.

Wesfarmers Corporate Office partners with each division to develop executive leaders. We train leaders from across the Group together, to encourage collaboration and align with our objective.

Gender balance

Across the Group, we promote gender balance, with all team members offered equal access to employment, compensation and benefits, development and career opportunities.

We strive for a minimum 40 per cent female and 40 per cent male, with the remaining 20 per cent being any gender or gender diverse. The Wesfarmers Board maintains a composition of not less than 30 per cent female.

The Wesfarmers Leadership Team is gender balanced, with 50 per cent female and 50 per cent male team members. The Wesfarmers workforce is 57 per cent female and 42 per cent male.

Female representation

	2023	2022
Total workforce	57%	57%
Wesfarmers non-executive directors	44%	44%
Wesfarmers Leadership Team	50%	50%
Senior executive positions	34%	35%
All management and professional positions	40%	39%

50% women

Wesfarmers Leadership Team is gender balanced

17,000+

team members participated in cultural awareness training

We understand that achieving and maintaining gender balanced teams requires constant vigilance including from our most senior leaders. There remain opportunities to strengthen female participation in senior executive positions. Currently female team members hold 34 per cent of senior executive roles and at management and professional levels they hold 40 per cent of roles.

Advancing reconciliation

Wesfarmers' vision for reconciliation is an Australia that affords equal opportunities to all. Our businesses are focused on ensuring Aboriginal and Torres Strait Islander people feel welcome as team members, customers, suppliers and visitors.

After eight Reconciliation Action Plans (RAPs), in 2022 Wesfarmers produced its first Elevate RAP. The RAP guides the Group's Indigenous affairs strategy in the following areas:

- increasing the number of Aboriginal and Torres Strait Islander team members in our businesses
- ensuring Aboriginal and Torres Strait Islander team members access career development and progression opportunities, increasing representation at all levels
- increasing our procurement from Aboriginal and Torres Strait Islander businesses
- investing in partnerships with organisations that are focused on improving the lives of Aboriginal and Torres Strait Islander people, and
- celebrating Aboriginal and Torres Strait Islander cultures.

We were pleased that the Group maintained Indigenous employment parity, with Aboriginal and Torres Strait Islander team members representing 3.3 per cent of Wesfarmers' Australian workforce at the end of the period.

As one of Australia's largest private sector employers, with a presence in communities across Australia and serving millions of customers every week, we recognise the opportunity to advance reconciliation in the wider community. To build cultural competency in our organisation, Wesfarmers is making a significant commitment to online and facilitated cultural awareness training for all team members. During the year, 15.5 per cent of Australian-based team members participated in cultural awareness training across the Group.

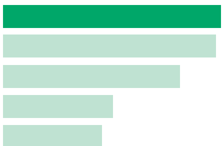
With our extensive supply chains, Wesfarmers recognises that increasing our spend with Indigenous suppliers can strengthen the economic prosperity of Aboriginal and Torres Strait Islander communities. This year, our spend with Aboriginal and Torres Strait Islander businesses totalled $47.5 million, of which 94 per cent was with certified Supply Nation businesses.

We awarded a Building Outstanding Aboriginal and Torres Strait Islander Business (BOAB) Fund grant to Circular Head Aboriginal Corporation, as detailed on page 27.

Taken together, these actions support reconciliation, add strength and resilience to our businesses, and are aligned with our Group purpose.

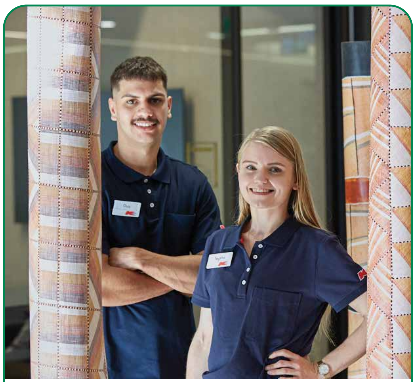
Aboriginal and Torres Strait Islander team members[1]

3.3% of Wesfarmers' Australian workforce



2023	**3,689**
2022	3,601
2021	2,994
2020	1,858
2019	1,666[1]

[1] Restated to account for casual team members who have worked in the last 30 days (previously 90 days).



Wesfarmers Indigenous Leadership program

The Wesfarmers Indigenous Leadership Program is a ground-breaking initiative which aims to develop a generation of new Indigenous business leaders from across the Group.

The program was launched in 2022, because despite the Group regaining Indigenous employment parity, Indigenous team members remained under-represented in senior roles.

The program aligns with the Group's strategic focus on career progression for Indigenous team members, consistent with the Wesfarmers Elevate RAP.

Wesfarmers partnered with the Australian Indigenous Leadership Centre (AILC) to deliver the program, which to date has enabled 103 Indigenous team members from across the Group to embark upon a Certificate II or Certificate IV in Indigenous Leadership.

The 12-month program is focused on building personal, cultural and professional leadership capacity. It provides practical management training through a blended learning model that includes challenging, fun and hands-on experiences. The program includes online and face-to-face training modules, with participants receiving monthly one-on-one and tutorial group support, and is aligned with existing divisional leadership programs.

Of the Indigenous team members who have participated in the program, 42 have graduated, securing a Certificate II or Certificate IV credential.

To date, 24 per cent of participants have been promoted or secured expanded roles; and through the program the Group has retained 96 per cent of participants in ongoing employment within Wesfarmers' businesses.

Communities

Supporting the communities in which we operate

Community contributions

Wesfarmers connects and invests in the communities where we operate. We know that connected, creative communities are more agile, inclusive and innovative, and provide the best opportunity for the Group and its businesses to succeed over the long term.

Having strong, high performing businesses allows us to make significant financial and other contributions to local, regional and national community organisations, with the capacity to drive meaningful impact.

Wesfarmers is a significant contributor to the Australian and New Zealand economies. During the year, the Group generated wealth of $43.7 billion, of which $28.9 billion related to suppliers for raw materials and inventory, $4.2 billion for rent, freight, services and other external costs, $6.0 billion related to salaries, wages and other benefits for our team members and $1.4 billion for taxes and other charges. During the year, the Group contributed $75.2 million to community organisations in Australia and New Zealand comprising $23.7 million in direct community contributions and $51.5 million in indirect contributions, facilitated by our divisions, from our customers and team members.

Our divisions continued to support a positive impact in the communities where they operate, making $13.2 million in direct community contributions. Bunnings contributed $6.4 million in cash, gift cards, labour and products, including to support Australian communities impacted by flooding events and New Zealand communities affected by Cyclone Gabrielle.

Kmart Group and Officeworks both maintain significant community programs which contributed, respectively, $2.6 million and $2.8 million to diverse local and national charities and community organisations.

WesCEF provided $700,000 in funding, focusing on youth organisations, environmental initiatives, Aboriginal health and STEM education, while Industrial and Safety also donated $700,000 to community partners.

Collectively, the divisions also facilitated more than $51 million in indirect community contributions, raised from team members and customers. Around $41 million in indirect contributions was enabled by Bunnings, through activities such as community sausage sizzles and instore fundraising.

Kmart customers and team members supported the Salvation Army with cash and gifts as part of the Kmart Wishing Tree Appeal, now in its thirty-fifth year. Officeworks raised more than $3 million via its Make a Difference, Literacy is Freedom and Back to School appeals, for the Smith Family and the Australian Literacy and Numeracy Foundation.

During the year, the Priceline Sisterhood Foundation, managed by Health, raised almost $1.7 million, providing essential funding for community partners, primarily supporting women and their families.

The Wesfarmers Corporate Office contributed more than $10 million to more than 44 community organisations during the year, focused in three key areas: medical research and wellbeing, education and the arts. Across these areas, we endeavour to support organisations that are Indigenous-led or that have meaningful outcomes for First Nations people.

Wesfarmers has been a leading supporter of the arts for more than four decades. During the year, among other projects, we supported a major Western Australian regional tour of the acclaimed Wesfarmers Arts' commission *Koolbardi wer Wardong* – Australia's first work of musical theatre developed in Indigenous language by Nyoongar musician Gina Williams AM and Guy Ghouse, for West Australian Opera.

Our long-standing support for Bell Shakespeare Company, the Australian Chamber Orchestra and Musica Viva Australia also enabled regional Australian communities to enjoy performances and education programs with leading Australian and world artists.

During the year, we celebrated 30 years in partnership with West Australian Symphony Orchestra, bringing world-class music to the people of Western Australia.

Community contributions

DIRECT INDIRECT

$75.2m

	Direct	Indirect
2023	**23.7**	**51.5**
2022	22.6	31.1
2021	24.8	30.5
2020	25.0	43.1
2019	19.9	52.2

EverPresent

A Wesfarmers Arts highlight for the year was our partnership with the National Gallery of Australia.

Ever Present: First Peoples Art of Australia is a touring exhibition, in development since 2018, taking the art of Australia's First Peoples, our country's greatest gift to global culture, to an international audience. *Ever Present* is one of three leadership projects identified in the Wesfarmers Elevate RAP. It showcases more than a century of Aboriginal and Torres Strait Islander art, through 170 iconic works.

Ever Present toured to the National Gallery Singapore in 2022, where it was seen by 85,000 people, after a premiere in Western Australia in 2021. *Ever Present* is next presented at the Auckland Art Gallery Toi o Tamaki from July to October 2023.

Customers

Anticipating the needs of our customers and delivering competitive goods and services

Product safety

All Wesfarmers divisions are committed to the health and safety of our customers and to providing products that are safe. By ensuring the products we sell are safe and comply with all relevant standards, we build trusting relationships with customers.

Compliance with Australian and New Zealand product safety consumer laws is taken seriously. As part of our product safety due diligence, we work closely with suppliers to ensure that relevant product testing and quality checks are performed. For those products our businesses design and procure directly from suppliers under their own brand, they ensure that:

- the products comply with relevant product safety standards, mandatory standards and Australian and New Zealand consumer laws
- they promptly recall and withdraw products if notified of a safety defect, complying with our policies and Australian Competition and Consumer Commission (ACCC) Guidelines (additional information on product recalls is available on the Wesfarmers website)
- where customers suffer loss caused by defective products, they work with manufacturers and suppliers so that customers are compensated where appropriate, and
- they report product safety incidents in compliance with law.

Our businesses also collaborate to share developments, learnings and best practice in product quality and safety. We meet quarterly through our divisional Product Safety Forum and engage with regulators on product safety issues. This year, Wesfarmers participated in the ACCC Product Safety Consultative Committee.

Data and cyber security

As expectations on the protection of data evolve rapidly, Wesfarmers remains committed to being a trusted and responsible custodian of the customer and team member data we hold.

We are continuing to invest in data and digital assets and capabilities, with this investment underpinned by our core values of integrity, accountability and openness. Across the Group, our teams collaborate on data privacy, cyber security, information technology and advanced analytics, including with external innovators, researchers and strategic partners.

During the year, the Group enhanced its privacy frameworks, processes and resourcing, including through initiatives to:

- update privacy policies, privacy hubs and preference centres
- improve privacy impact assessments, de-identification frameworks and controls, and
- increase focus on privacy-by-design including during digital product development.

The Group maintains a data governance framework, including a data governance policy. This policy aligns standard foundational data types to a Group data classification scheme. This approach helps to support the strategic value of our data assets while balancing security, integrity, compliance and reputational issues inherent in collecting, using, retaining, sharing and destroying or deleting data.

Where customer cardholder data is managed or handled, the divisions continue to demonstrate Payment Card Industry Data Security Standard assurance. During the year, our businesses implemented various customer data initiatives. These included enhancements to security monitoring through security operations centres and web security protective controls.

Wesfarmers has enhanced technology-related governance to include the appropriate use of generative AI, new cyber security awareness programs and introduced an algorithmic impact assessment process.

Kmart Group manages chemical use

Kmart and Target are working to minimise and restrict chemicals used in apparel and textile production, such as dyes, colourants and solvents. They are members of the Zero Discharge of Hazardous Chemicals (ZDHC) program, a coalition of fashion retailers and brands, value chain affiliates and associates working to ensure safe and responsible management of chemicals in the global textile, leather, apparel and footwear value chain.

As part of this alliance, Kmart Group is working to implement the ZDHC manufacturing restricted substance list (MRSL) with all wet processing facilities used in the production of Kmart Group own-brand clothing, towel and bedding products. Kmart Group publishes progress of its wet processors on Detox Live, which shows businesses that meet the wastewater guidelines and those with work to do on corrective actions.

We continue to participate in industry and government consultations to support cyber security resilience and enable safe use of emerging technologies.

Across our businesses and supply chains, we continue to observe and respond to a heightened, active cyber threat landscape, globally and locally – with a focus on geopolitical tensions, rapid technology development and increased regulator interest.

Suppliers

Engaging fairly with our suppliers and sourcing ethically and sustainably

Ethical sourcing and human rights

Wesfarmers has nearly 31,000 suppliers producing goods and providing services in more than 40 countries. For Wesfarmers, long-term success requires that we engage fairly with these suppliers, sourcing ethically and sustainably, and that we work with them to ensure that human rights are understood and respected.

Through our actions, often in cooperation with our suppliers, we can reduce the risk of modern slavery.

For almost a decade, we have reported on human rights risks and our supply chains, including on the findings of our ethical sourcing programs.

Our Approach to Human Rights details Wesfarmers' most salient human rights issues. The Wesfarmers Ethical Sourcing and Modern Slavery Policy sets out minimum standards which seek to ensure that the Group sources products and services in accordance with legal obligations and community expectations, while working with suppliers to improve their social and environment practices.

Our minimum standards prohibit forced and bonded labour, require adherence to laws governing working ages and hours, seek to ensure safe and healthy working conditions and transparent record keeping, recognise the rights to freedom of association, and collective bargaining and support the implementation of trusted grievance mechanisms.

Wesfarmers' ethical sourcing program, including actions taken to address modern slavery risks, is overseen by the Wesfarmers Audit and Risk Committee.

Our supply chains

Across the Group, our divisions directly source products from about 15,500 suppliers, with the majority located in Australia, Bangladesh, China, India, Indonesia and the Republic of Korea.

Our divisions' supply chains are often complex with multiple tiers, sometimes spanning multiple countries. The divisions do not own the supplier sites and factories where own-brand products are manufactured, rather we engage suppliers to manufacture goods for us.

Across the Group, we work with about 15,500 service providers, including suppliers of transport and logistics, maintenance and repair, cleaning and waste removal, property and security, and training and other professional consulting services.

Our ethical sourcing programs

Our divisions take a pro-active, risk-based approach to managing human rights risks in their operations and supply chains, each implementing their own ethical sourcing and supplier due diligence programs, consistent with Wesfarmers' minimum standards in the Wesfarmers Ethical Sourcing and Modern Slavery Policy, and in line with leading international practice.

While divisional ethical sourcing due diligence programs vary, consistent with their diverse operations and industries, they share a broadly common methodology to assess, identify, manage and mitigate human rights risks.

Risk assessment is influenced by factors including the nature of the product being sourced, the complexity of supply chains, raw materials used, the location and type of manufacturing process involved, and the value of spend.

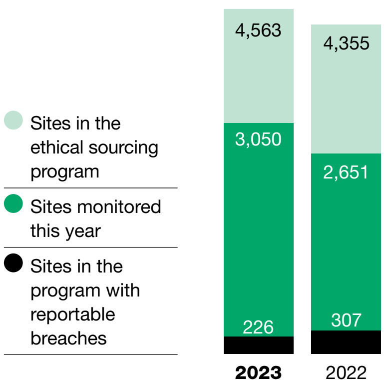
In the event a supplier is unwilling to meet minimum standards or is unwilling to implement required improvements within mutually agreed timeframes, arrangements with the supplier may be suspended or terminated.

This year, our divisions monitored 3,050 supplier sites and 1,895 suppliers (recognising that a supplier may source through many sites), from a total 4,563 sites and 2,880 suppliers in the ethical sourcing program. Approximately 67 per cent of sites and 66 per cent of suppliers in the program were monitored, a pleasing increase from 61 per cent of sites and 63 per cent of suppliers in the prior year.

Monitoring activities include supplier pre-qualifications, supplier visits, and third-party monitoring (including independent and extensive audits) and grievance mechanisms. For suppliers in the ethical sourcing program, the frequency of third-party audits varies from three to 24 months, depending on prior audit findings and the level of assessed risk.

Where supplier monitoring identifies non-conformance with our standards, these are classified as minor, major and reportable breaches.

Ethical sourcing program



This year, the reportable breaches identified by the ethical sourcing program include:

- health, safety and hygiene violations (30 per cent of reportable breaches)
- working hours (28 per cent of reportable breaches)
- wages and compensation (20 per cent of reportable breaches)
- management systems, and
- environmental management.

Further details will be found in the Wesfarmers Modern Slavery Statement, due for release in late 2023.

Remediation

When a non-conformance is identified, a remediation process is activated. We work with our suppliers to remedy reportable breaches. In certain very rare circumstances, we may suspend or terminate our arrangements with that supplier. The response depends on the severity of harm (or potential harm). It may include immediate rectification or making good any harm experienced by an individual, and work to prevent future harm.

All sites with non-conformances, whether minor, major or reportable breaches, are subject to ongoing due diligence monitoring. The type of non-conformance also determines the follow-up.

This year, 39 per cent of reportable breaches identified have been remediated and 49 per cent are in the process of being remediated.

It is rare for divisions to exit a site or supplier for non-conformances including a reportable breach. Instead, we seek to engage closely with the supplier to support remediation, through a corrective action plan.

This year, we exited seven suppliers or their sites where remediation of a reportable breach could not be achieved.

Training and capacity building

Training team members is a key strategy to increase alignment with our minimum standards and reduce the risk of non-conformances.

This year, more than 3,300 hours of training were delivered on human rights, ethical sourcing risks and ethical buying practices. Training and capacity building was also provided to selected suppliers throughout the year, with approximately 26,000 hours delivered to supplier employees.

399

more sites were monitored through Wesfarmers' ethical sourcing programs this year

1,600

sites in 10 countries are now covered by grievance mechanisms

Worker grievance helpline extended to more workers

This year, Bunnings, Blackwoods, Bullivants, Officeworks and Workwear Group extended their worker grievance helplines. Introduced in 2021, the Your Voice, Worker Helpline complements the Group's ethical sourcing program by providing additional visibility of issues beyond the regular cadence of ethical sourcing audits.

The helpline aligns with the United Nations Effectiveness Criteria for Operational Grievance Mechanisms and provides supply chain workers with support to secure remediation.

This year, the helpline was implemented at an additional 180 supplier sites covering more than 43,000 workers in China, Indonesia, Taiwan, and Vietnam. The service now provides workers at more than 350 manufacturing sites with access to the helpline, to confidentially raise concerns about their working conditions.

The helpline is independently managed by dedicated in-country teams, and investigation and remediation activities are conducted in a way that protects the confidentiality of the person raising the grievance.

To support the expansion of the helpline, Bunnings delivered training to direct and indirect supplier factory management teams in English, Mandarin and Vietnamese. To ensure factory workers are aware of the helpline, on-site training was also delivered to more than 2,900 workers in China and Indonesia.

In the past year, nine contacts were received, with eight of those consisting of general questions or otherwise deemed out of scope (such as originating from sites outside Wesfarmers' supply chain). One grievance was substantiated, relating to worker access to social insurance payments.

Environment

Taking care of the environment

Wesfarmers is committed to taking care of the environment, developing and implementing strategies to manage and reduce material environmental impacts and risks. These include strategies to better understand our impact and dependence on nature and manage resources and waste.

Circular economy

We recognise that there are limited natural resources in the world, and that our divisions can reduce their impact and dependence, and create long-term value, by becoming more circular.

Across the Group, we are focused on the sustainability of supply chains and, where possible, are working to support the use of more sustainable raw materials and to design out future waste.

Cross-functional teams are key to the development and deployment of circular solutions. During the year, Kmart Group hosted circular design workshops for apparel and Bunnings launched team member and supplier training to support the uptake of new sustainable packaging guidelines.

Waste

We recognise the linkages between consumption and waste, including waste from manufacturing, packaging and disposal of products at end of life.

Across the Group, our businesses are taking action to minimise waste, and to respond to growing customer interest in reuse, recycling and regeneration.

Our businesses have strategies to reduce operational waste and operational waste disposed to landfill, and to increase waste recovered including for recycling. This year, approximately 72 per cent of Group operational waste was recovered and diverted from landfill, up two per cent on the prior year, driven principally by increased waste recovery at Bunnings.

Highlights include:

- Bunnings and Officeworks operate market-leading recycling programs to enable customers to divert diverse waste from landfill (including toner cartridges, pens, batteries and devices).
- Workwear Group has collaborated with Brisbane-based BlockTexx to turn uniforms at end of life into reusable raw materials.
- Bunnings introduced a uniform recycling program.
- Kmart Group completed a feasibility study in partnership with The Salvation Army, which identified two viable technologies that could be used for textile recycling in Australia.

Packaging and plastic

As members of APCO, Bunnings, Officeworks, Workwear Group, Blackwoods, Kmart and Target are working towards 100 per cent reusable, recyclable or compostable packaging for own-brand products.

During the year, Wesfarmers Health signed up to APCO and expects to report against APCO targets in the 2024 financial year.

While satisfactory progress has been made replacing plastic packaging, significant focus is required to meet these 2025 targets.

Operational waste

RECOVERED DISPOSED

191.8kt

	Recovered	Disposed
2023	**137.3**	**54.5**
2022	124.3	54.2
2021	116.2	54.5
2020	120.5	55.5
2019	107.4	58.2

Wesfarmers completes pilot study using TNFD framework

The Group's exposure to nature is varied and extensive. Its businesses rely upon nature (including as a source of raw materials in goods purchased) and impact nature (for example, through the use of water in operations).

This year, Wesfarmers completed a pilot study using the Taskforce on Nature-related Financial Disclosures (TNFD) framework, to test and provide feedback on the draft framework.

The pilot deepened our understanding and advanced our readiness to report against the final TNFD framework which is expected to come into effect in the 2025 financial year.

The pilot focused on selected timber products sold in Bunnings, with timber sourced in Australia and Southeast Asia. Through the pilot, we identified that nature reporting will be challenging for certain Wesfarmers businesses, because complex retail supply chains mean it is difficult to access nature-based source data. The pilot also confirmed that the use of certifications for raw material inputs (like Forest Stewardship Council® certification of timber and pulp products) is an important risk control.

Climate-related disclosures

2023 highlights

2.4%
reduction in Group greenhouse gas emissions

First ore
mined at Covalent lithium project, supporting the transition to a low-emissions economy

37MW
capacity from 165 rooftop solar systems, with 43 installed during the year

As a large, diversified organisation, we understand that Wesfarmers plays an important role supporting global efforts to transition to a low-emissions economy.

Our approach

At Wesfarmers, our focus on managing the impacts of climate change aligns with our purpose. We recognise climate change is a material risk to our divisions and we work in a disciplined way to manage our exposures to climate change, invest in opportunities and support the global goal of transitioning to a low-emissions economy.

Climate change impacts our operations, team members, supply chains, customers and the communities where we operate.

The divisions have long been managed with climate and carbon awareness, focusing on reducing operational (Scope 1 and Scope 2) greenhouse gas emissions. During the year, we implemented strategies to further embed climate-related considerations into our strategic planning processes and continued to invest in decarbonisation initiatives.

Our divisions have begun engaging across their global value chains, to address climate risks and opportunities and to mitigate Scope 3 emissions. During the year, we focused on improving the quality of our Scope 3 emissions inventory. For further information, see page 81.

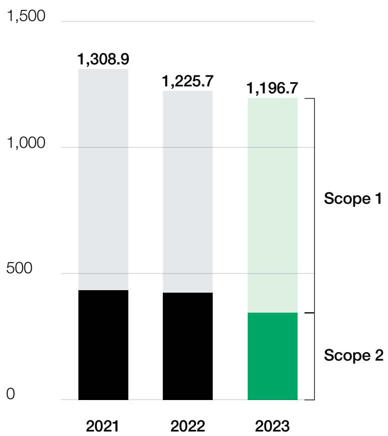
We continue to monitor and report on our climate-related performance and progress against greenhouse gas emissions reduction and net zero Scope 1 and Scope 2 targets. Since 2018, we have structured our climate disclosures using the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), under the four reporting pillars of governance, strategy, risk and opportunities, and metrics and targets. Our disclosures have evolved as our response to climate change has matured.

We recognise the link between climate and nature and during the year completed a pilot to test and learn from the framework being developed by the Taskforce on Nature-related Financial Disclosures (TNFD), to better understand the Group's nature impacts and dependencies.

Further information on Wesfarmers' approach to climate is available at **www.wesfarmers.com.au/sustainability**

Group greenhouse gas emissions

1,196.7 kilotonnes CO_2e



Our reporting boundary is based on operational control as defined by the *National Greenhouse and Energy Reporting Act 2007* (Cth). Scope 2 emissions are stated using market-based accounting, in accordance with the World Resource Institute's Greenhouse Gas Protocol Scope 2 guidance. Supplementary location-based data can be found from page 185 and at **www.wesfarmers.com.au/sustainability**

Governance

Effective governance is central to our approach to managing climate change including climate-related risks and opportunities. Climate change is recognised as a material risk across the Group.

Wesfarmers Board

The Wesfarmers Board has ultimate responsibility for overseeing the Group's approach to managing climate-related issues. The Wesfarmers Board considers and endorses the Group's approach to managing climate-related risks and opportunities, the Wesfarmers Climate Policy (Climate Policy), divisional emissions reduction and renewable electricity targets, strategic climate-related decisions and public disclosures. Climate change risk management is a standing item in the divisional reporting framework and in FY2023, the Wesfarmers Board reviewed the Climate Policy, strategic initiatives, performance against the Climate Policy including divisional targets and other climate-related issues. Through the Audit and Risk Committee, the Wesfarmers Board receives updates at least twice annually on diverse climate-related issues.

Climate Policy

The Climate Policy establishes the minimum standards to manage climate-related risks and opportunities for the Group. The Climate Policy is reviewed annually to ensure that it remains relevant and reflects changing circumstances. During the year, it was amended to address emerging climate-related risks and opportunities. While most divisions are advanced in their implementation of the Climate Policy, our newest divisions, Wesfarmers Health and OneDigital, are making progress implementing the policy. The Climate Policy is available at **www.wesfarmers.com.au/cg**

Leadership framework

The Wesfarmers Leadership Team and divisional leadership teams lead the implementation of climate-related strategies, review new and emerging climate-related risks and opportunities, engage diverse stakeholders and share expertise. Each divisional board and management team is responsible for identifying and managing material risks and opportunities relevant to its businesses, in accordance with the Group's Risk Management Framework and Risk Appetite Statement.

Through the annual strategic planning process, each division forecasts emissions and details decarbonisation strategies in its corporate plan, for consideration and approval by the Wesfarmers Board. Implementation of climate-related programs is generally coordinated through sustainability or climate teams, with support from Corporate Affairs, Finance, Risk, Environment and Operations teams.

The Wesfarmers Corporate Office convenes a quarterly Carbon and Energy Forum for the Group, involving Group and divisional subject matter experts with day-to-day responsibility for the coordination and management of climate-related programs. These forums provide our businesses with an opportunity to share knowledge to accelerate progress.

Executive remuneration

The Wesfarmers Board, through the Remuneration Committee, takes account of various environmental, social and governance considerations (including climate) when determining the remuneration of Key Management Personnel. It also makes recommendations to the Board regarding performance goals linked to the Climate Policy including divisional emissions reduction targets. Further information on the Group's Key Executive Equity Performance Plan (KEEPP) can be found in the remuneration report.

Internal shadow carbon price

Since 2014, Wesfarmers has incorporated an internal shadow carbon price into capital allocation and capital expenditure decisions, through the Wesfarmers Project Expenditure and Disposals Policy. The internal shadow carbon price assigns a value to emissions over the life of an investment. It ensures that investment decisions apply a cost to projects with associated emissions and supports investments that reduce emissions. Regular reviews are undertaken of the internal shadow carbon price to ensure it remains appropriate and reflects potential future carbon costs. Further information on the Wesfarmers shadow carbon price is at **www.wesfarmers.com.au/sustainability/our-priorities/climate-change-resilience/shadow-carbon-price**

Responsibilities

Corporate office

- Establishes the Climate Policy which sets minimum standards for the Group
- Convenes and facilitates cross-divisional collaboration and expertise
- Reviews the shadow carbon price
- Supports Group-wide climate scenario analysis and reporting
- Coordinates corporate plan, incorporating divisional emissions forecasts and decarbonisation strategies

Wesfarmers Board, supported by the Audit and Risk Committee and Remuneration Committee

- Approves the Climate Policy and carbon price
- Provides governance over climate-related risks and determines risk appetite
- Sets performance goals and remuneration
- Approves strategies in corporate plans

Divisional responsibilities

Boards and audit, risk and compliance committees

- Provide governance over divisional climate-related risks and support the prioritisation of opportunities
- Monitor climate-related performance and implementation of climate-related strategies

Senior management

- Detail strategy and risks/risk management in corporate plans, for implementation
- Provide and manage resourcing to support climate-related strategies
- Report through divisional and Group governance structure

Carbon and energy teams

- Implement the Climate Policy
- Maintain systems for monitoring and reporting
- Implement strategies and actions
- Participate in the quarterly, cross-divisional Carbon and Energy Forum

Our strategy

We recognise our climate-related responsibilities and that climate resilience will deliver long-term value for our shareholders, including as we invest in opportunities aligned with the transition to a low-emissions economy. The Group continues to work in a disciplined way to embed carbon awareness into our culture, operations and strategy.

With the diversity of businesses across the Group, our divisions have a mix of decarbonisation strategies and transition plans. Consistent with Wesfarmers' model of divisional autonomy, divisional strategies are underpinned by the Climate Policy, with each division developing its own strategy that reflects its emissions profile. For the Group's operational (Scope 1 and Scope 2) emissions, Scope 1 emissions are material for WesCEF and Coregas, and Scope 2 emissions are more material for other divisions. Where relevant, divisional strategies are aligned, connected and scaled.

During the 2023 financial year, the divisions progressed the actions identified in prior years, to build climate resilience and create long-term value. While taking actions to support their decarbonisation, Kmart Group, Bunnings and Officeworks collaborated on renewable electricity procurement and knowledge sharing. Scenario analysis continued to help us understand Group risks and opportunities, and the divisions continued to incorporate energy efficiency and climate-resilience into facility design, to mitigate future physical risks. Our divisions also deepened their understanding of Scope 3 emissions and continued to consider, and to invest in growth opportunities in new industries, including adopting circular business models.

Focus areas for our divisions include reducing operational Scope 1 and Scope 2 emissions, mapping and reducing Scope 3 emissions, investing in growth opportunities and developing partnerships in the transition to a low-emissions economy.

Climate scenario analysis

Climate scenarios provide insights into different plausible climate futures.

Climate scenario analysis helps to challenge and develop our understanding of the implications of different climate futures for our businesses and stakeholders.

It supports the development of our strategy (responding to climate-related risks and opportunities) and the assessment of our climate resilience, across different climate scenarios.

Importantly, climate scenario analysis must be treated with caution.

Climate scenarios are not forecasts, rather they are based on climate and socio-economic models. Future climate outcomes may differ from scenarios for many reasons including changes in policy, the market and technology.

Accordingly, care should be taken when considering forward-looking statements associated with climate scenario analysis (including around strategy and the impact or effectiveness of strategy).

Our enablers

Building climate resilience requires an integrated and disciplined approach, to develop and implement strategies that address complex and interconnected issues

Our focus is on embedding climate considerations into our businesses with responsibilities across the Group to lead, support and deliver measures that embed carbon awareness

Lead

Wesfarmers Leadership Team, including divisional Managing Directors, sets the Group vision and targets to support a culture of climate resilience

Support

Corporate Office establishes and supports policies, climate governance, knowledge sharing and risk management

Deliver

Divisions integrate climate-related considerations into their strategic plans and operations

Our transition levers

Across the Group, we have identified five transition levers to support the divisions to deliver their climate strategies and transition plans

1. **Embed climate resilience**
   Integrate the management of climate-related risks and opportunities into our culture and strategies
2. **Leverage data and digital**
   Implement systems and solutions to support the use of data and digital strategies to inform decision-making
3. **Mitigate physical impacts**
   Continue to reduce our emissions, understanding and managing our response to the physical impacts associated with climate change
4. **Focus on supply chains**
   Collaborate and build strength in supply chains, to address the complexity and challenges of decarbonising global value chains
5. **Invest for the future**
   Identify and pursue opportunities that support our growth as we transition to a low-emissions economy

Our progress and focus areas

Our operational Scope 1 and Scope 2 market-based emissions in the 2023 financial year were 2.4 per cent lower than the prior year. We continue to make good progress reducing our Scope 2 emissions, while our Scope 1 emissions increased as WesCEF's ammonia production normalised after a planned shutdown in the prior period.

With our commitment to reducing our operational emissions, Bunnings, Kmart Group, WesCEF, Officeworks and Industrial and Safety have set interim and net zero operational Scope 1 and Scope 2 emissions targets.[1]

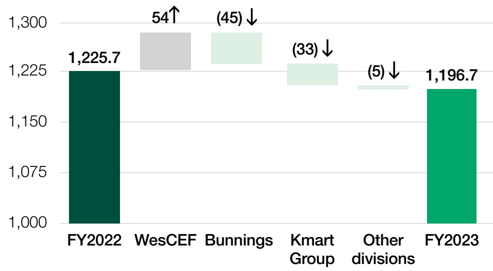
Group performance

During the year, Group Scope 1 and Scope 2 market-based emissions were approximately 1,196.7 kilotonnes of carbon dioxide equivalent (CO_2e), a 2.4 per cent reduction relative to FY2022.

Scope 1 emissions increased by 6.3 per cent to approximately 845.9 kilotonnes of CO_2e, due to WesCEF's ammonia production normalising after a significant planned ammonia plant shutdown in the prior period.

Scope 2 market-based emissions decreased by 18.4 per cent to 350.8 kilotonnes of CO_2e, achieved through continued energy efficiency measures, rooftop solar electricity generation and renewable electricity procurement, principally led by Bunnings. Our businesses also benefited from lower electricity emission factors, which reflects an increase in renewable electricity in the grid.

Group Scope 1 and Scope 2 market-based emissions (kilotonnes CO_2e) and main divisional contributions in FY2023.



Scope 1 – Reducing our direct emissions

Our Scope 1 direct emissions arise from our operations through industrial processes, combustion of fuels and use of refrigerants. Some divisions operate in sectors that are hard to abate, and decarbonisation requires the development and commercialisation of low-emissions technologies.

Operational Scope 1 emissions

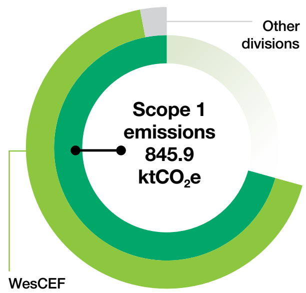
Scope 1 emissions account for approximately 71 per cent of the Group's total operational emissions.

WesCEF contributes around 96 per cent of the Group's Scope 1 emissions. These emissions arise predominantly from the manufacture and processing of ammonia, ammonium nitrate, sodium cyanide, liquefied natural gas (LNG) and liquefied petroleum gas (LPG), producing nitrous oxide, carbon dioxide and methane.

The other divisions contribute the remaining four per cent which arise largely from the use of fuels in vehicles, natural gas for heating and refrigerants in cooling systems.

Across the Group, capital investments, partnerships, new technologies and energy substitutions will be required to reduce our Scope 1 emissions. WesCEF's net zero roadmap is central to reducing the Group's Scope 1 emissions.

Scope 1 emissions by division

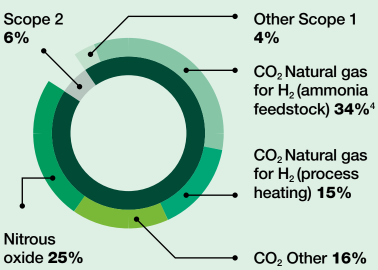


WesCEF net zero roadmap[2,3]

Phase 1 – prior to 2020

WesCEF implemented technology solutions to avoid over 40 per cent of its operational emissions, principally from nitrous oxide catalytic abatement.

FY2020 baseline emissions by source



Phase 2 – 2020 to 2030

In this phase, WesCEF is focused on achieving its interim 30 per cent emissions reduction target by FY2030. This FY2030 target is relative to an FY2020 baseline and incorporates abatement already achieved.

Meeting the FY2030 target is expected to be largely achieved through additional investment in catalytic abatement in its nitric acid plants.

Phase 2 will also involve actions that reduce Scope 2 emissions, and seek to establish foundational partnerships to support the scale-up of low-emissions technologies required to meet its 2050 net zero roadmap.

Phase 3 – 2030 to 2050

WesCEF will focus on deploying low-emissions ammonia technologies, as ammonia accounts for more than half of WesCEF's emissions. This is expected to include electrolysis and carbon capture, utilisation and storage (CCUS).

In setting its net zero targets, WesCEF has assumed that these technologies continue to advance and become commercially viable and capable of operating at scale, well before 2050. WesCEF also assumes government policy remains supportive of climate action. Around ten per cent of WesCEF's remaining emissions may require the use of carbon offsets, if no commercially viable technological solutions emerge.

1 Baselines of our targets may be adjusted for significant changes to our businesses including material acquisitions, divestments or changes to greenhouse gas reporting methodologies. Wesfarmers Health and OneDigital are currently in the process of establishing baselines to support future targets.

2 Further information on WesCEF's net zero roadmap is available at https://Wescef.com.au/Wescefs-roadmap-to-net-zero/

3 The assumptions underpinning WesCEF's targets will be regularly tested to ensure that they are reasonable. Adjustments to targets will be made as required, if the technologies do not advance at the required pace.

4 This is high purity CO_2 and presented net of volumes captured and sold to third parties.

Scope 2 – Reducing our indirect emissions from electricity use

Scope 2 indirect emissions arising from electricity use are the principal emissions source for most of our businesses. Our Scope 2 reduction strategies include on-site operational solutions which are within our control (including energy efficiency, climate resilient design and behind-the-meter electricity generation) and off-site procurement solutions (such as renewable electricity purchased from third parties).

Operational Scope 2 emissions

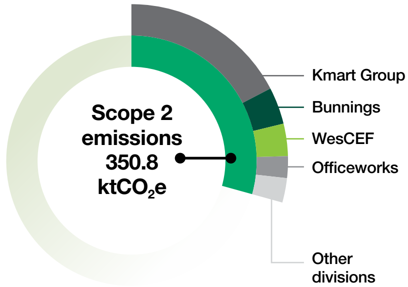
Scope 2 market-based emissions account for approximately 29 per cent of the Group's operational emissions and relate to the use of grid-supplied electricity.

Bunnings, Kmart Group and Officeworks contribute approximately 80 per cent of the Group's Scope 2 market-based emissions. Recognising the importance of transitioning to renewable electricity to meet their net zero targets, these divisions have committed to sourcing 100 per cent renewable electricity by the end of 2025. Their Scope 2 market-based emissions are expected to be substantially reduced as they progress towards these renewable electricity targets.

The divisions continue to focus on deploying operational solutions such as more efficient new store formats, building management systems, LED lighting and efficient heating and cooling.

Where feasible, Bunnings, Kmart Group and Officeworks expect to increase their investment in on-site solar photovoltaic (PV) systems and to procure additional offsite renewable electricity (through power purchase agreements, GreenPower and renewable energy certificates).

Scope 2 market-based emissions by division



Bunnings' hundredth on-site solar PV system

During the year, Bunnings celebrated the installation of its hundredth on-site solar PV system at its Palmerston Warehouse in the Northern Territory.

Since 2014, Bunnings has progressively installed on-site solar PV systems across its Australian network to support the decarbonisation of its operations by generating renewable electricity on-site.

In 2020, Bunnings, with Kmart Group and Officeworks, adopted a target to use 100 per cent renewable electricity by the end of 2025 across its operations. This target is expected to be achieved through a combination of strategies, with on-site solar PV systems playing an important role. Each installation provides up to 30 per cent of each store's energy needs.

Across the Bunnings network, solar PV systems cover around 310,000 square metres of rooftop space, and annually generate the equivalent electricity required to power over 7,000 Australian households for one year.

Becoming more energy efficient with onsite solutions

Transitioning to offsite renewable electricity

Improve energy efficiency of existing stores and facilities

Opportunities exist to improve the energy efficiency of the divisions' stores and facilities. For example, the divisions retrofit and optimise operating conditions by introducing building management systems, LED lighting, and efficient heating and cooling systems.

Efficient new stores and facilities

The divisions adopt sustainable design principles for new stores and facilities to materially improve energy efficiency, reduce emissions and deliver cost savings. For example, Bunnings' new store format can deliver emissions efficiencies of around 30 per cent.

Generate electricity to reduce grid-electricity use

The divisions invest in behind-the-meter electricity generation from renewable and waste-heat sources to power their operations. Generally, this is on-site solar, although WesCEF generates electricity through waste heat recovery.

Power Purchase Agreements

The divisions source renewable electricity and their associated large-scale generation certificates (LGCs) through power purchase agreements and other wholesale agreements with electricity retailers and/or generators.

GreenPower

The divisions source renewable electricity through retail products such as GreenPower to meet electricity needs in those markets where there are limited options including for some of their small sites.

Renewable energy certificates

Unbundled renewable energy certificates including LGCs and New Zealand Energy Certification System certificates are expected to be required, as part of our overall portfolio of off-site procurement solutions.

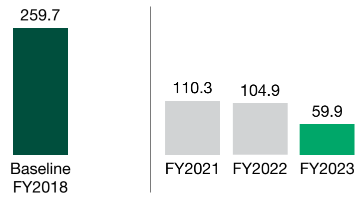
Divisional progress against Scope 1 and Scope 2 targets[1]

kilotonnes CO_2e

Bunnings Group

Scope 1 and Scope 2 net zero by 2030

100 per cent renewable electricity by the end of 2025



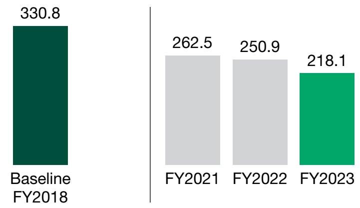
Bunnings achieved a 42.9 per cent emissions reduction relative to FY2022, and a 76.9 per cent emissions reduction relative to its FY2018 baseline. Bunnings continues to exceed its interim 2025 emissions reduction target of 10 per cent and has made significant progress towards its Scope 1 and Scope 2 net zero target.

During the year, Bunnings sourced 64.4 per cent of electricity from renewable sources.

Kmart Group[2]

Scope 1 and Scope 2 net zero by 2030

100 per cent renewable electricity by the end of 2025



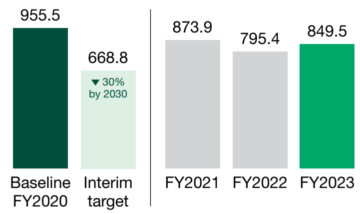
Kmart Group achieved a 13.1 per cent emissions reduction relative to FY2022, and a 34.1 per cent emissions reduction relative to its FY2018 baseline. Kmart Group exceeds its interim 2025 target of 20 per cent and is making progress towards its Scope 1 and Scope 2 net zero target.

During the year, Kmart Group sourced 18.6 per cent of electricity from renewable sources.

WesCEF[3]

Scope 1 and Scope 2 net zero by 2050

Interim target – 30 per cent reduction by 2030



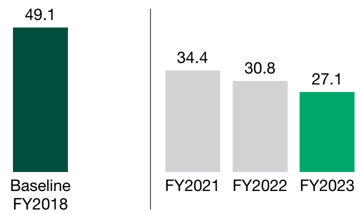
WesCEF's emissions increased 6.8 per cent in FY2023 and are 11.1 per cent below its FY2020 baseline. The increase relates principally to increased ammonia production in FY2023, due to a significant planned maintenance shutdown in FY2022, as carbon dioxide is generated as a byproduct of ammonia production.

Consistent with its net zero roadmap, during the year, WesCEF advanced partnerships with Mitsui, APA and Jupiter Ionics.

Officeworks

Scope 1 and Scope 2 net zero by 2030

100 per cent renewable electricity by the end of 2025



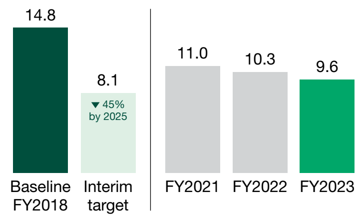
Officeworks achieved a 12.0 per cent emissions reduction relative to FY2022, and a 44.8 per cent emissions reduction relative to its FY2018 baseline. Officeworks exceeds its interim 2025 emissions reduction target of 25 per cent and is making good progress towards its Scope 1 and Scope 2 net zero target.

During the year, Officeworks sourced 23.8 per cent of electricity from renewable sources.

WIS[4] (excluding Coregas)

Scope 1 and Scope 2 net zero by 2035

Interim target – 45 per cent reduction by 2025



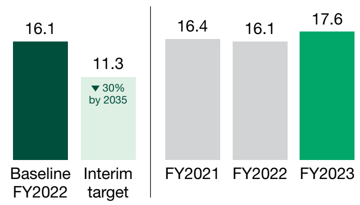
WIS (excluding Coregas) achieved a 6.8 per cent reduction in emissions relative to FY2022, and a 35.1 per cent emissions reduction relative to its FY2018 baseline.

This has been achieved through the implementation of energy efficiency measures at its branches, site consolidations and procurement of renewable electricity in New Zealand.

Coregas[4]

Scope 1 and Scope 2 net zero by 2050

Interim target – 30 per cent reduction by 2035

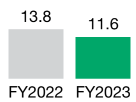


Coregas' Scope 2 emissions increased 25.9 per cent in FY2023 due to increased electricity usage as a result of increased production of gases to meet business demand.

This increase was moderated by a reduction in Scope 1 emissions due to efficiencies in its logistics network which reduced fuel usage. Coregas' emissions intensity based on revenue has continued to decline.

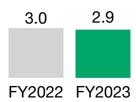
Health

Yet to establish net zero target



OneDigital (including Catch)

Yet to establish net zero target



Our newest divisions, Wesfarmers Health and OneDigital, have not yet established net zero targets, and are focused on establishing representative baselines to inform future decarbonisation strategies and pathways. FY2022 Health emissions have been estimated for comparison purposes.

OneDigital's emissions are principally associated with Catch. OneDigital (excluding Catch) emissions only relate to electricity use in its offices.

1 Baselines were generally set in 2019, based on the Scope 2 location-based accounting method and have not been restated using the Scope 2 market-based accounting method as they were not materially different during the baseline year.

2 FY2022 has been restated to exclude Catch. FY2021 includes Catch.

3 WesCEF's 2020 Scope 1 and 2 location-based emissions baseline is 955.5 $ktCO_2e$, and differs from the reported value of 983.3 $ktCO_2e$ due to adjustments for the current global warming potentials of relevant greenhouse gases.

4 Interim and net zero targets assume that emission reduction technologies relating to distribution assets (including heavy vehicle distribution) will continue to develop in the coming years, and that in time they will become commercially viable and operate at scale to meet these targets. Baselines may be updated in the event of significant portfolio changes and changes to greenhouse gas emission reporting protocols including changes in reporting (including operational control) definitions. Should changes to baselines occur, then adjustments may be made to interim Scope 1 and 2 emissions reduction targets or may be made to the net zero targets.

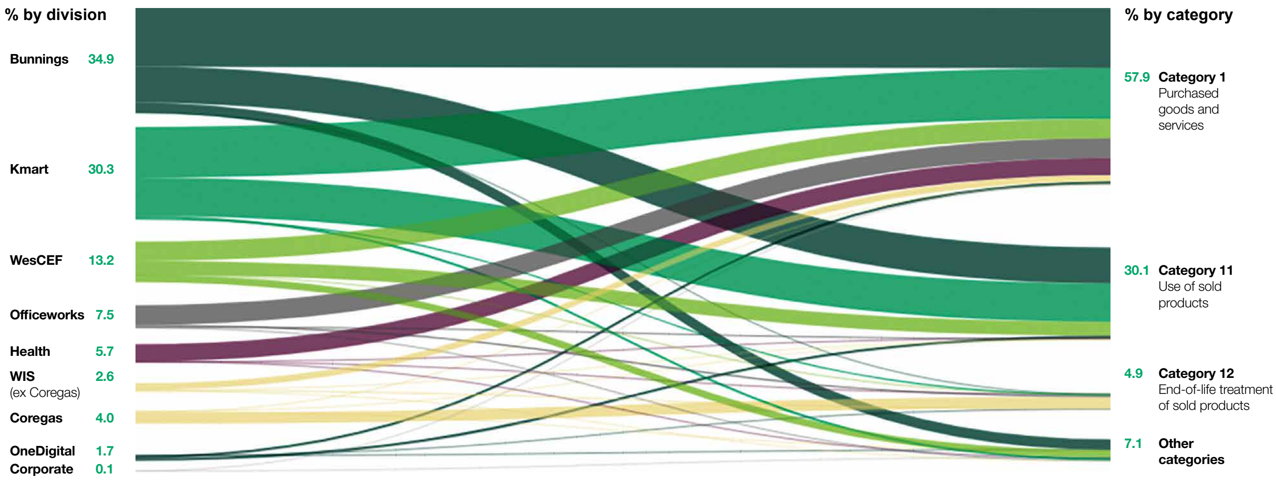
Scope 3 - Mapping and reducing our value chain emissions

Scope 3, or value chain, emissions are indirect greenhouse gas emissions that arise from activities upstream and downstream of the divisions' operations and outside their direct control. They represent the Scope 1 and Scope 2 emissions of their direct and indirect suppliers, customers and team members.

Our businesses have diverse and complex global value chains, and Scope 3 emissions are a material source of our total emissions inventory. During the year, our Scope 3 emissions were approximately 37.3 megatonnes of CO_2e, or 31 times our operational emissions.

The following chart details Scope 3 emissions, by division (on the left) and by Scope 3 emissions category[1] (on the right). As shown, Bunnings and Kmart Group have the largest Scope 3 emissions profiles, and the most material categories are Category 1 (purchased goods and services), Category 11 (use of sold products) and Category 12 (end-of-life treatment of sold products), making up almost 93 per cent of Group Scope 3 emissions.

Divisional Scope 3 emissions by category



Most material Scope 3 categories across the Group		Other categories					
Cat 1	**Purchased goods and services**	**Cat 2**	Capital goods	**Cat 6**	Business travel	**Cat 10**	Processing sold products
Cat 11	**Use of sold products**	**Cat 3**	Fuel- and energy-related emissions	**Cat 7**	Employee commuting	**Cat 13**	Downstream leased assets
Cat 12	**End-of-life treatment of sold products**	**Cat 4**	Upstream transportation and distribution	**Cat 8**	Upstream leased assets	**Cat 14**	Franchises
		Cat 5	Waste generated in operations	**Cat 9**	Downstream transportation and distribution	**Cat 15**	Investments

[1] There are 15 Scope 3 categories listed in the WRI's Greenhouse Gas Protocol Corporate Value Chain (Scope 3) Standard.

Scope 3 emissions inventory

Bunnings and Kmart Group are the largest contributors to our Scope 3 emissions, accounting for 65.2 per cent of Group Scope 3 emissions.

Scope 3 emissions are predominantly linked to the production of goods in our supply chains, the use of products by the divisions' customers and the end-of-life treatment of products. These emissions are outside the divisions' direct control but sit within their global value chains. The volume of Scope 3 emissions relates principally to the volume of goods sold by our businesses.

Our divisions' initial focus is on Category 1 and Category 11.

Category 1 — Purchased goods and services: This category is the largest contributor to Group Scope 3 emissions and totalled 21.6 megatonnes of CO_2e during the year. Emissions in this category result from upstream activities related to the extraction, manufacture and production, of goods and services that our businesses purchase.

Category 11 — Use of sold products: This category contributed 11.2 megatonnes of CO_2e to our emissions inventory. Emissions in this category arise from customers' energy consumption when using our products and includes electricity used for electrical goods or energy used to launder apparel. Emissions may also arise from the combustion of fuels or the release of greenhouse gases into the atmosphere, such as nitrous oxide from fertilisers.

Our progress

Engaging and supporting suppliers, customers and others in the divisions' value chains to decarbonise will be important to achieve a reduction in Scope 3 emissions.

Several divisions across the Group have begun this process, with an initial assessment of supplier emissions profiles. Bunnings have assessed that around half of their Scope 3 emissions come from twelve product categories. Kmart Group gathered energy data from 172 supplier sites, highlighting opportunities for future engagement with suppliers.

WesCEF has commenced supplier engagement with a focus to initially improve its supplier-specific emissions data.

Bunnings and Officeworks currently operate recycling programs to support the recovery of raw materials from products at end of life, which also deliver Scope 3 reduction benefits. Other strategies, such as more sustainable product ranges and product repurposing and repairing, can reduce Scope 3 emissions by extending product life and reducing upstream demand for resources.

As we better understand the impact of these strategies, we expect to measure associated Scope 3 emissions avoided.

Scope 3 management focus areas

Value chain decarbonisation requires a collaborative, whole-of-economy approach. It is essential to understand where our emissions are concentrated, to help focus our efforts.

As suppliers and customers implement their own decarbonisation initiatives, Scope 3 emissions will reduce. With only indirect influence over these emissions, decarbonisation across the divisions value chain remains challenging. We are focused on three key areas of Scope 3 management.

Improving the quality of our Scope 3 data

Calculating Scope 3 emissions is complex and we use the spend-, activity-, supplier- and life cycle-based Scope 3 emissions evaluation methods. In recent years, the divisions have deepened their understanding of their Scope 3 emissions inventory, which is helping to establish the foundational data to support engagement with their value chains. We expect to quantify and disclose emissions avoided associated with Scope 3 actions, as the divisions continue to iterate and mature their approach to Scope 3 data.

Engaging with suppliers

For the Group, Category 1 — Purchased goods and services is the most material Scope 3 category. Some of the divisions have begun engaging with suppliers to understand and support their emissions reduction opportunities and initiatives.

Supporting our customers

With customers, opportunities exist to support efficient and extended product use and responsible disposal at end of life, to deliver Scope 3 emissions improvements. Bunnings and Officeworks operate large recycling programs to support the recovery of embedded resources in products at end of life.

Kmart Group takes key steps to reduce Scope 3 emissions

With more than 90 per cent of Kmart Group's emissions outside its operations, obtaining accurate Scope 3 data among suppliers is an important first step to long-term emissions reduction.

Kmart Group is a member of the Sustainable Apparel Coalition (SAC), a global, multi-stakeholder non-profit alliance for the fashion industry, focused on sustainable production.

In 2011, SAC launched the Higg Index, an assessment tool to standardise the measurement of value chain sustainability including the measurement of Scope 3 emissions.

Energy use in fabric production, dyeing and finishing is a significant source of Scope 3 emissions in the apparel sector.

Using the Higg Index, Kmart Group gathered energy use data from 172 wet processing facilities in its value chain.

This identified that very few facilities use renewable energy, highlighting an opportunity for improvement.

By gathering data from suppliers, Kmart Group can identify and transparently report on Scope 3 decarbonisation strategies.

With time, as it improves its understanding of its value chain emissions, Kmart expects to evaluate its approach to supplier and materials selection and product design to reduce Scope 3 emissions.

CSBP Fertilisers research delivers Scope 3 emissions benefits

In 2023, CSBP Fertilisers celebrates its centenary of agricultural trials and research in Western Australia (WA). With its track record of driving innovation, CSBP Fertilisers has contributed to improved productivity among WA growers, supporting the success of the local agriculture industry.

With its introduction of Urea Sustain, a coated nitrogen fertiliser, CSBP Fertilisers has helped to optimise nutrient absorption by crops and lower the risk of nutrient loss to the environment. Products like Urea Sustain can improve emissions intensity of crop production, contributing to the long-term sustainability of this key WA export industry.

In 2022, a CSBP trial in Three Springs, WA, demonstrated that relative to conventional urea, application of Urea Sustain increased wheat production by approximately 25 per cent, and reduced the emissions intensity of crop production by approximately 20 per cent. CSBP Fertilisers' field research team is undertaking further trials to demonstrate the effectiveness of Urea Sustain in a range of soil types and geographical regions.

Growth opportunities for Wesfarmers

As the world decarbonises, there will be investment opportunities to support Wesfarmers' long-term performance. These may include opportunities for new industries, businesses, products and services.

Evolving our product range to address changing customer preferences.

For WesCEF and Coregas, there may be opportunities for products such as low-emissions ammonia and hydrogen. For our other businesses, there may be opportunities to adopt circular business models including to increase the use of recyclable and recycled inputs and to improve product reuse.

Investing in adjacent businesses

There may be opportunities to invest in businesses that are adjacent or aligned to our divisions, such as Officeworks' investment in Circonomy which supports circular business models.

Investing in new industries

There may be opportunities to invest in new industries that support a low-emissions economy. To support electrification and growth in electric vehicles, Wesfarmers has made significant investments in lithium production through the Covalent lithium project.

Wesfarmers' Covalent lithium project

The future demand for lithium is driven by a 100-fold increase in the adoption of electric vehicles. Electric vehicles powered by low-emissions electricity are the largest decarbonisation opportunity for land-based transport.

Covalent Lithium is a 50/50 joint venture between Wesfarmers and SQM. Together, Wesfarmers and SQM are investing over $2 billion in the joint venture, which is expected to produce battery-quality lithium hydroxide in Australia in 2025.

Since the final investment decision was taken in 2021, Covalent Lithium has managed the construction of a mine and concentrator at Mt Holland, 400 kilometres east of Perth. When fully operational, the mine and concentrator are expected to produce approximately 380,000 tonnes of spodumene concentrate each year.

The bulk of the spodumene concentrate will be refined at an integrated refinery, being built at Kwinana, near WesCEF's existing operations. Construction of the refinery is continuing with first production of lithium hydroxide expected in the first half of calendar 2025. When fully operational, the refinery is expected to produce 50,000 tonnes of battery-grade lithium hydroxide each year which is enough to power one million electric vehicles.

In December 2022, the first lithium ore was mined at Mt Holland. This first ore was crushed in May 2023, and spodumene concentrate production is expected to commence late 2023, for sale in the 2024 financial year.

To capitalise on the high demand for lithium, Covalent Lithium is currently undertaking a feasibility study to double the production capacity at the Mt Holland mine and concentrator.

Partnerships in the transition

Partnering and collaborating with suppliers, customers, industry, governments and others will be essential to support the development of emissions reduction technologies, examine circular economy business models and reduce Scope 3 emissions across our value chains.

For WesCEF, partnerships will initially support the decarbonisation of its industrial processes, as emissions reductions from those processes will require new technologies to be deployed at scale.

For our other divisions partnerships will primarily support Scope 3 emissions reduction initiatives, as these emissions occur across complex global value chains.

WesCEF's partnerships and collaboration

By partnering and collaborating with organisations that face similar decarbonisation challenges and ambitions, WesCEF is helping to advance the development of solutions in difficult-to-abate, emission intensive operations.

In industry, WesCEF has partnered with Mitsui & Co. Ltd on carbon capture and storage and low-carbon ammonia, and with APA Group to assess the feasibility of transporting hydrogen along the southern portion of the Parmelia Gas Pipeline. WesCEF is also part of a consortium developing breakthrough green ammonia technology, led by Jupiter Ionics.

WesCEF sponsored CSIRO's CO2 Utilisation Roadmap in 2021 and is a member of the Australian Industry Energy Transitions Initiative and the Australian Hydrogen Council.

These partnerships with industry, research organisations and governments are central to WesCEF's decarbonisation journey, helping to develop and test emerging technologies for commercial-scale adoption, in Phase 3 of its decarbonisation journey from 2030.

Risks and opportunities

Climate-related risks and opportunities are managed as part of the Wesfarmers Group Risk Management Framework. We recognise that the transition to a low-emissions economy presents both business risks and opportunities which support future growth.

The Group Risk Management Framework provides a consistent methodology for identifying, evaluating and managing material risks. It supports appropriate escalation and reporting processes for risks across the Group.

Climate-related risks are business risks and are included in our Group Risk Profile. Climate-related risks are addressed in the Group's risk appetite statements, which are regularly assessed to ensure accuracy and respond to changing circumstances. The Wesfarmers Audit and Risk Committee and Wesfarmers Board regularly review the Group Risk Profile and climate-related risks are updated at least annually. For further information on Wesfarmers' approach to risk management see page 94 of this annual report.

Acute and chronic physical risks

Under all three climate scenarios (see opposite), physical climate risks may directly impact our businesses, through damage to assets, infrastructure or supply chains in regions where we operate.

In recent years, our divisions, communities and team members have experienced the physical impacts of climate change, with increased frequency and intensity of extreme weather events such as floods, fire and storm surges. In certain locations, these events have disrupted store networks and supply chains, causing physical damage, including losses and infrastructure damage, along with indirect adverse impacts on team members and local communities.

Although impacts vary across geographic regions, the modelling generally shows that with every degree of warming, there will be a disproportionate change in magnitude, intensity and frequency of individual and concurrent extreme weather events. This could increase the frequency and intensity of physical impacts across our businesses.

Transitional risks and opportunities

We anticipate a range of transitional risks and opportunities, with the transition to a low-emission economy. Transitional risks stem from changes in policy, regulation, technology, reputation and markets, to enable, and as a result of the transition to a low-emissions economy. Our exposures depend on the speed of the transition, with aggressive mitigation (1.5°C) and current pledges (2°C), likely to have the most material transition risk impact on our businesses, as a result of more rapid shifts in policy, regulation, technology, reputation and markets.

Across the Group, our exposure to transitional risks will be uneven. For our industrial businesses (WesCEF and Coregas), changes to policy, regulation, markets and customer expectations, and emerging technologies may significantly impact our operations. For our retailers, transition risks include policy and regulatory change regarding products, impacts in upstream (including raw materials) suppliers and shifting stakeholder perceptions.

Our industrial businesses have opportunities to invest in emerging and future industries, such as hydrogen, low-emissions ammonia and lithium. For our retailers, opportunities include circular business models and products with enhanced sustainability attributes.

Physical risks under 1.5°C, 2°C and 4°C climate scenarios[1]

1.5°C 2°C 4°C	**Extreme heat (by 2030)** Between 7 and 10 additional hot days over 35ºC across northern Australia
1.5°C 2°C 4°C	**Droughts and long-term rainfall deficits (by 2030)** 2.8% to 4.3% longer dry spells across Victoria and New South Wales
4°C	**Bushfires (by 2030) for** Approximately 7 additional severe fire weather days in Queensland, New South Wales and Victoria
1.5°C 2°C 4°C	**Floods (by 2030)** 7.0% to 10.7% increase in extreme rain days and between 3.1% and 4.0% increase in extreme rain intensity across southern Australia
2°C 4°C	**Storm surge (by 2050)** 1-in-100-year present day storm surge (up to 2m) occurring every year in key ports servicing our supply chain in Indonesia, Malaysia and Sri Lanka
4°C	**Cyclones (by 2050)** More intense category 5 cyclones in the North Atlantic (+11.3%), North-East Pacific (+22.6 per cent) and North and South Indian Oceans (+4.5 to +5.3 %)

Scenario analysis

Every two years, we use scenario analysis to evaluate and respond to physical and transitional climate risks and opportunities across our operations and value chains. We use climate scenario analysis to assess resilience under different future global warming scenarios.

In early 2022, we assessed our exposure under three warming scenarios (1.5°C, 2°C and 4°C) and across two time horizons (2030 and 2050). These climate scenarios represent, respectively, three corresponding pathways of global climate action (aggressive mitigation, current pledges, and no climate action).

1 IPCC AR6, World Climate Research Programme Coupled Model Intercomparison Project (Phase 6), Vousdoukas et al. (2018), NASA Earth Data Knutson et al. (2020) and Copernicus Fire Weather Index Abatzoglou et al. (2019).

Acute and chronic physical risks

Description and impact	Response and potential mitigation strategies
Damage to physical assets and store network disruption	
Scenario: 2°C and 4°C **Time horizon:** Current to short (1 to 5 years)	**Financial impact:** Direct costs
Wesfarmers is exposed to increased risk from extreme wet conditions including more frequent and intense flooding, storm surge and more tropical cyclones, especially across northern and eastern Australia and New Zealand. Increased intensity and frequency of extreme wet conditions may disrupt and damage our physical assets and store networks. A rise in the frequency of hot days (over 35ºC) and drought, particularly in 2°C and 4°C scenarios, may impact the reliability and performance of our assets, reducing efficiency and increasing operational costs, and may impact sales in certain businesses (including CSBP Fertilisers). Climate-related claims may lead to increased insurance premiums for certain locations.	- Redesign or retrofit stores and warehouses to adapt to increasing extreme weather conditions. Our divisions give careful consideration to store locations for new stores and for store renewals. - Invest in measures to maintain adequate comfort for team members and customers. - Invest in omnichannel capabilities, to meet customer needs if our physical store network is disrupted. - Ensure that we undertake a detailed assessment of our approach to insurance taking into account potential climate impacts in our risk assessments.
Acute weather events may disrupt Wesfarmers' supply chain	
Scenario: 2°C and 4°C **Time horizon:** Short (1 to 5 years) to medium (5 to 15 years)	**Financial impact:** Direct and indirect costs
Wesfarmers' divisions and supply chains could be exposed to increased hot days (over 35ºC) across most of Australia. Relevant regions that are most vulnerable to severe dry spells (approximately 100 days) and frequent hot days are WA (in Australia), India, the Middle East, the Mediterranean and Pakistan (internationally). Flooding, storm surge and cyclone events may result in disruptions to our freight networks and supply chains, due to flooding, coastal inundation from storm surges and tropical cyclones affecting port, road and rail operations. These could result in transport delays and supply chain bottlenecks. Longer and more intense dry spells or wet weather events can affect the quality and yield of raw materials in our supply chains (especially impacting our retail businesses). For WesCEF and Coregas, this may also impact the demand for their products.	- Diversify supplier base and geographic sourcing regions. - Hold additional inventory to help buffer delays from disruption. - For Bunnings, Kmart Group and Officeworks, deploy strategies to reduce dependence on virgin raw materials, with greater use of recycled raw materials and by reducing reliance on raw materials that are more likely to be impacted by climate change. - For WesCEF, it may be important to identify alternative markets which are less impacted by the physical impacts of climate change (for products like fertilisers). - Collaborate and build partnerships (within supply chains) to help suppliers build their own climate resilience.
Impacts on the health, safety and wellbeing of team members and the communities in which we operate	
Scenario: 2°C and 4°C **Time horizon:** Medium (5 to 15 years)	**Financial impact:** Direct and indirect costs
As a very large employer, the physical and psychological health, safety and wellbeing of our team members is a critical business issue. Environmental hazards such as heat stress and related illnesses, and poor air quality and flooding may impact team members' wellbeing, productivity and business performance. Our suppliers, customers and local communities may also be impacted by environmental hazards.	- Continue to invest in energy management systems to support team member and customer comfort. - Continue to improve the design of our stores and other facilities including their energy efficiency. - Adapt shift hours, introduce additional breaks, implement further automation and adopt other measures to help manage heat stress at our distribution centres and manufacturing facilities. - Assess new store locations and designs, taking into account future climate scenarios.

Transitional risks and opportunities

Description and impact	Response and potential mitigation strategies
Changing preferences of customers	
Scenario: 2°C and 4°C **Time horizon:** Medium (5 to 15 years)	**Financial impact:** Direct costs
Changing customer preferences and expectations may impact existing product ranges as customers favour lower-emissions, circular, locally sourced and more sustainable alternatives. For some products and market segments, customers may be unwilling to pay higher prices for these features. **OPPORTUNITY –** Leverage our scale and expertise to respond to emerging customer needs, by leading the development and offering of more sustainable, low-emissions products.	- Adjust product and service ranges to reflect emerging customer needs and offer more sustainable products and services. - Explore new markets and investment opportunities that support a low-emissions economy such as low-emissions hydrogen, ammonia and lithium. - Seek partnerships and invest in new technologies that accelerate the transition to a low-emissions economy.
Carbon policies and pricing impact our competitiveness	
Scenario: 1.5°C and 2°C **Time horizon:** Short (1 to 5 years)	**Financial impact:** Direct and indirect costs
Policies and strategies which accelerate decarbonisation may add to manufacturing cost. Access to some products may also be limited as regulations may impact on their availability or the availability of certain raw materials. This risk extends to our value chains as products with high emissions footprints or long transport distances may become more expensive, impacting margins. If imports are not subject to similar policies, these policies may disproportionately impact our competitiveness.	- Implement an internal shadow carbon price on investments which attaches a cost to emissions, in the absence of regulatory pricing. - Adopt emissions reduction and net zero targets, consistent with the Climate Policy. Depending on timeframes, this action may mitigate possible future exposure to direct carbon pricing. - Advocate and engage with policymakers to support policies which maintain our competitiveness against imports. - Diversify our supplier base and our geographic sourcing regions to manage our exposures.
Stranded assets in the global transition to a low-emissions economy	
Scenario: 1.5°C and 2°C **Time horizon:** Long (15+ years)	**Financial impact:** Indirect costs
Emissions intensive operations may be at risk of becoming stranded or obsolete, if they are not able to cost-effectively transition or decarbonise, as policies and regulations change to accelerate the transition to a low-emissions economy. Certain existing technologies may also become less competitive. The development of emerging solutions such as CCUS may be difficult or face challenges or take time (including to overcome regulatory issues or provide access to pipelines), potentially delaying their deployment further exacerbating these risks. **OPPORTUNITY –** Partner and invest in emerging markets for low-emissions ammonia and hydrogen and lithium, leveraging our expertise to support the global transition to a low-emissions economy.	- Collaborate with partners to repurpose existing assets, to support emerging solutions such as CCUS. - Investigate the introduction of low-emissions hydrogen and ammonia into WesCEF's existing production processes. - Explore new investment opportunities aligned with new products, markets and industries aligned with the transition to a low-emissions economy. - Continue to progress to achieve net zero targets and apply our internal shadow carbon price on all new capital expenditures to mitigate potential exposures.
Erosion of our reputation	
Scenario: 1.5°C and 2°C **Time horizon:** Short (1 to 5 years) to medium (5 to 15 years)	**Financial impact:** Direct and indirect costs
There may be a risk of negative and unfavourable impacts on our reputation due to our exposure to emissions intensive or hard-to-abate businesses or fossil fuel consumption, with increasing scrutiny for greater action at greater pace. **OPPORTUNITY –** Invest for the future in low-emissions technologies, and resources for the energy transition.	- Set emissions reduction and net zero targets to decarbonise our operations and assess our impact and ability to influence our value chains. - Regularly disclose our performance with best practice standards and frameworks to provide our stakeholders with consistent, comparable and transparent information on our climate-related issues. - Proactively leverage our expertise, and financial capability to partner, and invest for the future in low-emissions technologies, solutions and resources.

Independent Limited Assurance Statement to the Management and Directors of Wesfarmers Limited

Our Conclusion:

Ernst & Young ('EY', 'we') were engaged by Wesfarmers Limited ('Wesfarmers') to undertake a limited assurance engagement as defined by Australian Auditing Standards, hereafter referred to as a 'review', over the Subject Matter defined below for the year ended 30 June 2023. Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe the Subject Matter has not been prepared, in all material respects, in accordance with the Criteria defined below.

What our review covered

We reviewed the following Subject Matter:

- Wesfarmers' approach to defining report content ('materiality assessment')
- Risk-based check of disclosures in Annual Report and related website content
- Taskforce for Climate-Related Financial Disclosures ('TCFD') Reporting
- Wesfarmers' reported alignment to 'in accordance with' requirements of the Global Reporting Initiative's (GRI) Sustainability Reporting Standards ('GRI Standards')
- Selected material performance metrics set out in the table below, presented on Wesfarmers' website under wesfarmers.com.au/sustainability as at 24 August 2023.

Performance metrics

- Scope 1, Scope 2, and Scope 3 greenhouse gas emissions in tonnes of carbon dioxide equivalent (ktCO2e)
- Energy consumption (petajoules)
- Waste disposed and recovered (kt)
- Water consumption (megalitres)
- Workplace health and safety data (Total Recordable Injury Frequency Rate ('TRIFR') and workers compensation claims)
- Community contributions (AUD)
- Aboriginal and Torres Strait Islander team members
- Aboriginal and Torres Strait Islander procurement spend (AUD)
- Ethical sourcing program data
- Employment and People data
- Cultural Awareness Training data

Criteria applied by Wesfarmers Limited

In preparing its sustainability disclosures, Wesfarmers applied the following criteria:

- GRI Standards, including the Reporting Principles for defining report quality and report content
- National Greenhouse and Energy Reporting Act 2007
- National Greenhouse and Energy Reporting Regulations 2008
- National Greenhouse and Energy Reporting (Measurement) Determination 2008 as amended
- GHG Protocol Standards
- Other selected Criteria, as determined by Wesfarmers, and as set out in its Sustainability Reporting.

Key responsibilities

EY's responsibility and independence

Our responsibility is to express a conclusion on the Subject Matter based on our review.

We have complied with the independence and relevant ethical requirements, which are founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

The firm applies Auditing Standard ASQM 1 *Quality Management for Firms that Perform Audits or Reviews of Financial Reports and Other Financial Information, or Other Assurance or Related Services Engagements*, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Wesfarmers' responsibility

Wesfarmers' management is responsible for selecting the Criteria, and for presenting the selected sustainability disclosures and related information in the Annual Report in accordance with that Criteria, in all material respects. This responsibility includes establishing and maintaining internal controls, maintaining adequate records and making estimates that are relevant to the preparation of the subject matter, such that it is free from material misstatement, whether due to fraud or error.

Our approach to conducting the review

We conducted our review in accordance with the Australian Auditing and Assurance Standards Board's *Australian Standard on Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* ('ASAE 3000'), *Assurance Engagements on Greenhouse Gas Statements* ('ASAE 3410'), and the terms of reference for this engagement as agreed with Wesfarmers on 25 January 2023 and amended on 11 August 2023. That standard requires that we plan and perform our engagement to express a conclusion on whether anything has come to our attention that causes us to believe that the Subject Matter is not prepared, in all material respects, in accordance with the Criteria, and to issue a report.

Summary of review procedures performed

A review consists of making enquiries, primarily of persons responsible for preparing the selected sustainability disclosures and related information in the Annual Report and applying analytical and other review procedures.

The nature, timing, and extent of the procedures selected depend on our judgement, including an assessment of the risk of material misstatement, whether due to fraud or error. The procedures we performed included, but were not limited to:

- Evaluating Wesfarmers' adherence to the GRI Standards Reporting Principles for defining report quality and report content, including the processes involved at a divisional and corporate level
- Assessing whether material topics and performance issues identified during our procedures had been adequately disclosed
- Interviewing selected personnel from divisional and corporate offices, to understand the key sustainability issues related to the subject matter and processes for collecting, collating and reporting the performance data during the reporting period
- Where relevant, gaining an understanding of systems and processes for data aggregation and reporting
- Performing analytical tests and detailed substantive testing to source documentation for material qualitative and quantitative information
- Assessing the accuracy of calculations performed
- Obtaining evidence to support key assumptions in calculations and other data
- Obtaining evidence for selected management information supporting assertions made in the Subject Matter
- Assessing that data and statements had been accurately transcribed from corporate systems and/or supporting evidence
- Assessing the presentation of claims, case studies and data against the relevant GRI principles contained in the Criteria.

We believe that the evidence obtained is sufficient and appropriate to provide a basis for our review conclusion.

Inherent Limitations

Procedures performed in a review engagement vary in nature and timing from, and are less in extent than for a reasonable assurance engagement. Consequently, the level of assurance obtained in a review engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. Our procedures were designed to obtain a limited level of assurance on which to base our conclusion and do not provide all the evidence that would be required to provide a reasonable level of assurance.

While we considered the effectiveness of management's internal controls when determining the nature and extent of our procedures, our assurance engagement was not designed to provide assurance on internal controls. Our procedures did not include testing controls or performing procedures relating to checking aggregation or calculation of data within IT systems.

The greenhouse gas quantification process is subject to scientific uncertainty, which arises because of incomplete scientific knowledge about the measurement of greenhouse gases. Additionally, greenhouse gas procedures are subject to estimation and measurement uncertainty resulting from the measurement and calculation processes used to quantify emissions within the bounds of existing scientific knowledge.

Other matters

We have not performed assurance procedures in respect of any information relating to prior reporting periods, including those presented in the Subject Matter. Our report does not extend to any disclosures or assertions made by Wesfarmers relating to future performance plans and/or strategies disclosed in Wesfarmers' report and supporting disclosures online.

Use of our Assurance Report

We disclaim any assumption of responsibility for any reliance on this assurance report to any persons other than management and the Directors of Wesfarmers, or for any purpose other than that for which it was prepared.

Our review included web-based information that was available via web links as of the date of this statement. We provide no assurance over changes to the content of this web-based information after the date of this assurance statement.

Terence Jeyaretnam FIEAust
Partner

Melbourne, Australia
24 August 2023

Ernst & Young

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Board of Directors

Michael Chaney AO

CHAIRMAN

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

Age 73

Term: Chairman since November 2015;
Director since June 2015.

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):

- Director of Australians for Indigenous Constitutional Recognition Ltd (since December 2022)
- Chairman of Northern Star Resources Limited (since July 2021)
- Chairman of the National School Resourcing Board (since November 2017)
- Director of the Centre for Independent Studies (retired July 2022)
- Member of the Gresham Resources Royalties Fund Investment Committee (retired October 2022)

Rob Scott

MANAGING DIRECTOR

B.Comm, MAppFin, CA, GradDipAppFin, OLY

Age 54

Term: Director since November 2017.

Skills and experience: Rob joined Wesfarmers in 1993 before moving into investment banking in various roles in Australia and Asia. Rob rejoined Wesfarmers in 2004 in Business Development before being appointed Managing Director of Wesfarmers Insurance in 2007 and then Finance Director of Coles in 2013. He was Managing Director, Financial Services in 2014 and Managing Director of the Wesfarmers Industrials division in 2015. Rob became the Group's Deputy Chief Executive Officer in February 2017 and assumed the role of Managing Director and Chief Executive Officer at the conclusion of the 2017 Annual General Meeting in November 2017.

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

- Director of Brisbane 2032 Olympic Organising Committee (since April 2022)
- Director of Business Council of Australia (since November 2021)
- Director of Gresham Partners Group Limited (since November 2020)
- Director of Gresham Partners Holding Limited (since November 2020)
- Chairman of flybuys joint venture with Coles Group Limited (since May 2023, Director since December 2018)
- Member of UWA Business School Advisory Board (since August 2017)
- Chairman of Rowing Australia (since October 2014)

Mike Roche

DIRECTOR

BSc, GAICD, FIA (London), FIAA (Australia)

Age 70

Term: Director since February 2019.

Skills and experience: Mike has more than 40 years' experience in the finance sector where he held senior positions firstly as an actuary with National Mutual/AXA and then in investment banking where he provided strategic, financial, merger and acquisition, and capital advice to major corporations, private equity and government clients. Mike spent more than 20 years with Deutsche Bank including 10 years as Head of Mergers and Acquisitions where he advised on major takeovers and privatisations. He stepped down as Deutsche Bank's Chairman of Mergers and Acquisitions (Australia and New Zealand) in 2016 and was a member of the Takeovers Panel for two terms from 2008 to 2014.

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

- Director of Macquarie Bank (since January 2021)
- Director of Macquarie Group (since January 2021)
- Director of MaxCap Group Pty Ltd (since April 2019)
- Director of Te Pahau Management Ltd (since November 2017)
- Founder and Director of Sally Foundation (since April 2013)
- Trustee Director of Energy Industries Superannuation Scheme Pty Ltd (retired September 2021)
- Panel member of Adara Partners (Aust) Pty Ltd (retired December 2022)
- Director of Six Park Asset Management (retired February 2023)

Sharon Warburton

DIRECTOR

BBus (Accounting & Business Law), FCA, FAICD

Age 53

Term: Director since August 2019.

Skills and experience: Sharon has extensive board and executive experience in corporate strategy, business operations, finance, accounting and risk management, particularly in the resources, construction, infrastructure and property sectors, along with significant expertise in governance and remuneration. She was previously Executive Director Strategy and Finance at Brookfield Multiplex and held senior management roles with ALDAR Properties PJSC in the United Arab Emirates, Citigroup in Sydney and Rio Tinto Limited in London and Perth.

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

- Director of Mirvac Funds Management Australia Limited (since July 2022)
- Director of Northern Star Resources Limited (since September 2021)
- Director of Thiess Group Holdings Pty Limited (since July 2021)
- Director of Blackmores Limited (resigned August 2023)
- Director of Worley Limited (since February 2019)
- Director of Karlka Nyiyaparli Aboriginal Corporation RNTBC (since December 2020)
- Member of the Australia Takeovers Panel (since May 2015)
- Director of Gold Road Resources Limited (retired September 2021)

Vanessa Wallace

DIRECTOR

B.Comm (UNSW), MBA (IMD Switzerland), MAICD

Age 59

Term: Director since July 2010.

Skills and experience: Vanessa is an experienced board director, strategy management consultant, and innovative, early stage business investor and founder. She was a Senior Partner at Strategy& (formerly Booz & Company), a member of the global board and finished her 27-year career as Executive Chairman of the business in Japan. Vanessa's industry experience was focused on financial services across the spectrum of wealth management, retail banking and insurance as well as the health providers and consumer products companies. Her functional depth is in risk management, post-merger integration and business growth associated with revenue levers of channels, customers, and markets.

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

- Chairman of Ecofibre Limited (since November 2021, Director since July 2021)
- Director of SEEK Limited (since March 2017)
- Director of Doctor Care Anywhere PLC (retired March 2023)
- Director of Palladium Global Holdings Inc (since January 2021)
- Co-founder and Chairman of Drop Bio Limited (since December 2018)
- Member of University of NSW Business School Advisory Council (since April 2021)
- Director of O'Connell Street Associates (since June 2018)
- Managing Director of MF Advisory, providing advisory services into Japan (since 2015)

Jennifer Westacott AO

DIRECTOR

BA (Honours), FAICD, FIPAA, FANZSOG

Age 63

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 New South Wales and Victorian governments.

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

- Chancellor of Western Sydney University (since January 2023)
- Patron of Fairbreak Global Pty Ltd (since December 2021)
- Chair of Studio Schools of Australia (since July 2019)
- Patron of The Pinnacle Foundation (since March 2019)
- Chair of the Western Parkland City Authority (since February 2019)
- Board member of Cyber Security Research Centre (CSRC) Ltd (since February 2018)
- Co-Patron of Pride in Diversity (since November 2017)
- Adjunct Professor at the City Futures Research Centre of the University of New South Wales (since 2013)

The Right Honourable Sir Bill English KNZM

DIRECTOR

BA(Hons), BCom (Otago)

Age 61

Term: Director since April 2018.

Skills and experience: Bill was Minister of Finance and Deputy Prime Minister of New Zealand from October 2008 to December 2016, and Prime Minister until the change of government in October 2017. He retired from parliament in March 2018.
Bill now invests with his family in technology and data businesses and consults with government and business in Australia and New Zealand.

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

- Director of Paul Ramsay Foundation (since December 2021)
- Chairman of Jarden Wealth Investment Committee (since June 2021)
- Director of The Todd Corporation Limited (since May 2021)
- Director of Centre for Independent Studies (since March 2021)
- Director of The Instillery (since August 2019)
- Director of Impact Lab Ltd (since May 2019)
- Director of Manawanui Support Ltd (since April 2019)
- Chairman of Mount Cook Alpine Salmon (since July 2018)
- Member of Macquarie Infrastructure and Real Assets' Impact Advisory Group (resigned March 2022)

Anil Sabharwal

DIRECTOR

BMath, BCompSc

Age 45

Term: Director since February 2021.

Skills and experience: Anil is Vice President of Product Management at Google and the company's most senior product and engineering leader in Asia Pacific. He is also an advisor to venture capital firm AirTree Ventures. Anil's 14+ years at Google have included founding and leading the product, strategy and team behind Google Photos, which reached more than one billion active users in less than four years. He's also led product, design and engineering for Google Chrome and ChromeOS, and was on the founding team that built and launched Google Drive. Of Google's nine products with more than a billion active users, Anil has built and led three of them. Before joining Google, Anil co-founded online learning company Desire2Learn, headquartered in Canada, and was General Manager of the knowledge management division in Australia for human resources company, Talent2. He holds an Honors Bachelor of Mathematics in Computer Science from the University of Waterloo.

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

- Advisor to AirTree Ventures (since March 2017)
- Vice President of Product Management at Google (since April 2016, various other roles held at Google since January 2009)

Alison Watkins AM

DIRECTOR

BCom, FCA, FAICD, F FIN

Age 60

Term: Director since September 2021.

Skills and experience: Alison holds a Bachelor of Commerce (University of Tasmania), is a Fellow of Chartered Accountants ANZ, the Financial Services Institute of Australasia, and the Australian Institute of Company Directors. She is an experienced Chief Executive and Non-executive Director. Alison's previous roles include Group Managing Director of Coca-Cola Amatil, Chief Executive Officer of GrainCorp Limited and Berri Limited, and Managing Director of Regional Banking at ANZ. She spent 10 years at McKinsey & Company from 1989 to 1999 and became a partner of the firm in 1996 before moving to ANZ as Group General Manager, Strategy.

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

- Director of PGA Australia (since December 2022)
- Director of The Geoff Ogilvy Foundation (since September 2022)
- Director of CSL Limited (since August 2021)
- Chancellor of the University of Tasmania (since July 2021)
- Member of Reserve Bank of Australia Board (since December 2020)
- Member of Low Emissions Technology Roadmap Ministerial Reference Panel (retired May 2023)
- Director of Centre for Independent Studies (since December 2011)
- Director of Business Council of Australia (retired October 2021)
- Group Managing Director of Coca-Cola Amatil (retired May 2021)

Alan Cransberg

DIRECTOR

BEng(Civil Eng) (Hons)

Age 64

Term: Director since October 2021.

Skills and experience: Alan holds an Honours Degree in Civil Engineering from The University of Western Australia (UWA). He has 36 years of experience from roles in the mining, processing and resources. Alan joined Alcoa in 1980 and worked in a variety of assignments and locations across their Australian and international businesses, prior to being appointed as Chairman and Managing Director of Alcoa Australia, and President of Alcoa Refining in 2008. He retired from these positions in 2016. Alan was previously a Director and Chairman of the West Coast Eagles Football Club. He was also a founding member of the Foundation to Prevent Violence Against Women and Their Children, as well as being a founding member of the CEO's for Gender Equity in Western Australia.

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

- Chairman of the Waalitj Foundation (since November 2017)
- Member of the UWA Business School Board (since October 2016)
- Director and Lead Investment Committee member of SAS Resources Trust (since October 2016)
- Ambassador to the Foundation to Prevent Violence to Women and Their Children (since September 2016)
- Director of John Swire and Sons Pty Ltd (resigned June 2023)
- Deputy Chairman of Peel Development Commission (retired December 2021)
- Director of Stealth Global Industries Ltd (retired April 2020)

Corporate governance overview

The Board of Wesfarmers Limited

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 taking into account the interests of its stakeholders. The 2023 Corporate Governance Statement details the key aspects of the governance framework and practices of Wesfarmers. Wesfarmers regularly reviews its governance framework and practices so as to ensure that they consistently reflect market practice and stakeholder expectations.

The Board believes that the governance policies and practices adopted by Wesfarmers during the reporting period for the year ended 30 June 2023 follow the recommendations contained in the fourth edition of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (ASX Principles).

Roles and responsibilities of the Board and management

The role of the Board is to:

- approve the purpose, values and strategic direction of the Group;
- guide and monitor the management of Wesfarmers and its businesses in accordance with the purpose, values and strategic plans;
- oversee good governance practice; and
- set the Group's risk appetite and monitor and review the Group's financial and non-financial risk management systems.

The Board aims to protect and enhance the interests of its shareholders, while taking into account the interests of other stakeholders, including team members, customers, suppliers and the wider community. In performing its role, the Board is committed to a high standard of corporate governance practice and to fostering a culture of compliance which values ethical behaviour, personal and corporate integrity, accountability, transparency and respect for others. The Group Managing Director has responsibility for the day-to-day management of Wesfarmers and its businesses, and is supported in this function by the Wesfarmers Leadership Team.

Details of the members of the Wesfarmers Leadership Team are set out on pages 14 and 15 of this annual report and in the corporate governance section of the company's website at **www.wesfarmers.com.au/cg**

The Board maintains ultimate responsibility for strategy and control of Wesfarmers and its businesses.

Structure and composition of the Board

Wesfarmers is committed to ensuring that the composition of the Board continues to include directors who collectively bring an appropriate mix of skills, commitment, experience, expertise and diversity (including gender diversity) to Board decision-making.

The Board currently comprises ten directors, including nine non-executive and independent directors. Detailed biographies of the directors as at 30 June 2023 are set out on pages 88 and 89 of this annual report.

The Board is of the view that the current directors possess an appropriate mix of skills, commitment, experience, expertise (including knowledge of the Group and the relevant industries in which the Group operates) and diversity to enable the Board to discharge its responsibilities effectively and deliver the company's strategic priorities as a diversified corporation with current businesses operating in home improvement, outdoor living products and supply of building materials; general merchandise and apparel; office and technology products; health, beauty and wellbeing products and services; management of retail subscription program and shared data asset; wholesale distribution of pharmaceutical goods; manufacturing and distribution of chemicals and fertilisers; development of an integrated lithium project, including mine, concentrator and refinery; industrial and safety product distribution; gas processing and distribution; and management of the Group's investments.

In fulfilling its roles and responsibilities, the key focus areas of the Board during the 2023 financial year are set out below.

Key focus areas of the Board during the 2023 financial year included:

- Overseeing the continuing development of the Covalent lithium project.
- Overseeing the continuing development of the Group's retail subscription program and shared data asset.
- Reviewing and providing input into the business operations and the strategic plans of each division likely to impact long-term shareholder value creation.
- Monitoring changes in the domestic and global external environment, including inflationary and supply chain pressures, and overseeing management's strategies in relation to these areas.
- Overseeing management's performance in strategy implementation.
- Overseeing the implementation of strategy to address areas of underperformance and reposition the portfolio to deliver growth in shareholder returns.
- Monitoring and evaluating growth opportunities to complement the existing portfolio, including opportunities in the Health division.
- Monitoring the Group's operating and cash flow performance, financial position and key metrics, including financial covenants and credit ratings.
- Reviewing the Group's risk management framework, overseeing the implementation of strategies to improve the Group's risk management framework and monitoring that the Group is operating with due regard to the risk appetite set by the Board.
- Reviewing and updating the Group's risk appetite statement to reflect new and emerging risks and changing circumstances.
- Monitoring the Group's safety performance and overseeing implementation of strategies to improve safety performance and enhance workplace safety awareness.
- Monitoring the Group's performance on key ESG metrics and overseeing implementation of strategies to improve ESG performance and enhance ESG awareness.
- Overseeing the Group's remuneration framework and remuneration outcomes for senior management.
- Reviewing the processes in place to attract, develop, motivate and retain talent.
- Reviewing and updating policies, reporting and processes to improve the Group's system of corporate governance and compliance.

Corporate governance overview

The Board skills matrix set out below describes the combined skills, experience and expertise presently represented on the Board. To the extent that any skills are not directly represented on the Board, they are augmented through management and external advisors.

The Board benefits from the experience of David Cheesewright who has extensive experience in international retailing and manufacturing, including 19 years with Walmart. He was appointed as an advisor to the Wesfarmers Board in August 2018.

Skills and experience	Board
Leadership Experience in a senior management position in a listed company, large or complex organisation or government body.	10
Corporate governance Experience in and commitment to the highest standards of corporate governance, and includes experience as a director or senior executive in a listed company, large organisation or government body.	10
Financial acumen Understanding of financial statements and reporting, key drivers of financial performance, corporate finance and internal financial controls.	10
Risk management Experience in identification, monitoring and management of material financial and non-financial risks and understanding, implementation and oversight of risk management frameworks and controls.	10
Digital, data and technology Experience and expertise in identifying, assessing, implementing and leveraging digital technologies and other innovations, understanding the use of data and analytics and responding to digital disruption.	6
People and culture Experience in overseeing workplace culture, people management, development and succession planning, setting remuneration frameworks and promoting diversity and inclusion.	10
Strategy Experience in corporate planning, including identifying and analysing strategic opportunities and threats, developing, implementing and delivering strategic objectives and monitoring performance against strategic objectives.	10
Corporate transactions Experience in assessing and completing complex business transactions, including mergers, acquisitions, divestments, capital management, major projects and business integration.	9
Retail markets Knowledge and experience in the retail and consumer goods industry, including merchandising, brand development, customer relationships and supply chain.	5
Industrial, resources and infrastructure Senior executive or non-executive director experience and expertise in the industrial, resources or infrastructure sectors, including project construction.	8
Regulatory and public policy Experience in the management and oversight of compliance with legal and regulatory requirements and/or experience in the development, implementation and review of regulatory and public policy, including professional experience working or interacting with government and regulators.	8
Corporate sustainability and community engagement Understanding and experience in sustainability best practices to manage the impact of business operations on the environment and community and the potential impact of climate change on business operations, and expertise in community and stakeholder relations.	10
International experience Experience in international business, trade and/or investment at a senior executive level and exposure to global markets and a range of different political, regulatory and business environments.	9

Corporate governance overview

Director independence

Directors are expected to bring views and judgement to Board deliberations that are independent of management and free of any interest, position, association, 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 having regard to the ASX Principles. In particular, the Board focuses on the factors relevant to assessing the independence of a director set out in recommendation 2.3 of the ASX Principles and the materiality guidelines applied in accordance with Australian Accounting Standards.

The Board has reviewed the position and relationships of all directors in office as at the date of this annual report and considers that all nine non-executive directors are independent.

Committees of the Board

The Board has established a Nomination Committee, a Remuneration Committee, and an Audit and Risk 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 2023 Corporate Governance Statement on the company's website at **www.wesfarmers.com.au/cg**

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 to 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 ensuring that there is a robust and effective process for evaluating the performance of the Board, its committees and individual non-executive directors. In relation to the re-appointment of a non-executive director, the Nomination Committee reviews the performance of the relevant non-executive director during their term of office and makes recommendations to the Board. The form of the Board, committee and individual non-executive director performance reviews are considered and determined each year. The outcomes of each Board and committee performance review are discussed by the Board and each respective committee. The outcomes of the performance review for each non-executive director are discussed between the non-executive director and the Chairman (and in the case of the performance review of the Chairman, between the Chairman and a nominated senior director). From time to time, the evaluation process may be facilitated by an external consultant. More details are available in the 2023 Corporate Governance Statement.

Key focus areas of the Nomination Committee during the 2023 financial year included:

- Consideration of feedback from major shareholders during the Chairman's Roadshow conducted prior to the 2022 Annual General Meeting.
- Recommending to the Board the process for the Board, committee and individual non-executive director performance reviews, considering and discussing the outcomes and recommendations from these review processes and agreeing actions to be implemented.
- Considering and making recommendations to the Board regarding director independence, tenure and succession planning.

Role of the Remuneration Committee

Full details of the remuneration paid to non-executive directors and executive key management personnel (KMP), along with details of Wesfarmers' policy on the remuneration of the executive KMP are set out in the Remuneration Report on pages 100 to 130 of this annual report.

The executive KMP, comprising the Group Managing Director, the Group Chief Financial Officer and those executives who have authority and responsibility for planning, directing and controlling the activities of a major profit generating division of Wesfarmers, have a variable or 'at risk' component as part of their total remuneration package via participation in the Key Executive Equity Performance Plan (KEEPP).

The mix of remuneration components and the performance measures used in the KEEPP have been chosen to ensure that there is a strong link between remuneration earned and the achievement of the Group's strategic and business objectives, alignment with the Group's values, management of risk in accordance with the Group's risk appetite, and ultimately, generating satisfactory returns for shareholders.

Annual performance reviews of each member of the Wesfarmers Leadership Team, including the Group Managing Director, for the 2023 financial year have been undertaken. More details about Wesfarmers' performance and development review process for the executive KMP are set out in the 2023 Corporate Governance Statement.

Key focus areas of the Remuneration Committee during the 2023 financial year included:

- Reviewing and making recommendations to the Board in relation to the fixed and variable remuneration of the Group Managing Director and the other executive KMP.
- Reviewing and, where appropriate, approving management's recommendations in relation to the fixed and variable remuneration of the other members of the Wesfarmers Leadership Team, in accordance with the Board-approved delegated authority for remuneration-related approvals.
- Reviewing and making recommendations to the Board in relation to the Wesfarmers variable remuneration plans.
- Reviewing and making recommendations to the Board for the vesting outcomes of the 2019 KEEPP Performance Shares based on the assessment of performance against the performance targets.
- Reviewing the succession and transition plans for the Wesfarmers Leadership Team.
- Reviewing and making a recommendation to the Board on non-executive director fees.
- Reviewing and monitoring of diversity and inclusion matters, including gender pay equity.

Corporate governance overview

Role of the Wesfarmers Audit and Risk Committee

The Wesfarmers Audit and Risk Committee assists the Board in fulfilling its responsibilities in overseeing the company's financial reporting, compliance with legal and regulatory requirements, setting, articulating and reviewing the risk appetite of the Wesfarmers Group, and proactively overseeing the Group's systems of internal control and its financial and non-financial risk management framework in accordance with the Group's purpose, values and strategic direction.

Key focus areas of the Wesfarmers Audit and Risk Committee during the 2023 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 and recommending to the Board amendments to the Group's data governance framework including setting out the requirements for data collection, classification, integrity, access, security, use, retention and disposal.
- Overseeing the Group's technology and cyber security governance framework including the evolution of the Group's maturity assessment processes.
- Overseeing the development of reporting and limited assurance reviews in relation to emissions reduction and other key ESG matters.
- Monitoring the ethical sourcing of products and services throughout the Group to ensure that there are appropriate processes and controls in place.
- Monitoring the retail shrinkage control measures and reporting procedures in the Group's divisions.
- Reviewing the Group's risk management framework, overseeing the implementation of strategies to improve the Group's risk management framework and monitoring that the Group is operating with due regard to the risk appetite set by the Board.
- Reviewing and recommending to the Board amendments to the Group's risk appetite statement to reflect new and emerging risks and changing circumstances.
- Reviewing and evaluating the adequacy of the Group's insurance arrangements to ensure appropriate cover for identified operational and business risks.
- Monitoring the Group's tax compliance program both in Australia and overseas, including cross-border intra-Group transactions, to ensure its obligations are met in the jurisdictions in which the Group operates.
- Overseeing the Group's compliance program, supported by approved guidelines and standards, covering safety, the environment, legal liability, compliance with key governance policies, including the Wesfarmers Code of Conduct, whistleblower reporting, information technology, data privacy and human rights.
- Overseeing the Group's internal audit program, including approving the annual internal audit plan.
- Monitoring the Group's payment terms for small suppliers and associated reporting under the Payment Times Reporting Scheme.
- Overseeing the payroll assurance and remediation activities of the relevant Group businesses.
- Reviewing and assessing the performance of the Group's external auditor including their independence, objectivity and professional scepticism, quality of the engagement team and quality of communications.

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. The lead audit partner is required to rotate after a maximum of five years. Mr Trevor Hammond is the lead audit partner and was appointed on 1 July 2019.

Ernst & Young has provided the required independence declaration to the Board for the financial year ended 30 June 2023. The independence declaration forms part of the directors' report and is provided on page 99 of this annual report.

Governance policies

The corporate governance section of the company's website at **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 2023 Corporate Governance Statement.

Ethical and responsible behaviour

The Wesfarmers Way is the framework for the company's business model and comprises its values of integrity, openness, accountability and entrepreneurial spirit, details of which are published on the company's website at **www.wesfarmers.com.au**

The Wesfarmers Way, together with the Code of Conduct and other policies, guide the behaviour of everyone who works at or for Wesfarmers as the company strives to achieve its primary objective. The Board and senior executives of the Group strive to ensure that their own actions and decisions reference and reinforce Wesfarmers' values, and that they instil and reinforce a culture of acting lawfully, ethically and responsibly.

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 an investor engagement program for engaging with shareholders, debt investors, the media and the broader investment community. In addition, the company's shareholders have the ability to elect to receive communications and other shareholding information electronically.

Corporate governance overview

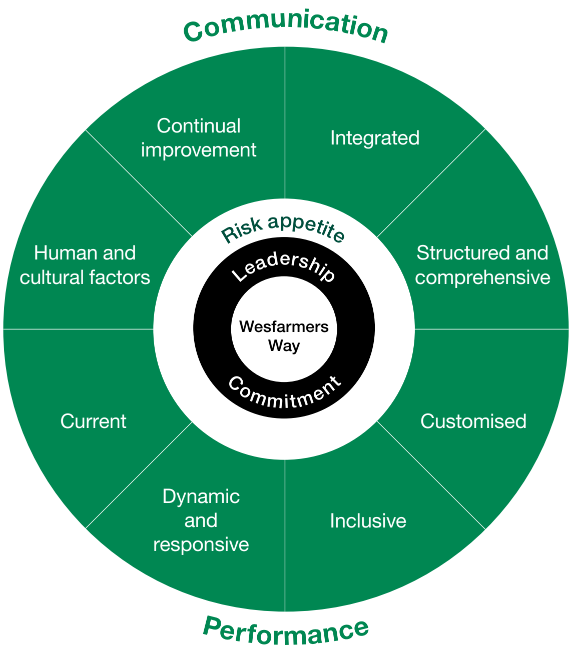
Risk management

Wesfarmers believes that good risk management practice is crucial for informed decision-making, effective management of operations to drive commercial outcomes and ultimately underpins the objective of delivering shareholder value over the long term.

Robust, integrated and effective risk management is central to Wesfarmers' broader governance framework and is fully supported by the Board and the Wesfarmers Leadership Team. This commitment is outlined in the Wesfarmers Board-approved Risk Management Policy which is available in the corporate governance section of the company's website at **www.wesfarmers.com.au/cg**

The Board recognises that a values-based culture is fundamental to an effective risk management framework. Wesfarmers, through the Board, instils and promotes a culture which is underpinned by the Wesfarmers Way, including Wesfarmers' core values of integrity, openness, accountability and entrepreneurial spirit.

Wesfarmers' approach to risk management is aligned with the principles and requirements of International Standard ISO 31000:2018 – Risk Management Guidelines and is depicted diagrammatically below. These elements are necessary to maintain a risk-aware culture and inform professional judgements about risk-taking within the parameters and risk appetite set by the Board.



Wesfarmers has adopted a three-lines approach to risk management whereby all team members have an important role in the operation of the risk framework. The three-lines approach:

- promotes accountable decision-making; and
- reinforces the responsibility of divisional management and Group management in:
  - identifying, understanding and managing the risks within their respective realms of responsibility;
  - seeking to ensure that business operations and risk-taking remain within the risk appetite; and
  - that appropriate action is taken if risk exposure is deemed to be either too conservative or outside risk appetite.

Risk management framework

The Wesfarmers Risk Management Framework is reviewed by the Board on an annual basis to satisfy itself that it is sound, continues to operate effectively, and that the Group is operating with due regard to the risk appetite set by the Board, or that appropriate action is taken should performance fall outside the risk appetite.

The framework was last comprehensively reviewed in May 2023. The Group Risk Appetite Statement was reviewed and updated in June 2023 to reflect new and emerging risks and changing circumstances.

Diversity and inclusion

Wesfarmers considers building a diverse and inclusive workforce a key enabler for delivering its objective of satisfactory returns to shareholders. Wesfarmers' customers and stakeholders are diverse and to gain the best insight into their needs and expectations, and how to meet them, diverse and inclusive teams are essential. A diversity of perspectives and backgrounds also strengthens creativity in teams. Moreover, creating an environment that attracts, retains, and develops team members with a wide range of strengths and experiences ensures that Wesfarmers is best equipped for future growth.

Wesfarmers' Diverse, Inclusive and Respectful Workplaces Policy encourages an inclusive work environment where everybody feels respected and safe at work and includes fostering diversity in all its facets at all levels across the Group.

Further details on diversity and inclusion are set out on pages 68 and 69 of this annual report and in the 2023 Corporate Governance Statement.

Directors' report

Wesfarmers Limited and its controlled entities

The information appearing on pages 6 to 94 forms part of the directors' report for the financial year ended 30 June 2023 and is to be read in conjunction with the following information:

Results and dividends

Year ended 30 June	**2023** **$m**	2022 $m
Profit		
Profit attributable to equity holders of the parent	**2,465**	2,352
Dividends		
The following dividends have been paid or are payable* by the company or have been determined to be paid by the directors since the commencement of the financial year ended 30 June 2023:		
(a) out of the profits for the year ended 30 June 2022 and retained earnings on the fully-paid ordinary shares:		
(i) fully-franked final dividend of 100 cents (2021: 90 cents) per share paid on 6 October 2022 (as disclosed in last year's directors' report)	**1,134**	1,020
(b) out of the profits for the year ended 30 June 2023 on the fully-paid ordinary shares:		
(i) fully-franked interim dividend of 88 cents (2022: 80 cents) per share paid on 28 March 2023	**998**	907
(ii) fully-franked final dividend of 103 cents (2022: 100 cents) per share to be paid on 5 October 2023	**1,169**	1,134

* The payment of dividends for the 2021 and 2022 KEEPP Deferred Shares and Performance Shares are delayed until either the shares vest (with the dividends paid to the participant) or upon forfeiture (with the dividends paid to the trustee). This means no component of any dividend will be paid to the executive KMP unless and until the vesting outcome is known. For further details, please see the remuneration report on pages 100 to 130 of this annual report.

Principal activities

The principal activities of the entities within the consolidated Group during the year were:

- retailing of home improvement and outdoor living products and supply of building materials;
- retailing of general merchandise and apparel products;
- retailing of office and technology products;
- retailing of health, beauty and wellbeing products and services;
- management of retail subscription program and shared data asset;
- wholesale distribution of pharmaceutical goods;
- manufacturing and distribution of chemicals and fertilisers;
- development of an integrated lithium project, including mine, concentrator and refinery;
- industrial and safety product distribution;
- gas processing and distribution; and
- management of the Group's investments.

Directors

The directors in office at the date of this report are:

- M A Chaney (Chairman)
- R G Scott (Group Managing Director)
- A J Cransberg
- S W English
- M Roche
- A Sabharwal
- V M Wallace
- S L Warburton
- A M Watkins
- J A Westacott

All directors served on the Board for the period from 1 July 2022 to 30 June 2023.

The qualifications, experience, special responsibilities and other details of the directors in office as at the date of this report appear on pages 88 and 89 of this annual report.

Directors' report

Wesfarmers Limited and its controlled entities

Directors' shareholdings

Securities in the company or in a related body corporate in which directors had a relevant interest as at the date of this report are:

	BWP Trust	Wesfarmers Limited
	Units	Shares
M A Chaney	–	87,597
A J Cransberg	–	4,473
S W English	–	5,175
M Roche	–	12,060
A Sabharwal	–	6,293
R G Scott*	–	1,074,041
V M Wallace	–	13,983
S L Warburton	–	7,536
A M Watkins	–	9,000
J A Westacott	–	6,788

* R G Scott holds 380,375 Deferred Shares (previously referred to as Restricted Shares) and 165,086 Performance Shares under the Key Executive Equity Performance Plan (KEEPP). For further details, please see the remuneration report on pages 100 to 130 of this annual report.

Directors’ meetings

The following table sets out the number of directors’ meetings (including meetings of Board committees) held during the year ended 30 June 2023 and the number of meetings attended by each director.

	Board		Audit and Risk Committee		Remuneration Committee		Nomination Committee	
	Eligible to attend[1]	Attended[2]	Eligible to attend[1]	Attended[2]	Eligible to attend[1]	Attended[2]	Eligible to attend[1]	Attended[2]
M A Chaney[3]	9	9	-	-	9	9	2	2
A J Cransberg	9	9	-	-	9	9	2	2
S W English	9	9	8	8	-	-	2	2
M Roche	9	9	-	-	9	9	2	2
A Sabharwal	9	9	8	8	-	-	2	2
R G Scott	9	9	-	-	-	-	-	-
V M Wallace	9	9	-	-	9	9	2	2
S L Warburton[4]	9	9	8	8	-	-	2	2
A M Watkins	9	9	-	-	9	9	2	2
J A Westacott	9	9	8	8	-	-	2	2

1 Number of meetings held while the director was a member of the Board/Committee.
2 Number of meetings attended.
3 Notwithstanding he is not a member, M A Chaney attended all meetings of the Audit and Risk Committee held during the year.
4 Notwithstanding she is not a member, S L Warburton attended all meetings of the Remuneration Committee held during the year.

Insurance and indemnification of directors and officers

During or since the end of the financial year, the company has paid premiums in respect of a contract insuring all directors and officers of Wesfarmers Limited and its related entities against certain liabilities incurred in that capacity. Disclosure of the nature of the liability covered by the insurance and premiums paid is subject to confidentiality requirements under the contract of insurance.

In accordance with the company’s constitution, the company has entered into Deeds of Indemnity, Insurance and Access with each of the directors of the company. These Deeds:

- indemnify a director to the full extent permitted by law against any liability incurred by the director:
  - as an officer of the company or of a related body corporate; and
  - to a person other than the company or a related body corporate, unless the liability arises out of conduct on the part of the director which involves a lack of good faith;
- provide for insurance against certain liabilities incurred as a director; and
- provide a director with continuing access, while in office and for a specific period after the director ceases to be a director, to certain company documents which relate to the director’s period in office.

In addition, the company’s constitution provides for the indemnity of officers of the company or its related bodies corporate from liability incurred by a person in that capacity to the full extent permitted by law.

No indemnity payment has been made under any of the documents referred to above during, or since the end of, the financial year.

Directors' and other officers' remuneration

Discussion of the Board's policy for determining the nature and amount of remuneration for directors and senior executives and the relationship between such policy and company performance are contained in the remuneration report on pages 100 to 130 of this annual report.

Options

No options over unissued shares in the company were in existence at the beginning of the financial year or granted during, or since the end of, the financial year.

Company Secretary

Vicki Robinson was appointed as Executive General Manager, Company Secretariat and Company Secretary of Wesfarmers Limited on 2 March 2020. Prior to this, Vicki was General Manager, Legal (Corporate) and has played a key role in many of the Group's merger and acquisition transactions. Vicki joined Wesfarmers in July 2003 as a Legal Counsel with the Corporate Solicitors Office. In 2007, she moved to the role of General Manager for enGen, and she returned to the Corporate Solicitors Office in 2009. Vicki holds a Bachelor of Laws (Honours) and a Bachelor of Commerce from The University of Western Australia and was admitted to practise as a barrister and solicitor in 1999. Vicki is a member of the Methodist Ladies College Council, and was a director of the Black Swan State Theatre company from 2009 to 2018. She is a Fellow of the Governance Institute of Australia. On 26 June 2023, Wesfarmers announced that Vicki will retire as Company Secretary effective 30 October 2023, with Sheldon Renkema succeeding her as Company Secretary from this date.

Significant changes in the state of affairs

Particulars of the significant changes in the state of affairs of the consolidated entity during the financial year are as follows:

- revenue from ordinary activities up from $36,838 million to $43,550 million
- net profit for the year up from $2,352 million to $2,465 million
- dividends per share of $1.91 (2022: $1.80 per share)
- total assets down from $27,286 million to $26,546 million
- shareholders' equity up from $7,981 million to $8,281 million
- net debt down from $4,491 million to $4,009 million
- net cash flows from operating activities up from $2,301 million to $4,179 million

Review of results and operations

The operations, financial position, business strategies and prospects for future financial years of the consolidated entity are detailed in the operating and financial review on pages 16 to 87 of this report.

Events after the reporting period

The following significant event has arisen since the end of the financial year:

Dividends

A fully-franked final dividend of 103 cents per share resulting in a dividend payment of $1,169 million was determined with a payment date of 5 October 2023. The final dividend will also carry a New Zealand franking credit, in addition to the Australian franking credit, of 10 cents (NZD) per share. The final dividend has not been provided for in the 30 June 2023 full-year financial statements.

Acquisition of InstantScripts Pty Ltd

On 13 June 2023, Wesfarmers announced that Australian Pharmaceutical Industries Pty Ltd (API), a wholly-owned subsidiary of Wesfarmers, entered into an agreement to acquire InstantScripts Pty Ltd (InstantScripts), one of Australia's leading telehealth businesses for cash consideration of approximately $135 million. The transaction completed on 3 July 2023.

Due to the timing of the completion of the acquisition and the restriction on access to the books and records of InstantScripts until after completion, the accounting for the business combination has not yet been determined. Further information in relation to this acquisition is unable to be provided due to the limited time between completion and the release of this report.

Directors' report

Wesfarmers Limited and its controlled entities

Non-audit services

Ernst & Young provided non-audit services to the consolidated entity during the year ended 30 June 2023 and received, or is due to receive, the following amounts for the provision of these services:

	$'000
Tax compliance	**703**
Other	**94**
Total	**797**

The total non-audit services fees of $797 thousand represents 11.9 per cent of the total fees paid or payable to Ernst & Young and related practices for the year ended 30 June 2023. Total non-audit services fees and other assurance and agreed-upon procedures fees were $1,527 thousand. Further details of amounts paid or payable to Ernst & Young and its related practices are disclosed in note 27 to the financial statements.

The Audit and Risk Committee has, following the passing of a resolution of the Committee, provided the Board with written advice in relation to the provision of non-audit services by Ernst & Young.

The Board has considered the Audit and Risk Committee's advice, and the non-audit services provided by Ernst & Young, and is satisfied that the provision of these services during the year by the auditor is compatible with, and did not compromise, the general standard of auditor independence imposed by the *Corporations Act 2001* for the following reasons:

- the non-audit services provided do not involve reviewing or auditing the auditor's own work or acting in a management or decision-making capacity for the company;
- all non-audit services were subject to the corporate governance procedures and policies adopted by the company and have been reviewed by the Audit and Risk Committee to ensure they do not affect the integrity and objectivity of the auditor; and
- there is no reason to question the veracity of the auditor's independence declaration (a copy of which has been reproduced on the following page).

External auditor quality review assessment

Wesfarmers conducts an external auditor quality review process annually following the completion of the audit of the Group's financial statements and remuneration report. The quality review process considers a range of external and internal information sources to assess the:

- external auditor's independence, objectivity and professional scepticism;
- quality of the audit engagement team; and
- quality of the communications with the external auditor.

The findings of the review are considered by the Audit and Risk Committee as part of its consideration of the external auditor's appointment and the feedback provided is used to improve the external audit process.

The review following the completion of the audit of the financial statements and remuneration report for the year ended 30 June 2022 reaffirmed the Group's position that, while there are some opportunities for improvement, the quality of Ernst & Young's service in their performance of the external audit is sound. The internal review findings were supported by ASIC's audit inspection program, which reaffirmed the quality of Ernst & Young's audits and relative performance compared to its peers.

The directors received the declaration below from Ernst & Young:

Building a better working world

Ernst & Young
11 Mounts Bay Road
Perth WA 6000 Australia
GPO Box M939 Perth WA 6843

Tel: +61 8 9429 2222
Fax: +61 8 9429 2436
ey.com/au

Auditor's independence declaration to the directors of Wesfarmers Limited

As lead auditor for the audit of the financial report of Wesfarmers Limited for the financial year ended 30 June 2023, I declare to the best of my knowledge and belief, there have been:

a. no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit;

b. no contraventions of any applicable code of professional conduct in relation to the audit; and

c. no non-audit services provided that contravene any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Wesfarmers Limited and the entities it controlled during the financial year.

Ernst + Young

Ernst & Young

T S Hammond
Partner
24 August 2023

A member firm of Ernst & Young Global Limited
Liability limited by a scheme approved under Professional Standards Legislation

Environmental regulation and performance

The activities of the consolidated entity are subject to environmental regulation by various authorities throughout Australia and the other countries in which the Group operates.

Licences granted to the consolidated entity regulate the management of air and water quality and quantity, the storage and carriage of hazardous materials, the disposal of wastes and other environmental matters associated with the consolidated entity's operations.

During the year, there have been no known material breaches of the consolidated entity's licence conditions.

Proceedings on behalf of the company

No proceedings have been brought on behalf of the company, nor have any applications been made in respect of the company, under section 237 of the *Corporations Act 2001*.

Corporate governance

In recognising the need for high standards of corporate behaviour and accountability, the directors of Wesfarmers Limited believe that the governance policies and practices adopted for the year ended 30 June 2023 follow the recommendations contained within the fourth edition of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations. An overview of the company's corporate governance statement can be found on pages 90 to 94 of this annual report. The full corporate governance statement is available in the corporate governance section of the company's website at **www.wesfarmers.com.au/cg**

Corporate information

Wesfarmers Limited is a company limited by shares that is incorporated and domiciled in Australia. The company's registered office and principal place of business is Level 14, Brookfield Place Tower 2, 123 St Georges Terrace, Perth, Western Australia.

Rounding

The amounts contained in this report and in the financial statements have been rounded to the nearest million dollars unless otherwise stated (where rounding is applicable) under the option available to the company under ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191. The company is an entity to which the instrument applies.

Remuneration report

Message from the Chairman of the Remuneration Committee

Dear Shareholders,

On behalf of the Board, I am pleased to present the 2023 Remuneration Report.

Amidst the backdrop of an increasingly uncertain retail environment, Group NPAT for the 2023 financial year increased by 4.8 per cent to the highest level in the past five years (excluding significant items). This was driven by 12.9 per cent divisional earnings growth, partially offset by a significant change in non-cash property revaluations recorded at the Group level. We have continued to deliver long-term shareholder returns, with dividends (determined) in the 2023 financial year increasing by six per cent to $1.91, and our five-year TSR of 12.5 per cent per annum outperforming the ASX 100 over the same period (7.7 per cent per annum). In this report we explain how our remuneration for the executive KMP reflects this performance, as well as the decisions the Board has taken to recognise external impacts on longer-term remuneration outcomes.

Our approach and framework

The Key Executive Equity Performance Plan (KEEPP), which was introduced in 2016, is the variable incentive plan for the executive KMP. It is heavily weighted to long-dated equity, creating a strong relationship between executive KMP remuneration and performance, as well as alignment with shareholder outcomes. The Board incorporates shareholder feedback into the approach to remuneration, and shareholders have supported our framework, with over 96 per cent of votes in favour of the Remuneration Report at the 2022 Annual General Meeting. This is due to two core features:

– 100 per cent of variable remuneration is delivered in equity for the Group Managing Director and Group Chief Financial Officer (the portion is slightly lower for other executive KMP). This equity is restricted for up to six years, thereby directly linking long-term shareholder value and the value of current and prior year share grants; and
– At least 50 per cent of all share awards are subject to further performance testing over a four-year period subsequent to grant against a range of measures including Wesfarmers' TSR performance relative to that of the S&P/ASX 100.

The Board continues to be satisfied that the KEEPP is fit for purpose but made two optimisation changes during the year associated with vesting of prior year awards:

– In 2020, the Board replaced a cumulative EBT measure for the divisional managing directors' KEEPP Performance Shares with a weighted annual EBT measure, weighted 40, 30, 20 and 10 per cent over years one to four of the performance period respectively. The ROC gate continued to be calculated on a simple average basis. For consistency, in the 2023 financial year the Board approved that the ROC gate for future KEEPP grants would be a weighted average calculation; and
– Where a significant event has occurred over the four-year performance period and, in the Board's view, has been adequately dealt with within a scorecard outcome or prior year vesting level, the Board would remove the item from relevant Performance Share assessments, to avoid double impact.

Company performance

The Board is pleased with the Group's overall financial performance for the 2023 financial year, in changing trading and market conditions. Our retail businesses responded well to these conditions and benefited from their strong value credentials and focus on everyday products as consumers responded to household budget pressures. Significant investments were made to progress the Group data and digital ecosystem enabling the rollout of the OnePass membership program. Catch, which was acquired in the 2020 financial year, has proved challenging and resulted in a higher loss than was budgeted. The Board supports the decisive action taken with regard to Catch during the year and is looking forward to seeing improvements in 2024. The transformation within API is continuing as anticipated and WesCEF delivered record earnings for the year.

The Board is disappointed with the safety outcomes within Bunnings. For the second year, the required improvements in safety were not achieved. Due in part to a reclassification of injuries in 2023, the total recordable injury frequency rate (TRIFR) in Bunnings deteriorated to an unacceptable level. Bunnings has implemented a strategy to improve TRIFR. The 2023 financial year safety result in Bunnings meant there was no award made to the Group Managing Director, Group Chief Financial Officer, and Managing Director, Bunnings Group in respect of the safety component in their 2023 KEEPP scorecards.

Remuneration outcomes

The budget and target setting process returned to its usual cycle for the 2023 financial year following a modified planning and target setting cycle for 2021 and 2022 due to the impacts of COVID-19.

Consistent with the approach taken in the 2022 financial year, the financial component of the KEEPP scorecards was reduced to 55 per cent to partly accommodate a 15 per cent weighting to the Group ecosystem. This meant that there was more Board judgement applied to the KEEPP scorecard outcomes, given the greater weighting to non-financial measures of 45 per cent in total.

In relation to financial measures, the Group's published financial results were again adopted for remuneration purposes with a small exception - a positive NPAT adjustment to reflect the economic gain on the sale of the remaining stake in Coles Group in April 2023, consistent with the approach outlined in the 2020 Remuneration Report.

At the divisional level, the Board exercised discretion in relation to the Bunnings EBT financial measure in the 2023 KEEPP scorecard for the Managing Director, Bunnings Group. The minimum ROC performance gate of 67.1 per cent was not applied to this measure as it was considered that the EBT achieved for the year - a record level for Bunnings - should still entitle the Managing Director, Bunnings Group to an award for that component, having achieved a 65.4 per cent ROC. The Board considered this adjustment to the outcome to be fair and reasonable. Given the ROC performance and the sales growth performance were below the minimum performance threshold, the Managing Director, Bunnings Group did not receive any outcome in his 2023 KEEPP scorecard for these components.

Considering both the individual contributions from each of the executive KMP alongside the business performance over the 2023 financial year measured against the demanding and ambitious targets within the 2023 KEEPP scorecards, the Board has approved below target KEEPP outcomes for all participants, except for the Managing Director, Kmart Group, as discussed below, and set out in more detail in sections 5.2 to 5.4.

Group Managing Director

The Board continues to be pleased with the performance of the Group Managing Director. The year has presented new challenges which the Group Managing Director has successfully navigated and he has provided strong leadership of the Group.

For the Group Managing Director the financial component of the 2023 KEEPP scorecard (measured against profit and return on equity targets for combined results for the Group as a whole) was slightly above target for Group NPAT and slightly below target for Group ROE and therefore 67.3 per cent of the maximum KEEPP award was made for the financial component.

TRIFR for the Group deteriorated as a consequence of the Bunnings Group result to a level below the threshold level of performance set by the Board in the 2023 KEEPP scorecard - resulting in no award for that component.

Overall, the 35 per cent non-financial component excluding safety was awarded at an average level of 80 per cent of the maximum. The total 2023 KEEPP scorecard outcome represents 65.0 per cent of the Group Managing Director's maximum variable remuneration opportunity. This increased to 65.8 per cent including the minimum grant of KEEPP Performance Shares.

Other executive KMP

The total 2023 KEEPP awards for the other executive KMP as a percentage of their maximum variable incentive opportunities were 65.8 per cent for the Group Chief Financial Officer, 97.4 per cent for the Managing Director, Kmart Group, and 57.0 per cent for the Managing Director, Bunnings Group, including the minimum grant of KEEPP Performance Shares, where applicable.

Vesting of 2019 KEEPP Performance Shares

Following 30 June 2023, the Board assessed the vesting outcomes of the 2019 KEEPP Performance Shares against the performance conditions set for each participant.

For the 2019 KEEPP, the TSR result accounts for 60 per cent of the vesting result for the Group Managing Director and Group Chief Financial Officer, and 50 per cent of the vesting result for the divisional managing directors.

Over the four-year performance period, Wesfarmers Limited shares achieved top quartile performance with a total shareholder return (TSR) of 64.4 per cent, placing it at the 84th percentile relative to peer companies in the S&P/ASX 100. As a result, the component subject to the relative TSR performance condition vested in full.

For the Group Managing Director and the Group Chief Financial Officer, the Board assessed performance in relation to their portfolio management and investment outcomes and strategic objectives components (each with 20 per cent weighting) over the four-year period, with greater importance placed on the earlier years. The assessment resulted in vesting of the portfolio management and investment outcomes component at 50.0 per cent and the strategic objectives component at 85.0 per cent. Further details of these results are provided in section 5.5. The 2019 KEEPP was the final KEEPP award with a strategic objectives component, with the TSR component rising from 60 to 80 per cent for subsequent awards.

For the divisional managing directors, the remaining 50 per cent of the award is based on cumulative EBT over the four-year performance period against the 2019 Corporate Plan, subject to an average ROC gate. The Corporate Plan performance hurdles were set on a pre-COVID-19 basis. Consistent with the approach taken to the KEEPP scorecard targets in the 2021 and 2022 financial years, the Board determined it was appropriate to make a corresponding COVID-19 adjustment to the respective EBT and ROC performance targets for both Bunnings Group and Kmart Group. This resulted in an upward revision to the component targets for 2021 and a downward revision for 2022.

Following assessment, Kmart Group exceeded the minimum cumulative EBT target, resulting in this component vesting at 84.4 per cent for the Managing Director, Kmart Group. Bunnings Group exceeded the cumulative EBT target resulting in this component vesting in full at 100 per cent for the Managing Director, Bunnings Group. Further details of these results, including adjustments made to the targets in relation to COVID-19, are provided in section 5.5.

Vesting of 2020 Kmart-related Performance-tested Shares

Performance-tested shares were allocated in 2020 to the Group Managing Director, Group Chief Financial Officer and Managing Director, Kmart Group relating to the restructuring of the Target and Kmart networks, with a cumulative converted store profit target and a capital expenditure gate. These targets were similarly adjusted for COVID-19 and were tested as at 30 June 2023. The Board approved that 100.0 per cent of the shares vested, as the targets were exceeded with lower capital expenditure. Further details of these results, including adjustments made to the targets in relation to COVID-19, are provided in section 5.5.

Fixed annual remuneration for executive KMP

There were no changes to the fixed remuneration for executive KMP during the 2023 financial year.

In July 2023, as part of the annual remuneration review cycle, the Board considered the fixed remuneration for the executive KMP. The Board approved a four per cent increase to the fixed remuneration of the Group Managing Director to $2,600,000, effective 1 October 2023, the first increase in Mr Scott's fixed remuneration since his appointment in November 2017. No changes were made to the fixed remuneration for any of the other executive KMP. Further details are provided in section 5.1.

Non-executive director fees

In June 2023, the Board reviewed the fees payable to the non-executive directors having regard to benchmark data, market position and relative fees. Following consideration, no changes were made to the Chairman's fee, the main Board fee or any of the Board committee fees for the 2024 financial year.

The table on the following page summarises the remuneration outcomes for the executive KMP for 2023. Please refer to the relevant section of this report as indicated for further information.

Thank you for your continued support of Wesfarmers. We look forward to our ongoing engagement with you and sharing in the company's future success.

Mike Roche

Chairman, Remuneration Committee

Remuneration report

Executive KMP 2023 remuneration outcomes summary

The information in the tables below summarises the remuneration outcomes for the executive KMP in 2023. Refer to the relevant section in this report for further information.

	Rob Scott Group Managing Director	**Anthony Gianotti** Group Chief Financial Officer	**Ian Bailey** Managing Director, Kmart Group	**Mike Schneider** Managing Director, Bunnings Group	**Section**
Fixed remuneration					
Fixed annual remuneration (FAR) In July 2023, the Board conducted the annual review of fixed remuneration for the executive KMP, including benchmarking to peer companies and roles.	Remained unchanged at $2,500,000 Effective 1 October 2023, Board approved increase to $2,600,000	Remained unchanged at $1,450,000	Remained unchanged at $1,550,000	Remained unchanged at $1,700,000	5.1

To determine the 2023 KEEPP outcomes, executive KMP performance for the 2023 financial year was measured against the performance hurdles in the 2023 KEEPP scorecards. 2023 KEEPP outcomes for each executive KMP are summarised below.

		Rob Scott	Anthony Gianotti	Ian Bailey	Mike Schneider	Section
2023 KEEPP Scorecard outcomes						
Scorecard measures (weightings)	Financial (55%)	67.3% of maximum	67.3% of maximum	100% of maximum	36.2% of maximum	5.2 to 5.4
	Group ecosystem (15%)	66.7% of maximum	66.7% of maximum	88.9% of maximum	66.7% of maximum	
	Safety (10%)	0% of maximum	0% of maximum	99.2% of maximum	0% of maximum	
	Business enhancing (10%) and Sustainability (10%)	90.0% of maximum	90.0% of maximum	95.8% of maximum	87.5% of maximum	
2023 KEEPP scorecard outcome Amount available for allocation, including minimum Performance Shares		**$4,938,390** 65.8% of maximum	**$2,864,266** 65.8% of maximum	**$4,529,970** 97.4% of maximum	**$2,908,755** 57.0% of maximum	
2023 KEEPP cash amount To be paid in August 2023		N/A KEEPP delivered entirely in shares	N/A KEEPP delivered entirely in shares	30.0% of FAR	30.0% of FAR	
2023 KEEPP Deferred Shares To be allocated later in FY24, subject to vesting and restrictions for up to 6 years		97.5% of FAR[1]	97.5% of FAR	131.1% of FAR	56.1% of FAR	
2023 KEEPP Performance Shares To be allocated later in FY24 and subject to vesting and performance conditions for 4 years		100.0% of FAR[1]	100.0% of FAR	131.1% of FAR	85.0% of FAR	

Following the end of the 2023 financial year, performance share awards from prior years were tested and vested to the executive KMP, as set out in the table below.

		Rob Scott	Anthony Gianotti	Ian Bailey	Mike Schneider	Section
Vesting of prior year performance share awards						
2019 KEEPP Performance Shares vesting result	Vesting result	87.0%	87.0%	92.2%	100%	5.5
	Number of shares vested	69,595	38,936	15,946	31,016	
	Number of shares forfeited	10,400	5,818	1,350	0	
2020 Kmart-related Performance-tested shares vesting result	Vesting result	100%	100%	100%	N/A	
	Number of shares vested	25,774	13,918	20,877		

Other information for the 2023 financial year is shown in the table below.

	Rob Scott	Anthony Gianotti	Ian Bailey	Mike Schneider	Section
Vested and unrestricted shareholdings					
Pre-vesting and pre-release risk and conduct check completed by the Audit and Risk Committee for all equity grants.	✓	✓	✓	✓	4(b)
As at the date of this report, the market value of shareholding (direct or beneficial) for each executive KMP is at least equal to or greater than FAR	✓	✓	✓	✓	5.8

[1] Allocation for the Group Managing Director is subject to shareholder approval at the 2023 Annual General Meeting.

Remuneration report (audited)

Contents

Remuneration report (audited)

1. 2023 Key management personnel

The key management personnel (KMP) include the directors of Wesfarmers Limited and the executive KMP (the Group Managing Director and the Group Chief Financial Officer and those executives who have authority and responsibility for planning, directing and controlling the activities of a major profit generating division of Wesfarmers). The KMP for the 2023 financial year are as follows:

Current directors	
Michael Chaney AO (Chairman)	These directors were members of the Board of Wesfarmers Limited throughout the whole of the 2023 financial year.
Vanessa Wallace	
Jennifer Westacott AO	
The Right Honourable Sir Bill English KNZM	
Mike Roche	
Sharon Warburton	
Anil Sabharwal	
Alison Watkins AM	
Alan Cransberg	

Current executive KMP	
Rob Scott, Group Managing Director	These executive KMP held their positions throughout the whole of the 2023 financial year.
Anthony Gianotti, Group Chief Financial Officer	
Ian Bailey, Managing Director, Kmart Group	
Michael Schneider, Managing Director, Bunnings Group	

There have been no changes to KMP since 30 June 2023.

2. Overview of Group performance

The Wesfarmers results for the year were underpinned by the strong divisional earnings growth of 12.9 per cent for the year, as the Group's operating businesses continued to respond well to trading and market conditions. Wesfarmers maintained its focus on long-term shareholder returns and continued to advance key growth projects during the year, while also taking proactive steps to drive productivity and efficiency across the businesses. The Group's largest divisions performed particularly well during the year, with solid earnings reported in Bunnings, and strong earnings results delivered by Kmart Group.

There was significant earnings growth in Officeworks. Wesfarmers Industrial and Safety continued to improve and the new Health division accelerated its transformation activities during the year. While the Catch result was disappointing, actions taken during the year supported progress during the second half.

Wesfarmers Chemicals, Energy and Fertilisers (WesCEF) delivered another strong operating performance and record earnings result for the year, supported by higher global ammonia prices. Construction has completed at the Mt Holland mine and concentrator. The Group continued to advance its data and digital capabilities during the year, supported by ongoing investments across the divisions and in OneDigital. The OnePass membership program was expanded through new partnerships with Bunnings Warehouse and Disney+ and Flybuys, and additional member benefits both online and in stores.

The Group reported statutory NPAT of $2,465 million for the 2023 financial year.

Five-year statutory results

Financial year ended 30 June (as reported)[1]	2019	2020	2021	2022	2023
Net profit after tax (NPAT) ($m)	5,510	1,697	2,380	2,352	2,465
NPAT (excluding significant items) ($m)[2]	2,339	2,075	2,421	2,352	2,465
Return on equity (ROE) (rolling 12 months) (%)[3]	38.7[4,5]	17.8[4]	25.8[4]	29.4	31.4
ROE (excluding significant items) (rolling 12 months) (%)[2]	19.2	22.1	26.1	29.4	31.4
Earnings per share (EPS) (cents)	487.2[4]	150.0[4]	210.4[4]	207.8	217.8
EPS (excluding significant items) (cents)[2]	206.8	183.4	214.1	207.8	217.8

1 The Group applied AASB 16 *Leases* (AASB 16) from 1 July 2019 using the modified retrospective approach.

2 These are considered non-IFRS measures. 2021 post-tax significant items include restructuring costs of $41 million in the Kmart Group. 2020 post-tax significant items include the gain on sale of Wesfarmers' 10.1 per cent interest in Coles Group Limited (Coles) completed in February 2020 (4.9 per cent) and March 2020 (5.2 per cent) of $203 million, gain from revaluation of the retained Coles investment of $154 million and the benefit from the finalisation of tax positions on prior year disposals of $83 million, offset by the $298 million non-cash impairment of the Wesfarmers Industrial and Safety division, and the $520 million non-cash impairment of the Target brand name and other assets and associated restructuring costs and provisions in the Kmart Group. 2019 post-tax significant items include $2,264 million gain on demerger of Coles, $645 million gain on sale of Bengalla, $244 million gain on sale of KTAS, $120 million gain on sale of Quadrant Energy, partially offset by a $102 million provision for supply chain automation in Coles. The Board exercises its discretion in determining whether these significant items are adjusted for when determining remuneration outcomes.

3 This is considered a non-IFRS measure.

4 2019, 2020, 2021 EPS and ROE include the items outlined in footnote 2 above.

5 2019 ROE was 17.7 per cent when adjusted to remove the increase in the ROE as a result of the Coles demerger.

Five-year shareholder returns

Financial year ended 30 June (as reported)	2019	2020	2021	2022	2023
Total dividends per share (determined) (cents)	278[3]	170[4]	178	180	191
Closing share price ($ as at 30 June)[1]	36.16	44.83	59.10	41.91	49.34
Five-year rolling Total Shareholder Return (%, per annum)[2]	9.8	15.9	21.5	13.8	12.5
ASX 100 five-year rolling Total Shareholder Return (%, per annum)[2]	8.9	5.8	11.2	7.1	7.7

1 The opening share price on 2 July 2018 was $49.19. The opening share price on 2 July 2018 adjusted for the proportional impact of the Coles demerger, based on the volume-weighted average share price of Coles Group Limited on the first five days of trading post-listing was $35.14.

2 Source: Bloomberg.

3 2019 total dividends per share includes the 100 cent special dividend.

4 2020 total dividends per share includes the 18 cent special dividend reflecting the distribution of profits on the sale of the 10.1 per cent interest in Coles.

Remuneration report (audited)

3. KEEPP history for the Group Managing Director

The table below summarises the KEEPP scorecard outcomes, the associated awards of KEEPP Deferred Shares and KEEPP Performance Shares, and the vesting levels for the KEEPP Performance Shares for the Group Managing Director.

The financial measures for the Group Managing Director in the KEEPP scorecards have been NPAT and ROE and these accounted for 60 per cent of the weighting for the scorecard in the 2018 to 2021 financial years and 55 per cent of the weighting for the scorecard in the 2022 and 2023 financial years.

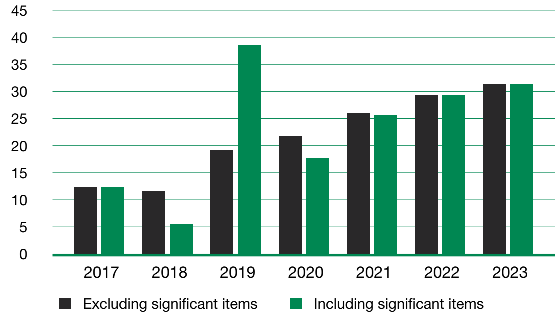
Relative TSR accounted for 60 per cent of the performance conditions for the 2018 and 2019 KEEPP Performance Shares.

	KEEPP scorecard performance period	Percentage of opportunity granted		KEEPP Performance Shares performance period	Percentage of Performance Shares vested (%)
		Deferred Shares (%)	Performance Shares[1] (%)		
2017 KEEPP[2]	1 July 2016 – 30 June 2017	100.0	100.0	1 July 2017 – 30 June 2021	95.5
2018 KEEPP	1 July 2017 – 30 June 2018	84.4	84.4	1 July 2018 – 30 June 2022	95.0
2019 KEEPP	1 July 2018 – 30 June 2019	86.6	86.6	1 July 2019 – 30 June 2023	87.0
2020 KEEPP	1 July 2019 – 30 June 2020	37.0	37.0	1 July 2020 – 30 June 2024	Not yet vested
2021 KEEPP	1 July 2020 – 30 June 2021	98.3	98.3	1 July 2021 – 30 June 2025	
2022 KEEPP	1 July 2021 – 30 June 2022	91.4	91.4	1 July 2022 – 30 June 2026	
2023 KEEPP	1 July 2022 – 30 June 2023	65.0[3]	66.7[3]	1 July 2023 – 30 June 2027	

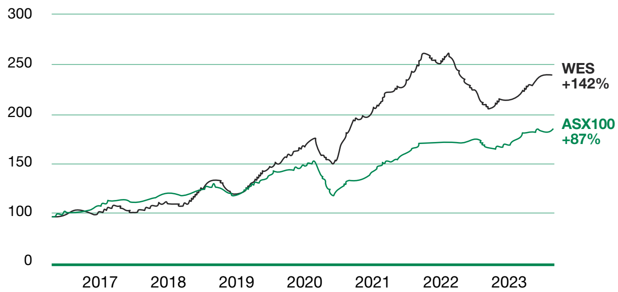
1 Including minimum Performance Shares.
2 The scorecard outcome relates to Mr Scott's performance as Managing Director, Wesfarmers Industrials, and the Performance Shares period relates to his time as Group Managing Director.
3 Allocation of 2023 Performance Shares is subject to shareholder approval at the 2023 Annual General Meeting.

The charts below summarise the performance of the Group for two key performance measures under the KEEPP over the same time frames as above.

ROE (%, R12)
(from total operations)



TSR: Wesfarmers and ASX100
(3 month moving average)



Executive remuneration

4. Executive KMP remuneration framework and policy

Wesfarmers' primary objective is to provide satisfactory returns to shareholders over the long term. Wesfarmers considers that it can only achieve its primary objective by: looking after its team members, customers and suppliers; taking care of the environment; by acting ethically and honestly in all of its dealings; and by making meaningful contributions to the communities in which the Group operates.

The guiding remuneration principles are focused on driving leadership performance and behaviours consistent with this objective, as well as with the Wesfarmers Way (as explained on page 17 of this annual report) and the Group's overall strategies. The Board also believes that embedding the right culture and ensuring that the Group operates within effective risk management protocols are enablers of strategic execution over the long term.

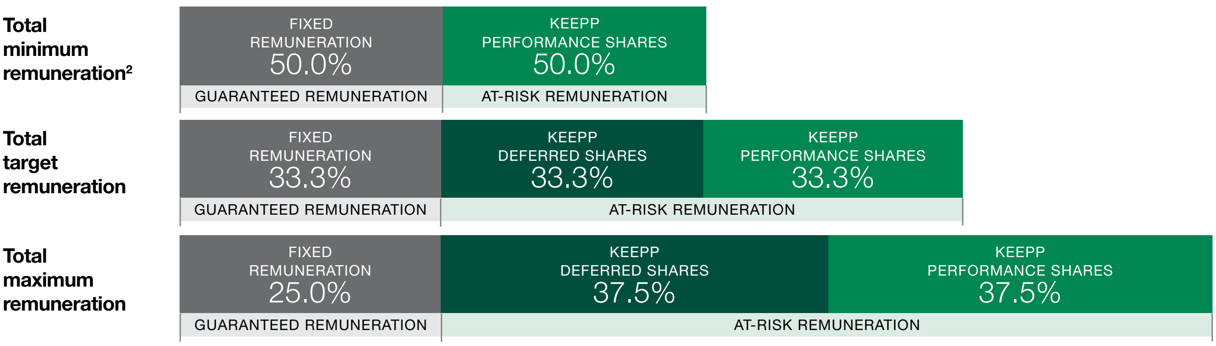
Our guiding remuneration principles	
1	**Attract, motivate and retain world-class talent and outstanding people to drive outcomes**
2	**Align executive and stakeholder interests through share ownership while strengthening focus on Group results through awards of long-term, at-risk deferred equity**
3	**Be transparent and fit for purpose, recognising our operating model of divisional autonomy by linking rewards to the achievement of objectives for which executives are directly accountable and responsible while retaining a direct link to Group performance**
4	**Recognise and reward high performance with a strong focus on the long term**
5	**Align effective risk management and demonstration of appropriate behaviours, ethics and values with rewards**
6	**Drive strategic achievement which aligns with long-term shareholder interests**

The Board considers these principles in setting the executive KMP remuneration framework.

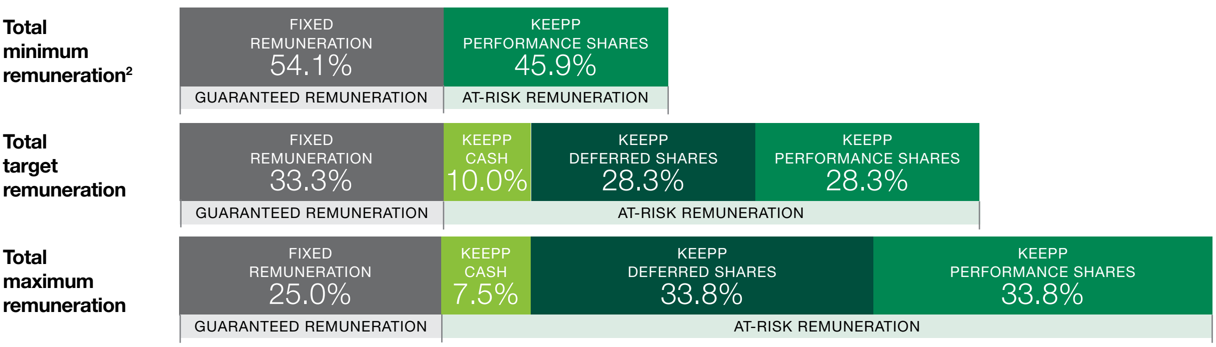
(a) Remuneration mix

The charts below show each component of the remuneration framework for the executive KMP as a percentage of total remuneration.

Group Managing Director and Group Chief Financial Officer[1]



Other Executive KMP (divisional managing directors)[1]



1 The sum of the components of total remuneration shown above do not equal 100 per cent in some instances, due to rounding.

2 Under the KEEPP scorecard process, 100 per cent of FAR as Performance Shares is the minimum allocation for the Group Managing Director and the Group Chief Financial Officer, and 85 per cent of FAR for the divisional managing directors. These Performance Shares vest only to the extent the performance conditions are met over the following four years. This ensures that variable remuneration is sufficiently tied to performance over time. Notwithstanding this, the Board has discretion to reduce the number of Deferred Shares and/or Performance Shares to be allocated, or to award no Deferred Shares and/or Performance Shares if, in its view, this outcome is fair and reasonable.

Remuneration report (audited)

(b) Remuneration framework

The remuneration framework for the executive KMP comprises fixed annual remuneration (FAR) and variable at-risk remuneration (through participation in the KEEPP). Total remuneration is set at a competitive level to attract, retain and engage key talent, with FAR set at a level that is appropriate for the requirements of the role.

Fixed annual remuneration (FAR)

FAR comprises salary and other benefits (including statutory superannuation). FAR, along with the other elements of executive remuneration, including total remuneration and each component of remuneration, is benchmarked to our external peers and levels vary between the executive KMP. FAR for each executive KMP is based upon: role and responsibility; business and individual performance; internal and external relativities; and contribution, competencies and capabilities. FAR is not varied by reference to inflation or indexation as a matter of course. Changes are based on merit, a material change in role or responsibility, the market rate for comparable roles varying materially, or as a result of internal relativities, while protecting the significant investment of Wesfarmers in developing its key talent.

Variable remuneration - KEEPP

Opportunity

The KEEPP is a single total incentive established for each executive KMP, with each cycle operating over seven years.

The quantum of the KEEPP award is determined against an individually personalised 12-month scorecard. For the 2023 financial year, this was split into financial performance measures, safety performance measures, Group ecosystem performance measures (including data and digital initiatives) and individual performance objectives, weighted 55 per cent, 10 per cent, 15 per cent and 20 per cent respectively. The scorecard sets out the threshold, 'at target' and stretch level of performance required for each measure.

The Remuneration Committee and the Board set the scorecards at the beginning of the financial year following consultation with the Group Managing Director (however the Group Managing Director is not involved in setting his own KEEPP scorecard). The KEEPP award can vary up to a maximum of 300 per cent of FAR and is delivered through up to three delivery vehicles. See section 5.2 to 5.4 for further information on the KEEPP scorecards. The Board has discretion to adjust the scorecard measures or objectives where, in its opinion, it is appropriate to do so.

Delivery vehicles

Cash: There is no cash component for the Group Managing Director and the Group Chief Financial Officer, with their awards delivered solely in equity. For the other executive KMP, cash is zero for awards at or below 100 per cent of FAR, excluding any Performance Shares awarded to ensure the minimum Performance Shares level is achieved. For awards above this level, a maximum of 30 per cent of FAR may be awarded in cash.

Equity: KEEPP equity awards are delivered as long-dated equity, with the 'at target' awards split equally between Deferred Shares and Performance Shares. Deferred Shares are restricted up to a total of six years once granted and can be subject to additional conditions if set by the Board at allocation. Performance Shares are subject to further performance conditions over a future four-year performance period.

KEEPP equity awards are satisfied in unquoted Wesfarmers shares. These shares are identical to other ordinary Wesfarmers shares except that they are not quoted (i.e. tradeable) on the ASX and the payment of dividends during the vesting period is delayed until either the shares vest (with the dividends then paid to the participant), or upon forfeiture (with the dividends then paid to the trustee). No component of any dividend will be paid to the executive KMP unless and until the vesting outcome is known. Upon the vesting or forfeiture of the Deferred Shares and the Performance Shares, as applicable, the company will apply for the relevant unquoted shares to be quoted on the ASX.

Where the KEEPP scorecard process results in an award of Performance Shares lower than 100 per cent of FAR (or 85 per cent of FAR for the divisional managing directors), additional Performance Shares (which vest only to the extent the performance conditions are met over the following four years) will be allocated to achieve that level. This ensures variable remuneration is sufficiently tied to performance over time. Notwithstanding this, the Board has discretion to reduce the number of Deferred Shares and/or Performance Shares to be allocated, or to award no Deferred Shares and/or Performance Shares if, in its view, this outcome is fair and reasonable.

Determining outcomes

Performance outcomes against the KEEPP scorecard:

The financial performance measures and safety performance measures are assessed after the preparation and audit of the relevant results each year. The Group ecosystem performance measures and individual performance outcomes are simultaneously assessed after a review against the measures and objectives set. If performance against any measure or objective is assessed as below threshold, no outcome is awarded for that measure or objective.

Vesting outcomes for KEEPP Performance Shares:

Performance Shares allocated as a result of KEEPP scorecard outcomes are subject to further performance conditions over a four-year performance period. Performance against measures including relative Total Shareholder Return (rTSR), divisional financial performance and Wesfarmers portfolio management and investment outcomes is measured over a four-year performance period. Vesting of Performance Shares occurs only to the extent that performance conditions are met. These are tested following the availability of audited results at the end of the performance period, independent calculation of rTSR and assessment of any non-financial performance conditions.

Board consideration of other factors

Prior to the Remuneration Committee recommending any variable remuneration outcomes to the Board (for example, for the KEEPP scorecards or the vesting or release of KEEPP shares), the Audit and Risk Committee completes a risk and audit check for each executive KMP.

Prior to finalising the KEEPP scorecard outcome, the Board calibrates the scorecard result with the personal performance and behaviours of each participant and the consideration of whether the calculated outcome is fair and reasonable, including that it is not inappropriate or simply formulaic.

Prior to finalising the vesting result for KEEPP Performance Shares, the Board considers whether the outcomes are fair and reasonable rather than simply formulaic. Further, the Board has discretion to adjust the performance conditions in appropriate circumstances, so that participants are not unfairly advantaged or disadvantaged by, for example, portfolio management or external events.

(c) 2022 KEEPP life cycle

The life cycle for each element of the 2022 KEEPP is set out below. The 2022 KEEPP follows this life cycle and was awarded in the 2023 financial year, based on performance during the 2022 financial year. For further information on the timing for the 2022 KEEPP award, see section 5.7.

Scorecards established	Scorecards are established at the beginning of the 12-month period. Scorecards are set for each executive KMP, and include both financial and non-financial performance measures.
Scorecard period	**12-month period (1 July to 30 June 2022)**
Performance assessed Performance was assessed after the end of the 2022 financial year	The financial and safety performance measures are assessed after the preparation and audit of the relevant results each year. The Group ecosystem performance measures and individual performance outcomes are simultaneously assessed after a review against the measures and objectives set.
Award determined KEEPP awards were determined following performance assessment in August 2022, after the end of the 12-month scorecard period	If the assessment determines that performance on any measure is below threshold, the amount of the award for that measure is zero. If performance for a measure is assessed as at threshold, the award is 50 per cent of the target opportunity for that measure. If performance for a measure is assessed as at or above threshold, there is a straight-line calculation up to the target level and then a straight-line calculation up to the maximum level. The target opportunity across all measures is 200 per cent of FAR and the maximum award opportunity is 300 per cent of FAR. To reduce dependence on performance over the initial 12-month period, where the scorecard process results in an allocation of Performance Shares lower than 100 per cent of FAR (or 85 per cent of FAR for the divisional managing directors), additional Performance Shares (which vest only to the extent they meet the performance conditions over the four-year performance period) will be allocated to achieve that level. Once the scorecard is assessed and the award amount is calculated, the Board then considers whether the proposed award is fair and reasonable in the circumstances. This assessment is a deliberate consideration by the Board as to whether to exercise its discretion to apply modifiers to decrease or increase the amount of the award. Prior to finalising the scorecard outcome, the Board calibrates the scorecard result with the personal performance and behaviours of each participant alongside the consideration of whether the calculated outcome is fair and reasonable, including that it is not inappropriate or simply formulaic. KEEPP awards are then delivered as follows: – Equity: The Group Managing Director and the Group Chief Financial Officer receive all of their KEEPP awards in equity and are not eligible to receive any cash under the KEEPP. For 'on target' or above awards, equity is allocated equally in unquoted Deferred Shares and Performance Shares at no cost to participants. The number of shares allocated is determined using a face value calculated based upon the 10-day, volume-weighted average price (VWAP) of Wesfarmers shares typically over the period following the full-year results announced in August of that year. Where required, the 10-day period will be delayed to include shares trading ex dividend or ex entitlement only. The 10-day period for the 2022 KEEPP award was 31 August to 13 September 2022. The allocation of equity generally occurs shortly after the Annual General Meeting. While the equity is unquoted, the payment of any dividends on these shares during the vesting period is delayed. Upon the vesting or forfeiture of the Deferred Shares and the Performance Shares, the company will apply for the associated unquoted shares to be quoted on the ASX. Once quoted, the delayed dividend is paid to the participant on the vested shares only, with no dividends ever having been paid to the participant on shares subsequently forfeited. – Cash: KEEPP participants other than the Group Managing Director and the Group Chief Financial Officer may receive a cash component where the award exceeds 100 per cent of FAR, excluding any Performance Shares allocated to achieve the minimum award of Performance Shares. An award above that level is paid in cash up to a maximum of 30 per cent of FAR, with the remainder then delivered in equity. Any cash is generally paid in August, following the release of Wesfarmers' full-year results.
Deferred Shares and Performance Shares allocated Deferred Shares and Performance Shares were allocated following the 2022 Wesfarmers AGM	**Deferred Shares**: Deferred Shares are subject to a 12-month service condition (the forfeiture period) and any additional conditions that may be set by the Board at the date of allocation. Deferred Shares are also subject to trading restrictions which are lifted in three equal tranches over four, five or six years. **Performance Shares**: Performance Shares remain at risk and will vest only to the extent further performance conditions are met when tested over a future four-year performance period. Deferred Shares and Performance Shares are granted as newly-issued, unquoted securities. An application to quote the shares is made upon vesting or forfeiture of the shares.
Final number of vested Performance Shares determined Performance Shares will vest to the participant four years after grant, to the extent that performance conditions are met	**Performance Shares: four-year performance period** Performance Shares are held in trust and can only be transferred to the executive KMP once vested. The performance conditions relating to the 2022 Performance Shares are role-specific and will be tested over a four-year period ending 30 June 2026. The Performance Shares will only vest to the extent that these conditions are met. At the end of the 2026 financial year, the Board has discretion to adjust the vesting result for the 2022 Performance Shares to ensure that participants are not unfairly advantaged or disadvantaged, by, for example, portfolio management or external events.
Deferred Shares released Deferred Shares will be released to the participant after four, five and six years	**Deferred Shares: 12-month forfeiture and four-, five- and six-year trading restrictions** Deferred Shares are held in trust and can only be transferred to the executive KMP once all trading restrictions and any other conditions are met. For the 2022 Deferred Shares, one-third will be released from the trading restriction in August 2026, one-third will be released in August 2027 and the remainder released in August 2028.

Remuneration report (audited)

5. Executive KMP remuneration

5.1 Fixed annual remuneration (FAR)

Fixed remuneration levels are set so as to sufficiently reward the executive KMP for performing the key requirements of their roles, having regard to the competitive environment for talent and other internal and external factors.

There were no changes to FAR for the executive KMP in the 2023 financial year.

In July 2023, the Board undertook a review of the remuneration for the executive KMP. Following this review, the Board concluded there was a need to increase the FAR for the Group Managing Director. The Board approved an increase of $100,000 per annum for Mr Scott, taking his FAR to $2,600,000, to take effect from 1 October 2023. This increase is the first change in FAR since Mr Scott's appointment as Group Managing Director in November 2017.

The Board considered Mr Scott's performance and leadership since his appointment as Group Managing Director, the strong company performance and shareholder value created and the competitiveness of his remuneration package, across both internal and external comparators. In addition, the Board continues to acknowledge that Mr Scott's variable remuneration opportunity under the KEEPP is lower in comparison to some peer companies, and is delivered in long-dated equity, with no cash component. Further, the KEEPP is subject to more rigorous testing than most other plans in the market (with the initial award determined by annual performance and then at least half of the equity subject to further performance conditions over the following four years). After considering these factors, the Board firmly believes the increase in fixed remuneration for the Group Managing Director is justified and in the best interests of the company.

There were no changes to FAR approved for the other executive KMP for the 2024 financial year.

5.2 2023 KEEPP award outcomes

The 2023 KEEPP award outcomes relate to performance from 1 July 2022 to 30 June 2023. The table below sets out specific information relating to the actual award outcomes for the 2023 financial year.

	Balance available for allocation				
Name	for Deferred Shares ($)	for Performance Shares[1] ($)	for cash award ($)	Percentage of maximum 2023 KEEPP opportunity awarded %	Percentage of maximum 2023 KEEPP opportunity forfeited %
R G Scott	2,438,390	2,500,000	Not eligible	65.8	34.2
A N Gianotti	1,414,266	1,450,000	Not eligible	65.8	34.2
I Bailey	2,032,485	2,032,485	465,000	97.4	2.6
M D Schneider	953,755	1,445,000	510,000	57.0	43.0

[1] Inclusive of the minimum KEEPP Performance Shares award for Mr Scott, Mr Gianotti and Mr Schneider.

The cash component for the 2023 KEEPP award is expected to be paid to Mr Bailey and Mr Schneider on 29 August 2023. The KEEPP Deferred Shares and KEEPP Performance Shares are expected to be allocated in November 2023 once performance conditions are set, subject to shareholder approval in the case of the Group Managing Director. Details of these grants will be provided in the 2024 Remuneration Report.

5.3 Details of the 2023 KEEPP scorecards

The 2023 KEEPP scorecards comprise financial performance measures, safety performance measures, Group ecosystem performance measures (including measures relating to the Group's data and digital initiatives) and individual performance objectives relevant to the role of each executive KMP. In the KEEPP scorecards, the performance measures set by the Board are designed to drive strategic outcomes that benefit the Group and its shareholders. The Board takes a balanced approach to setting the performance range for objectives, including setting the threshold and stretch performance targets, as well as in assessing the outcomes. The maximum outcome under the KEEPP scorecards can only be achieved if all of the financial performance measures, safety performance measures, the Group ecosystem performance measures and the individual performance objectives are assessed at stretch performance and the Board judges this outcome to be fair and reasonable.

Targets set by the Board are assessed to seek to ensure that they are suitably risk-adjusted in accordance with the risk management framework so as to avoid inappropriate customer, team member or financial risk in the pursuit of the KEEPP outcomes. In assessing performance against the KEEPP scorecards, the Board also considers how the outcomes have been achieved, for example, through the demonstration of behaviours aligned with appropriate ethics, values and culture, including a focus on team member safety and wellbeing, and consideration of any actions impacting Group reputation. Section 5.4 contains further information on the KEEPP scorecards for the 2023 financial year.

Following an altered target-setting process and timing for 2021 and 2022 due to the extended high levels of uncertainty surrounding business performance as a result of the COVID-19 pandemic, target-setting for 2023 KEEPP scorecards returned to the normal schedule.

Financial performance measures (55 per cent weighting)

Scorecard financial targets are set in relation to the annual budgets. Group NPAT and ROE were chosen for the Group Managing Director and the Group Chief Financial Officer because they reflect how Wesfarmers uses capital to generate earnings, manages total costs within the business and ultimately generates a profit to provide shareholder returns. Group NPAT and ROE performance is assessed following the preparation and audit of the annual financial statements. Group NPAT and ROE may be adjusted, where the Board considers it appropriate, to ensure that participants are not unfairly advantaged or disadvantaged by, for example, portfolio management activity.

Divisional financial measures of EBT, ROC (calculated as divisional EBT divided by divisional rolling 12 months capital employed, where capital employed excludes right-of-use assets and lease liabilities) and sales growth were chosen for the divisional managing directors because they are key financial measures directly linked to accountability at a divisional level that align with the Group financial measures and drive successful and sustainable financial business outcomes. Divisional performance is assessed following the preparation and audit of the annual financial statements. Similar to Group NPAT and ROE, divisional financial measures may be adjusted, where the Board considers it appropriate, to ensure that participants are not unfairly advantaged or disadvantaged by, for example, portfolio management activity.

Threshold performance is required for both EBT and ROC before any award is made in respect of either of these measures. Threshold EBT performance is also required before any award is made in respect of sales growth.

Safety performance measures (10 per cent weighting)

Safety targets are generally based upon an improvement on the previous year's result. Safety performance is measured through the total recordable injury frequency rate (TRIFR) at the Group or divisional level, as relevant to the executive KMP, and was chosen to reflect the Group's relentless focus on providing safe workplaces for all team members, in addition to the priority placed on the health and safety of the Group's customers and the community. TRIFR performance is assessed following completion of the annual sustainability assurance process. No award will be made in respect of the relevant safety measure if there is a fatality or a significant incident, for example, a workplace event that resulted in serious harm or a life-altering injury or illness (physical or psychological) within a managed entity.

Group ecosystem performance measures (including data and digital initiatives) (15 per cent weighting)

Following the introduction of the Group ecosystem measures in the 2022 KEEPP scorecards, the Board again approved that the scorecard measures should have an appropriate focus on the Group ecosystem and other data and digital initiatives. As a result, to ensure that the executive KMP are incentivised to deliver suitable returns from the Group ecosystem and other data and digital initiatives, the Board approved the continuation of the 15 per cent weighting to the Group ecosystem performance measures in the 2023 KEEPP scorecards.

The Group ecosystem targets are customised based upon the participant's role and the specific circumstances and strategic priorities of the Group and/or division, as appropriate. Where the Board considers that it is appropriate to do so, the scorecard targets will be adjusted so that participants are not unfairly advantaged or disadvantaged, for example, following portfolio management activity.

Performance in relation to the Group ecosystem measures is assessed against the success of key strategies within OneDigital including the shared data asset and the OnePass membership program as well as the value-add delivered through various data and digital initiatives at both the Group and divisional level. These measures were chosen to directly incentivise the executive KMP to contribute to and lead these initiatives, specifically given their cross-divisional nature. The Group ecosystem measures are designed to maximise Group and divisional opportunities within the data and digital environment. Progress against the Group ecosystem measures is assessed by the Board following a review of performance against the objectives by the Group Managing Director or Chairman, as appropriate, as part of the performance review cycle.

Individual performance objectives (20 per cent weighting)

Individual performance objectives are specific to the participant's role and the Group/division's circumstances and strategic priorities. Where the Board considers that it is appropriate to do so, the scorecard targets will be adjusted so that participants are not unfairly advantaged or disadvantaged, for example, following portfolio management activity.

The individual performance objectives are split into two categories, comprising business enhancing objectives and sustainability objectives, each with 10 per cent weighting. The individual performance objectives were chosen because they are key focus areas in enabling the Group to achieve its primary objective of generating satisfactory returns to shareholders over the long term. Focusing on the strategic priorities set as objectives within the KEEPP scorecards will enable our divisions to retain and improve their leading positions in their respective markets as well as generating long-term growth. Progress against the individual performance objectives is assessed by the Board following a review of performance against the individual performance objectives by the Group Managing Director or Chairman, as appropriate, as part of the performance review cycle.

Business enhancing objectives are designed to maximise business and growth opportunities over the long term. Examples include assessing growth and investment opportunities and operational optimisation projects. Sustainability objectives are set in several interrelated areas where strong performance is recognised as a driver of long-term shareholder value. This includes our corporate reputation as well as Group-wide initiatives such as emissions reduction targets and operational risk controls, including cyber security. Sustainability objectives also have regard to team diversity measures such as gender balance and indigenous employment, recognising that maintaining diverse teams, which reflect the diversity of the communities they serve, makes our businesses more resilient and provides incremental growth opportunities.

5.4 Assessment and outcome of the 2023 KEEPP scorecards

In assessing the 2023 KEEPP scorecards, the Board reviewed performance against the financial measures and the non-financial measures in the scorecard, plus any other factors it considers relevant, before determining the scorecard outcome and the allocation of any KEEPP Deferred Shares and KEEPP Performance Shares. The divisional managing directors may also receive an allocation of cash where applicable.

Assessment and consideration of other factors

In assessing performance against the scorecards, the Board considers the behaviours demonstrated by each executive KMP and, if the Board considers it appropriate, the outcome is modified. This includes, for example, behaviours in relation to risk management and demonstration of appropriate ethics, values and culture, actions negatively impacting the Group's reputation, and team member safety and wellbeing. Further, the Board considers whether the calculated outcome is fair and reasonable, and may decrease or increase the outcome where appropriate. The results of the performance against the 2023 KEEPP scorecard and final outcome for each of the executive KMP for the 2023 KEEPP allocation are outlined on the following pages.

In assessing performance during the 2023 financial year against the 2023 KEEPP scorecards, the Board exercised discretion in relation to the Bunnings EBT for the Managing Director, Bunnings Group. The minimum ROC performance gate was not applied to this measure as it was considered that the absolute EBT achieved for the year was significant and should still entitle the Managing Director, Bunnings Group to an award for that component, given the ROC achieved was 65.4 per cent. The Board considered this adjustment to the outcome to be fair and reasonable. Further, as per standard practice, the Board exercised its judgement in assessing the individual performance objectives, taking into account all factors it considered relevant.

Remuneration report (audited)

Rob Scott – Group Managing Director, Wesfarmers Limited

2023 Performance highlights

Mr Scott's total 2023 KEEPP outcome, being 65.8 per cent of the maximum opportunity, will be allocated as:

- $2,438,390 in Deferred Shares
- $2,500,000 in Performance Shares

Financial (55% weighting) Outcome: 67.3% of maximum opportunity / 111.1% of FAR

Mr Scott's financial targets, were as follows:
- *Group NPAT: $2,455.6m*
- *Group ROE: 31.7%*

Threshold performance was set at 92.5% of target and stretch performance would be achieved at 110% of target (consistent with the prior year).

- The Group achieved reported Group NPAT of $2,465.0m and reported Group ROE of 31.4%. Consistent with the approach outlined in the 2020 Remuneration Report that the Board considered it was appropriate to take any gain into account for remuneration purposes when and if the stake was disposed of for economic gain, following the final sell down of the remaining stake in Coles Group Limited in April 2023, the adjusted Group NPAT of $2,479.0m and adjusted Group ROE of 31.5% were used in the assessment of Mr Scott's 2023 KEEPP scorecard.
- The Board continues to be very pleased with the performance and strategic leadership of Mr Scott in achieving the Group's financial results for the 2023 year after a number of years of disruption due to COVID-19 and the more recent softening of economic conditions.

Group ecosystem (15% weighting) Outcome: 66.7% of maximum opportunity / 30.0% of FAR

- The Board is pleased with the work and progress made across the year in relation to the Group ecosystem, specifically the shared data asset and the OnePass subscription program. There is strong alignment amongst the retail divisions across the Group in continuing to develop and deliver the subscription and digital offering. The Board is satisfied that the investment in relation to the Group ecosystem continues to be justified and that the foundations for future successes are being set for additional impacts in future years.
- The results to date in relation to customer spend and frequency for OnePass have been pleasing.

Safety (10% weighting) Outcome: 0% of maximum opportunity / 0% of FAR

Group TRIFR target: 8.39
- The Group TRIFR result was 11.33, representing a deterioration in safety outcomes for the year. There were no fatalities and no significant incidents (being a workplace event that resulted in serious harm or a life-altering injury or illness, either physical or psychological) across managed entities. As this result was below the minimum performance level set by the Board, no award was made in respect of safety.
- The safety and wellbeing of all team members across the Group continues to be the highest priority and therefore the Board is disappointed with the TRIFR result, but acknowledges this was due in part to a reclassification of injuries within Bunnings.

Business enhancing (10% weighting) Outcome: 90.0% of maximum opportunity / 27% of FAR

Mr Scott was set a number of business enhancing objectives for the performance period, each of which has been assessed by the Board.
- Business growth: The Board assessed Mr Scott on a number of business growth objectives for the financial year, including the growth and investment opportunities recommended by Mr Scott to the Board, such as the acquisition of InstantScripts, the proposed acquisition of SILK Laser Australia Limited and the continued development of businesses across the Group, including the Mt Holland lithium project.
- Turnaround/newly acquired businesses: The Health division ended the year with financial performance ahead of budget and overall the Board is pleased with its progress. The Blackwoods ERP project was largely completed in December 2022 and performance continues to improve. Performance within Officeworks also continued to improve, with good growth over the year.

Sustainability (10% weighting) Outcome: 90.0% of maximum opportunity / 27% of FAR

- The Board is pleased with the progress being made across the Group in relation to emissions reduction, longer term planning for decarbonisation and measurement of scope 3 emissions. Across the year, there was a 2.4% decrease in Scope 1 and Scope 2 emissions. Further, the Board is pleased with the work and continuing achievements in relation to ethical sourcing. Indigenous employment remains above parity for the Group's Australian team members, and more than 100 team members participated in the Indigenous Leadership Program, with almost a quarter of these team members achieving promotion or an expansion in responsibilities.

2023 KEEPP outcome

Scorecard measure	Weighting (%)	Threshold not met	Threshold achieved	Threshold exceeded	Target achieved	Target exceeded	Maximum achieved
Financial	55				●		
Group ecosystem	15				●		
Safety	10	●					
Business enhancing	10						
Business growth						●	
Turnaround/newly acquired businesses						●	
Sustainability	10						
Reputation							●
Risk management						●	
People and culture						●	
Climate change-related initiatives							●

Anthony Gianotti – Group Chief Financial Officer, Wesfarmers Limited

2023 Performance highlights

Mr Gianotti's total 2023 KEEPP outcome, being 65.8 per cent of the maximum opportunity, will be allocated as:

- $1,414,266 in Deferred Shares
- $1,450,000 in Performance Shares

As Group Chief Financial Officer, Mr Gianotti's Group financial performance measures and safety performance measures and outcomes are the same as those of the Group Managing Director, and were as follows:

– *Financial - 67.3 per cent of maximum opportunity, 111.1 per cent of FAR*

– *Safety - 0 per cent of maximum opportunity, 0 per cent of FAR*

Mr Gianotti has had another successful year. During the 2023 financial year, Mr Gianotti has played a key role in navigating the Group through the issues associated with the softening of economic conditions by providing both direction and guidance, for example with inflation and costs of doing business, as well as inventory management. In addition, Mr Gianotti has remained focused on strengthening the finance, commercial and risk teams across the Group and building robust succession plans. Further to his role as Group Chief Financial Officer, Mr Gianotti continued to provide strong strategic support to the Group Managing Director and led strategic projects, as identified by the Group Managing Director, and also has responsibility for the oversight of Wesfarmers Industrial and Safety.

- **Group ecosystem:** Mr Gianotti has provided significant support to the Group's data and digital ecosystem, providing strong financial management and controls, risk oversight and talent management during the 2023 financial year.
- **Business enhancing:** Mr Gianotti continued to deliver very effective management of the Group's balance sheet, and Wesfarmers' relationships with the capital markets, particularly debt providers, investors, analysts and rating agencies, continues to be very positive. Further, Mr Gianotti has overseen improved financial performance within the Industrial and Safety division and supported various projects and improvement initiatives across Blackwoods, Officeworks and the Health division. Further, Mr Gianotti has also overseen various successful business development projects during the 2023 financial year.
- **Sustainability:** Group risk, especially cyber risk, has continued to be a significant focus for Mr Gianotti and, throughout the year, there has been continued maturing of the risk and compliance frameworks at both the Group and divisional level. The talent management of the finance teams and business development teams has again been a focus for Mr Gianotti, with a number of cross divisional moves as well as external hires announced during the year. In addition, the Group continued to comply with targets in sustainability-linked financing.

2023 KEEPP outcome

Scorecard measure	Weighting (%)	Threshold not met	Threshold achieved	Threshold exceeded	Target achieved	Target exceeded	Maximum achieved
Financial	55				●		
Group ecosystem	15				●		
Safety	10	●					
Business enhancing	10						
Balance sheet and capital management							●
Business growth						●	
Turnaround/newly acquired businesses						●	
Sustainability	10						
Reputation							●
Risk management							●
People and culture						●	
Climate change-related initiatives						●	

Remuneration report (audited)

Ian Bailey – Managing Director, Kmart Group

2023 Performance highlights

Mr Bailey's total 2023 KEEPP outcome, being 97.4 per cent of the maximum opportunity, will be allocated as:

- $465,000 in cash
- $2,032,485 in Deferred Shares
- $2,032,485 in Performance Shares

Mr Bailey's financial targets were set in relation to the achievement of Kmart Group EBT, Kmart ROC and comparable sales growth. Threshold performance for the EBT and ROC measures was set at 90% of target and stretch performance would be achieved at 107.5% of target. The ranges were narrowed for the 2023 financial year relative to the 2022 financial year in reflection of there being less uncertainty as the Group transitioned from the direct impacts of the COVID-19 pandemic.

- The performance of Kmart Group throughout the 2023 financial year has been very strong, reflecting Mr Bailey's strong leadership and effective transformation of Kmart Group over this year and recent years, including the optimisation of the Target and Kmart store networks as well as other digitisation and productivity initiatives across a number of areas.
- Kmart Group has delivered strong financial results for the year with EBT of $768.9m which was above target by between 10% to 15%. Kmart ROC was above target by more than 15%.
- Kmart's comparable sales growth was 14.5% which was also above target by more than 15%.
- As a result, the maximum 2023 KEEPP outcome on financial measures was achieved by Mr Bailey.
- **Group ecosystem**: Mr Bailey has continued in a major leadership role within the Group ecosystem and the rollout of OnePass. He provides ongoing key strategic support to the Group Managing Director and to both the OneDigital and Flybuys boards.
- **Safety**: Kmart Group TRIFR for the year was 7.44. This represents a 12.7% improvement on the prior year (excluding Catch) and is 5.1% above target for the 2023 financial year.
- **Business enhancing**: Mr Bailey continued the transformative agenda within Kmart Group throughout the 2023 financial year. These initiatives have been well executed, contributing to strong return on investment and financial results for the year, as well as providing a strong platform to support strong future performance. In addition, Mr Bailey has continued the strategic focus on analytics and digitisation in a number of key areas across both Kmart and Target.
- **Sustainability**: Strong performance has continued in ethical sourcing and Aboriginal and Torres Strait Islander employment, and Kmart Group has maintained gender balance. Climate-related initiatives continued to progress.

2023 KEEPP outcome

Scorecard measure	Weighting (%)	Threshold not met	Threshold achieved	Threshold exceeded	Target achieved	Target exceeded	Maximum achieved
Financial	55						●
Group ecosystem	15					●	
Safety	10					●	
Business enhancing	10						
Business growth							●
Turnaround/newly acquired businesses							●
Sustainability	10						
Reputation						●	
Risk management							●
People and culture							●
Climate change-related initiatives					●		

Michael Schneider – Managing Director, Bunnings Group

2023 Performance highlights

Mr Schneider's total 2023 KEEPP outcome, being 57.0 per cent of the maximum opportunity, will be allocated as:

- $510,000 in cash
- $953,755 in Deferred Shares
- $1,445,000 in Performance Shares

Mr Schneider's financial targets were set in relation to the achievement of Bunnings Group EBT, ROC and total sales growth. Threshold performance for the EBT and ROC measures was set at 92.5% of target and stretch performance would be achieved at 107.5%. As detailed below, the return on capital for the year was more than 65%, which the Board considered a strong result, albeit this was below the threshold performance set by the Board at the start of the financial year. The cause of this result was largely due to higher inventory at the start of the year coupled with the impact of poor weather impacting sales on the east coast of Australia. The minimum performance level was particularly sensitive to these relatively modest moves in stock despite improvements by the end of the financial year. While this outcome means Mr Schneider does not receive any 2023 KEEPP outcome directly in relation to ROC, the Board determined that it would be appropriate to lift the ROC threshold performance requirement on the 2023 KEEPP scorecard EBT measure.

- In the post-COVID-19 environment, Bunnings has continued to deliver pleasing financial results under the leadership of Mr Schneider, and significant work has been undertaken to support Bunnings' competitiveness and growth.
- Bunnings delivered record EBT for the year of $2,230.1m and ROC of 65.4%, although both of these were below the Board-approved budget for the 2023 financial year. EBT was between 0 and 5% below target and ROC was between 5 and 10% below target.
- Total sales growth (including trade centres) was 4.4%, and below threshold for the year. The Board acknowledges that the Bunnings sales budget for the 2023 financial year was ambitious.
- In total, Mr Schneider's 2023 KEEPP outcome on financial measures was 59.7% of FAR.
- **Group ecosystem:** Mr Schneider continues to play an active leadership and advocacy role within the Group ecosystem, including OneDigital and OnePass. OnePass was successfully extended into Bunnings during the year.
- **Safety:** Bunnings TRIFR was disappointing at 16.54, having deteriorated for the year, due in part to a change in methodology to align with other businesses in the Group. As this result was below the minimum performance level set by the Board, no payment was made in respect of safety.
- **Business enhancing:** A number of positive strategic initiatives were implemented throughout the 2023 financial year, including for example, the launch of the pet range. In addition, a number of productivity initiatives were implemented across operations and technology.
- **Sustainability:** There has been continued good progress during the year in relation to Bunnings' climate change-related initiatives, for example in the use of renewable electricity, expansion of the solar PV program and emissions reduction. Focus has continued in relation to Aboriginal and Torres Strait Islander employment and gender balance. Further, the focus on risk, in particular cyber risk, has continued throughout the year. Mr Schneider continues to show strong leadership for Bunnings in the community and with key external stakeholders, and this is reflected in Bunnings' strong brand and reputation.

2023 KEEPP outcome

Scorecard measure	Weighting (%)	Threshold not met	Threshold achieved	Threshold exceeded	Target achieved	Target exceeded	Maximum achieved
Financial	55						
EBT				●			
ROC		●					
Sales growth		●					
Group ecosystem	15				●		
Safety	10	●					
Business enhancing	10						
Business growth						●	
Turnaround/newly acquired businesses					●		
Sustainability	10						
Reputation							●
Risk management						●	
People and culture						●	
Climate change-related initiatives						●	

Remuneration report (audited)

5.5 Performance share awards that vested during the 2023 financial year

At the end of the 2023 financial year, the performance conditions were tested for the 2019 KEEPP Performance Shares and the 2020 Kmart-related Performance-tested Shares. The table below sets out the vesting outcomes for each executive KMP for each of these awards. Further detail on the performance conditions for each award follows.

	2019 KEEPP scorecard outcome (percentage of maximum opportunity)	Number of performance shares granted	Vesting outcome (percentage vesting)	Number of performance shares to vest	Percentage of maximum 2019 KEEPP Performance Shares opportunity achieved
2019 KEEPP Performance Shares[1]					
R G Scott	86.6%	79,995	87.0%	69,595	75.3%
A N Gianotti	89.6%	44,754	87.0%	38,936	78.0%
I Bailey	33.3%	17,296	92.2%	15,946	30.7%
M D Schneider	67.1%	31,016	100.0%	31,016	67.1%
2020 Kmart-related Performance-tested Shares[2]					
R G Scott	N/A	25,774	100%	25,774	N/A
A N Gianotti	N/A	13,918	100%	13,918	N/A
I Bailey	N/A	20,877	100%	20,877	N/A

1 Refer to section 5.5(c) of the 2020 Remuneration Report for the terms applying to the 2019 KEEPP Performance Shares.
2 Refer to section 5.7(b) of the 2021 Remuneration Report for the terms applying to the 2020 Kmart-related Performance-tested Shares.

2019 KEEPP Performance Shares

In 2019, eligible executive KMP were awarded Deferred Shares and Performance Shares under the 2019 KEEPP. The four-year performance period for the 2019 KEEPP Performance Shares ended on 30 June 2023. Further details of the terms of the 2019 KEEPP are set out in the 2020 Remuneration Report. All of the current executive KMP participated in the 2019 KEEPP. The table below summarises the applicable performance conditions and the vesting outcome of the 2019 KEEPP Performance Shares for each, as approved by the Board in August 2023.

Due to the significant impact of COVID-19, the cumulative segment result targets for Kmart Group and Bunnings Group were adjusted by the Board prior to assessment, as set out on the following page. In addition to adjusting the targets, prior to approval of the vesting outcome, the Board considered whether it needed to exercise any discretion to amend entitlements, however, concluded it should not. Further information on each performance condition is provided below.

	Vesting condition	Performance condition result (2019-2023)		% of maximum opportunity	Total % of Performance Shares vested	Number of Performance Shares vested
R G Scott	rTSR (60% of the award)	4-year TSR of 64.4% ranked at the 83.9 percentile of the ASX 100		100%	87.0%	69,595
	Portfolio management and investment outcomes (20% of the award)	Met expectations		50%		
	Strategic objectives (20% of the award)	Above expectations		85%		
A N Gianotti	rTSR (60% of the award)	4-year TSR of 64.4% ranked at the 83.9 percentile of the ASX 100		100%	87.0%	38,936
	Portfolio management and investment outcomes (20% of the award)	Met expectations		50%		
	Strategic objectives (20% of the award)	Above expectations		85%		
I Bailey	rTSR (50% of the award)	4-year TSR of 64.4% ranked at the 83.9 percentile of the ASX 100		100%	92.2%	15,946
	Cumulative segment result (50% of the award)	$2,256.8m	96.9% of target	84.4%		
M D Schneider	rTSR (50% of the award)	4-year TSR of 64.4% ranked at the 83.9 percentile of the ASX 100		100%	100%	31,016
	Cumulative segment result (50% of the award)	$8,471.6m	105.9% of target	100%		

Relative total shareholder return (rTSR) condition

This condition measures the performance of Wesfarmers' TSR relative to the TSR of the constituents of the S&P/ASX 100 Index. The Group outperformed the majority of its peers over the performance period with regard to rTSR and was ranked at the 84th percentile in the ASX 100.

Portfolio management and investment outcomes condition

The Board assessed Mr Scott's contribution and outcomes over the four-year performance period. Greater emphasis was placed on the contribution of the decisions and actions in the early years of the performance period to allow the outcomes to be assessed over a longer term, in particular, the acquisition of Catch and the acquisition of Kidman Resources. The Board also considered the portfolio management and investment opportunities that had been considered but not pursued over the period. Overall, after weighing up the varying success of the decisions over this period, and that the lithium development is yet to be completed, the Board assessed Mr Scott as having achieved outcomes that met their expectations.

In addition, the Group Managing Director and the Board assessed Mr Gianotti's outcomes and Mr Gianotti was also deemed to have achieved outcomes that met expectations.

Strategic objectives condition

The Board assessed Mr Scott's contribution and outcomes over the four-year performance period against strategic goals across five specific areas:

- Accelerating the data and digital agenda
- Environmental, Social and Governance (ESG) strategies
- Risk management
- Corporate reputation
- Talent management and leadership development

Greater emphasis was placed on strategic activity in the earlier years of the performance period to enable assessment over a longer term. Across the Group, the Board rated Mr Scott as having achieved significant positive results in each of these areas, with the various businesses within the Group being at different stages under the Group's autonomous operating model. Specifically, the Board was pleased with progress in accelerating the data and digital agenda over the four years, on the advances in setting and achieving the Group's ESG strategies, and encouraging and supporting deeper focus on talent, particularly with regard to diversity and succession.

Separately the Group Managing Director and the Board assessed Mr Gianotti's outcomes against similar areas of focus, using personalised strategic goals tailored to his role. In addition to the substantial support Mr Gianotti provides to Mr Scott in relation to long-term Group strategy, Mr Gianotti was assessed as having performed strongly in relation to his personalised strategic objectives over the performance period.

Cumulative segment result condition

This condition measures the cumulative segment result against the 2019 Corporate Plan for the relevant division, subject to an average ROC gate (noting ROC for the 2021, 2022 and 2023 financial years was calculated as divisional EBT divided by divisional rolling 12 months capital employed, where capital employed excludes right-of-use assets and lease liabilities). The relevant Corporate Plan was approved by the Board prior to the end of the 2019 financial year. The EBT and ROC targets in the Corporate Plan are not typically adjusted subsequently. The Board can, however, adjust these targets where it considers it appropriate, so that participants are not unfairly advantaged or disadvantaged, for example, due to major external events or portfolio management activity.

Due to the significant and unforeseen impact of COVID-19 during the performance period, the Board approved adjustments to the performance condition for both Kmart Group and Bunnings Group, reflective of the relative impact of COVID-19 in the 2021 and 2022 financial years. To ensure a consistent approach, the Board considered the relevant relative increase or decrease to the financial targets within the Board-approved KEEPP scorecards for the 2021 and 2022 financial years for Kmart Group and Bunnings Group. These scorecard targets were set to drive a reasonable but still demanding level of performance. The same relative increase or decrease was then applied to the 2019 Performance Share performance conditions for Kmart Group and Bunnings Group for the 2021 and 2022 financial years respectively. For Mr Bailey, the Board determined to increase the target Kmart Group EBT for 2021 by 8.3 per cent and to reduce the target EBT for 2022 by 39.6 per cent. For Mr Schneider, the Board determined to increase the Bunnings Group target EBT for 2021 by 20.0 per cent and that there be no change to the EBT target for 2022.

In addition, in accordance with the Board's view that where significant one-off events, for example, significant non-trading items, have been appropriately recognised in prior year remuneration outcomes, it is appropriate that the impact of these one-off items is not reflected in future Performance Share vesting outcome assessments. The Board recognises that due to the multi-testing approach that applies to the KEEPP, a one-off event (that has a significant impact on the scorecard outcomes and associated equity grants) will impact up to four years of Performance Shares on foot unless adjusted for. Accordingly, the Target impairment and the restructuring costs and provisions in relation to the Target and Kmart network adjustments approved in the 2020 financial year that significantly impacted the 2020 KEEPP scorecard outcome for Mr Bailey were not again counted in the 2020 segment of the four-year cumulative EBT test. In addition, the 2023 financial year costs recognised for the recently announced restructure within Kmart Group have been excluded from the 2019 KEEPP Performance Share outcomes for Mr Bailey.

Over the four-year performance period, Kmart Group reported an average ROC of 35.0 per cent which was above the required average ROC condition of 24.9 per cent. The cumulative segment EBT result was $2,256.8m which was above the adjusted four-year Corporate Plan performance condition of $2,329.6m. These targets and results include Catch for the 2020, 2021 and 2022 financial years but it is excluded for the 2023 financial year given it was no longer within the Kmart Group from 1 July 2022.

Remuneration report (audited)

Over the four-year performance period, the Bunnings Group reported an average ROC of 71.7 per cent which was above the required average ROC condition of 48.4 per cent. The cumulative segment EBT result was $8,471.6m which was above the four-year Corporate Plan performance condition of $8,001.5m.

2020 Kmart-related Performance-tested Shares

As reported in the 2021 Remuneration Report, in the 2020 financial year, a decision was made to substantially reduce the size of the Target network and invest to convert many of its stores to Kmart stores which were expected to perform more strongly. The associated restructuring costs and provisions, along with the one-off costs expected to be incurred in the 2021 financial year, impacted the Group and Kmart Group financial results as measured and assessed under the 2020 KEEPP scorecards, resulting in smaller 2020 KEEPP awards. The Board did not make any adjustments to the size of these awards.

In order to ensure continued management focus on delivering future shareholder benefit from the changes to the Kmart and Target network, and to enable management to be rewarded for the decision only to the extent it adds value in the future, an additional grant of performance-tested shares of 50 per cent of FAR was provided to the Group Managing Director and the Group Chief Financial Officer and 75 per cent of FAR for the Managing Director, Kmart Group. This grant would vest only to the extent that the level of total store profit for the stores converted to Kmart is achieved without exceeding the capital expenditure budget, relative to the Board-approved proposal, over a three-year performance period.

The 2020 Kmart-related Performance-tested Shares were granted on 12 November 2020 and were subject to performance conditions until 30 June 2023. Further details of the terms of the 2020 Kmart-related Performance-tested Shares are set out in the 2021 Remuneration Report.

The performance condition (being total cumulative converted store profit for the 2022 and 2023 financial years subject to the capital expenditure gate, as set out in the original Board-approved proposal) was tested as at 30 June 2023. Consistent with the approach applied to 2019 KEEPP Performance Share performance conditions for Kmart Group, the Board approved adjustments to the 2022 financial year targets for converted store profit reflecting the significant and unforeseen impacts of COVID-19 store closures during the performance period. Following the store conversions, the cumulative converted store profit over the 2022 and 2023 financial years was $225.0 million, which exceeded the target, as adjusted, by more than seven per cent and capital expenditure was materially below the original budget. As a result, all the performance conditions were fully achieved and the Board approved that 100 per cent of shares awarded under this plan would vest.

5.6 Executive KMP remuneration (statutory presentation)

(a) Statutory executive KMP remuneration table

In the following table, remuneration outcomes are presented based on the requirements of the *Corporations Act 2001* and accounting standards (which has the benefit of being readily comparable with other companies) rather than a take-home pay basis (generally being cash and benefits and the value of equity received during the financial year). In this regard:

- The KEEPP cash component is recognised for the year in which it is earned. The KEEPP Deferred Shares are recognised as an expense over a 12-month period typically spanning two financial years and the KEEPP Performance Shares are recognised over the performance period (four years) based on the assessed value when originally granted to the executive KMP. The value recognised for the KEEPP Deferred Shares and KEEPP Performance Shares may be significantly different to their value if and/or when the incentive vests to the executive KMP. Note, as at 30 June 2023, the service and performance conditions to determine vesting of the 2023 KEEPP Deferred Shares and 2023 KEEPP Performance Shares had not yet been finalised and therefore the following table does not include the expensing of these grants.
- In some circumstances, amounts are recorded as remuneration even when no equity vests to the executive KMP and in other cases there can be negative remuneration from equity awards in a given year, for example, due to non-vesting.

	Short-term benefits				Long-term benefits[1]	Post-employment benefits[2]	Share-based payments[3]	Termination benefits	Total	Performance related[4]
	Cash salary ($)	KEEPP cash[5] ($)	Non-monetary benefits[6] ($)	Other[7] ($)	Leave ($)	Super-annuation ($)	KEEPP and other equity ($)	Termination payments ($)	($)	(%)
Executive director										
R G Scott – Group Managing Director, Wesfarmers Limited										
2023	**2,323,194[8]**	**-**	**203,364**	**-**	**41,666**	**25,292**	**5,581,883**	**-**	**8,175,399**	**68.3**
2022	2,259,485	-	217,880	-	41,666	23,568	5,337,813	-	7,880,412	67.7
Senior executives										
A N Gianotti – Group Chief Financial Officer, Wesfarmers Limited										
2023	**1,371,182**	**-**	**63,885**	**-**	**24,166**	**25,292**	**3,151,563**	**-**	**4,636,088**	**68.0**
2022	1,348,266	-	54,477	-	23,750	23,568	2,786,596	-	4,236,657	65.8
I Bailey – Managing Director, Kmart Group										
2023	**1,522,500**	**465,000**	**6,973**	**-**	**25,833**	**27,500**	**3,336,233**	**-**	**5,384,039**	**70.6**
2022	1,476,426	465,000	3	-	25,000	23,568	1,829,037	-	3,819,034	60.1
M D Schneider – Managing Director, Bunnings Group										
2023	**1,589,418**	**510,000**	**137,236**	**-**	**28,333**	**27,500**	**3,229,011**	**-**	**5,521,498**	**67.7**
2022	1,535,027	510,000	92,724	-	27,500	23,568	3,161,473	-	5,350,292	68.6
Total										
2023	**6,806,294**	**975,000**	**411,458**	**-**	**119,998**	**105,584**	**15,298,690**	**-**	**23,717,024**	**-**
2022	6,619,204	975,000	365,084	-	117,916	94,272	13,114,919	-	21,286,395	-

1 Long-term benefits relate to leave entitlements earned during the year.

2 Post-employment benefits relate to superannuation contributions made on behalf of the executive KMP in accordance with Wesfarmers' statutory superannuation obligations. Also included is any part of the executive KMP's salary that has been sacrificed into superannuation.

3 The amounts included in share-based payments relate to the KEEPP and 2020 Kmart-related Performance-tested Shares, as applicable.

- The portion of the 2019 KEEPP, 2020 KEEPP and 2021 KEEPP that continue to be expensed in the 2023 financial year based on probability of vesting (i.e., achieving service or non-market conditions), as these shares are subject to performance and service conditions, together referred to as the service period. The amounts included for the 2022 KEEPP are detailed in section 5.7.
- The portion of the 2020 Kmart-related Performance-tested Shares that were expensed in the 2023 financial year, based on probability of vesting, as these shares were subject to performance and service conditions.
- The expensing for the Deferred Shares and Performance Shares that are yet to be granted under the 2023 KEEPP will be included in the remuneration table in the 2024 Remuneration Report.

4 The percentage performance related to the 2023 financial year is the sum of the KEEPP cash and share-based payments divided by the total remuneration, reflecting the actual percentage of remuneration at risk for the year. The percentage of total remuneration that consists of KEEPP shares only, being the amount expensed in the 2023 financial year for the 2019, 2020, 2021 and 2022 KEEPP shares, as applicable, is as follows – R G Scott 68.3 per cent, A N Gianotti 68.0 per cent, I Bailey 62.0 per cent, and M D Schneider 58.5 per cent.

5 Cash payments expected to be made in August 2023 to eligible participants in relation to the KEEPP for the 2023 financial year.

6 Short-term benefits, 'Non-monetary benefits' (inclusive of FBT where applicable), include the cost to the company of providing vehicles, travel and the fair value of discounts received for goods and services acquired by the executive KMP below retail price, under the general team member discount schemes (noting that these purchases are on the same terms and conditions as those entered into by other Group team members or customers and are minor or domestic in nature).

7 Short-term benefits, 'Other', previously included the cost of directors' and officers' liability insurance. The cost of directors' and officers' insurance is no longer included here, and has also been removed for 2022 to allow for comparison on a like-for-like basis.

8 The increase in Mr Scott's 2023 'Cash salary' compared with 2022 was the result of changes to his election to salary package vehicle costs. There was no change to his FAR during the year.

Remuneration report (audited)

(b) Summary of KEEPP shares and Kmart-related Performance-tested Shares that were expensed during the 2023 financial year

The table below sets out details of the KEEPP shares and the 2020 Kmart-related Performance-tested Shares that were expensed during the 2023 financial year. In addition, this table shows the KEEPP shares and 2020 Kmart-related Performance-tested Shares that vested during the year.

		Deferred Shares vested during the year[2]		Performance Shares vested during the year[3,4]		Range that could be expensed over the remaining performance period[5]
Name	**Year[1]**	**Number**	**%**	**Number**	**%**	**($)**
R G Scott	2019 KEEPP	-	-	69,595	87.0	-
	2020 Performance-tested Shares			25,774	100.0	-
	2020 KEEPP	-	-	-	-	0 to 258,765
	2021 KEEPP	63,273	100	-	-	0 to 1,210,216
	2022 KEEPP	-	-	-	-	0 to 2,963,806
A N Gianotti	2019 KEEPP	-	-	38,936	87.0	-
	2020 Performance-tested Shares			13,918	100.0	-
	2020 KEEPP	-	-	-	-	0 to 146,336
	2021 KEEPP	31,559	100	-	-	0 to 698,424
	2022 KEEPP	-	-	-	-	0 to 1,665,714
I Bailey	2019 KEEPP	-	-	15,946	92.2	-
	2020 Performance-tested Shares			20,877	100.0	-
	2020 KEEPP	-	-	-	-	0 to 173,390
	2021 KEEPP	27,412	100	-	-	0 to 719,927
	2022 KEEPP	-	-	-	-	0 to 1,339,757
M D Schneider	2019 KEEPP	-	-	31,016	100.0	-
	2020 KEEPP	-	-	-	-	0 to 401,415
	2021 KEEPP	29,943	100	-	-	0 to 768,006
	2022 KEEPP	-	-	-	-	0 to 1,792,593

1 The EBIT and ROC performance conditions of the 2019 KEEPP Performance Shares have been amended to post-AASB 16 EBT and ROC metrics. There has been no incremental change in the fair value of the awards. The share price on which the amendment was communicated to participants was $59.10.

2 The 2019 Deferred Shares were subject to a 12-month service condition and vested in December 2020, although these remain subject to a five- and six-year trading restriction until August 2024 and August 2025 respectively. The 2020 Deferred Shares were subject to a 12-month service condition and vested in December 2021, although these remain subject to a four-, five- and six-year trading restriction until August 2024, August 2025 and August 2026 respectively. The 2021 Deferred Shares were subject to a 12-month service condition and vested in December 2022, although these remain subject to a four-, five- and six-year trading restriction until August 2025, August 2026 and August 2027 respectively. The 2022 Deferred Shares remain unvested. The Deferred Shares are held in trust and can only be transferred to the executive KMP once all trading restrictions and any other conditions are met.

3 The 2019 KEEPP Performance Shares were subject to a four-year performance period that ended on 30 June 2023 (see section 5.5 for further information). The 2020 KEEPP Performance Shares, 2021 KEEPP Performance Shares and 2022 KEEPP Performance Shares will reach the end of the four-year performance period on 30 June 2024, 30 June 2025 and 30 June 2026 respectively. KEEPP Performance Shares are held in trust and can only be transferred to the executive KMP once vested.

4 The 2020 Kmart-related Performance-tested Shares were granted on 12 November 2020 and were subject to a performance period that ended on 30 June 2023 (see section 5.5 for further information).

5 Should the executive KMP resign prior to vesting, the KEEPP Deferred Shares and KEEPP Performance Shares would be forfeited. Accordingly, the minimum value of the unvested award would be nil. The fair value at the grant date represents the maximum possible total fair value of the shares. See the relevant Remuneration Report in the year of grant for further details.

5.7 Details of equity allocated during the 2023 financial year

The 2022 KEEPP outcomes were presented in section 5.2 of the 2022 Remuneration Report, including the percentage of the 2022 KEEPP award opportunity that was forfeited.

The 2022 KEEPP Deferred Shares and Performance Shares were granted during the 2023 financial year, with any cash component paid on 30 August 2022. Approval from Wesfarmers shareholders for the issuance of these shares to the Group Managing Director was obtained under ASX Listing Rule 10.14 at the 2022 Annual General Meeting.

The terms applicable to the grant of Deferred Shares and Performance Shares for the 2022 KEEPP are set out on the following pages. Details of prior year grants are set out in the Remuneration Report for the relevant year.

Name	Deferred Shares allocated (subject to a four-, five- and six-year restriction from trading)[1, 3]	Performance Shares allocated (vesting subject to performance conditions over a four-year performance period)[2, 3]	Fair value of Deferred Shares at grant date[4] ($)	Fair value of Performance Shares at grant date[4] ($)
R G Scott	73,204	73,204	3,260,506	2,396,687
A N Gianotti	41,142	41,142	1,832,465	1,346,983
I Bailey	30,584	30,584	1,362,211	1,136,654
M D Schneider	39,917	39,917	1,777,903	1,483,508

1 The 2022 KEEPP Deferred Shares were granted on 27 October 2022 and are still subject to restrictions, in accordance with the relevant service conditions and ongoing tenure. No 2022 KEEPP Deferred Shares vested or were forfeited during the reporting period.

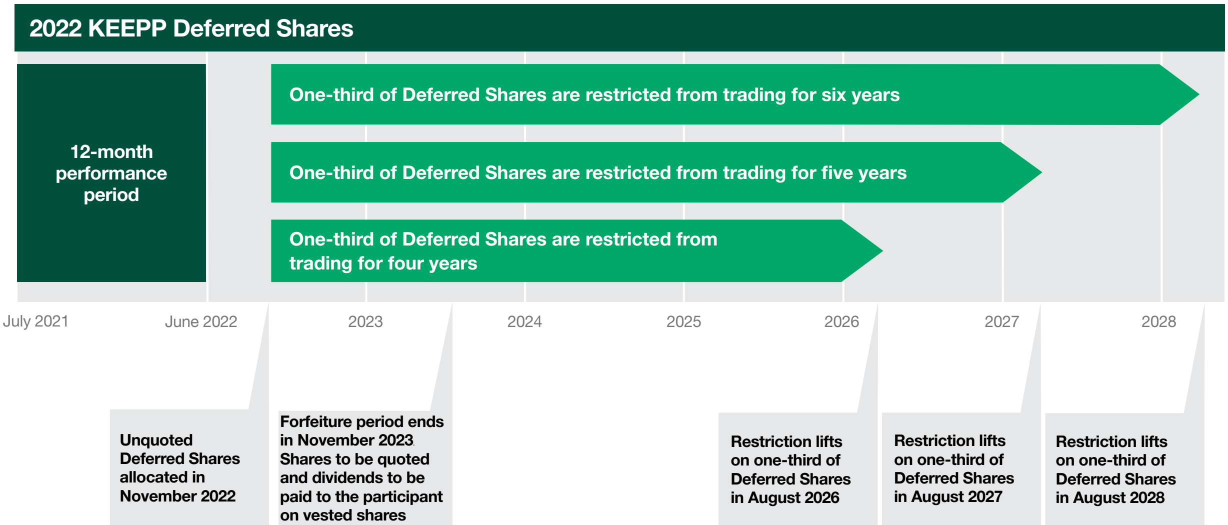
2 The 2022 KEEPP Performance Shares were granted on 27 October 2022 and are still subject to performance conditions until 30 June 2026. Accordingly, no 2022 KEEPP Performance Shares vested or were forfeited during the reporting period.

3 The number of Deferred Shares and Performance Shares allocated was determined using the face value of Wesfarmers shares, based upon the 10-day VWAP of Wesfarmers shares over the period following the commencement of trading ex dividend (i.e. 31 August to 13 September 2022) being $46.81538.

4 For accounting purposes, the fair value at grant date is shown above, in accordance with AASB 2 *Share-Based Payment.* The Performance Shares subject to market conditions (rTSR condition) have been independently valued using the Monte Carlo simulation using the Black-Scholes framework. The Deferred Shares and the Performance Shares subject to non-market conditions (e.g. divisional EBT and ROC) have been valued with reference to the Wesfarmers share price on grant date. The value per Performance Share for the rTSR performance condition is $29.79 and the value per Deferred Share and per Performance Share subject to the portfolio management and investment outcomes condition or the divisional financial performance condition is $44.54, valued as at 27 October 2022 following approval of the grant at the Wesfarmers 2022 Annual General Meeting. The fair value at the grant date represents the maximum possible total fair value of the shares. The minimum value of unvested shares is nil.

2022 KEEPP Deferred Shares

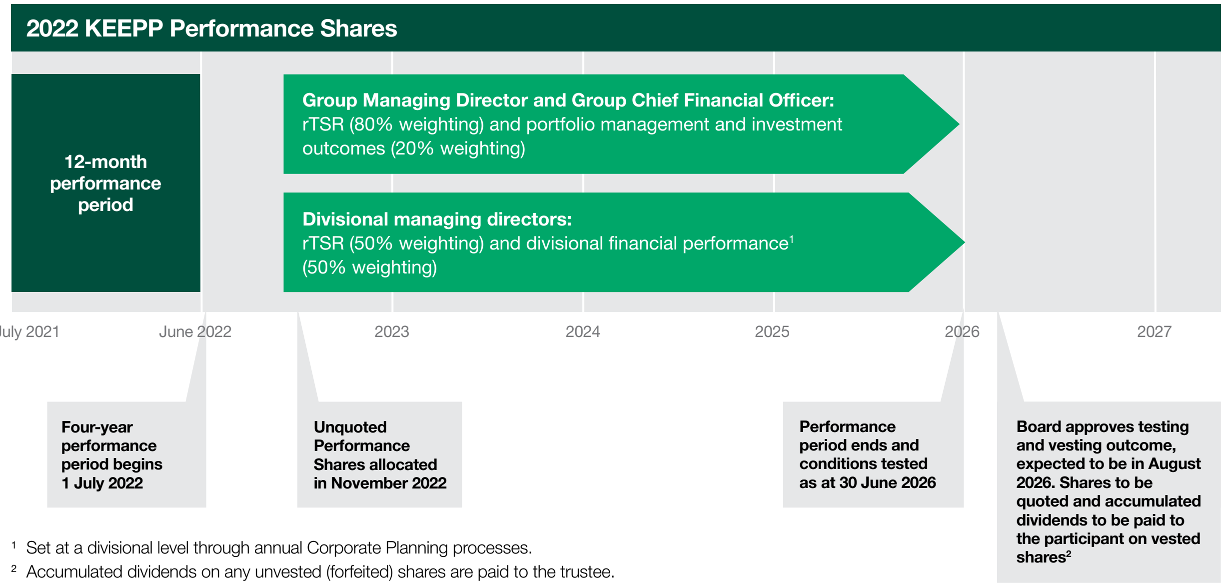
The 2022 KEEPP Deferred Shares were allocated in November 2022 and did not have further conditions applied but did have a 12-month service condition (the forfeiture period) from the date they were allocated to participants and continue to be subject to trading restrictions as outlined below. Prior to allocation, the executive KMP had the option of voluntarily applying a longer restriction period to their 2022 KEEPP Deferred Shares of up to 15 years.



Remuneration report (audited)

2022 KEEPP Performance Shares

The 2022 KEEPP Performance Shares were allocated in November 2022. These have performance conditions over a four-year performance period, from 1 July 2022 to 30 June 2026. The performance conditions will be tested shortly after the end of the performance period. KEEPP Performance Shares will only vest based on the extent of the satisfaction of the performance conditions outlined below. Following testing, any KEEPP Performance Shares that do not vest will be forfeited. The performance conditions applicable to the 2022 KEEPP Performance Shares vary as set out below and on the following page.



1 Set at a divisional level through annual Corporate Planning processes.
2 Accumulated dividends on any unvested (forfeited) shares are paid to the trustee.

Assessment of the performance conditions and achievement against the performance conditions will be determined by the Board having regard to any matters that it considers relevant.

Specific divisional financial performance conditions have been set with regard to each divisional managing director and the relevant key financial measures for their respective division:

- The portion of Mr Bailey's 2022 Performance Shares subject to divisional financial performance (being 50 per cent of his overall Performance Shares allocation) will be wholly assessed against Kmart Group EBT and ROC.
- The portion of Mr Schneider's 2022 Performance Shares subject to divisional financial performance (being 50 per cent of his overall Performance Shares allocation) will be wholly assessed against Bunnings Group EBT and ROC.

The table below provides further detail on the performance conditions including how the testing and vesting, if applicable, will occur:

Measure	Detail
Relative TSR	For the Group Managing Director and the Group Chief Financial Officer, 80 per cent of their 2022 KEEPP Performance Shares will be tested against the rTSR condition. For the divisional managing directors, 50 per cent of their 2022 KEEPP Performance Shares are tested against the rTSR condition. The rTSR condition measures the performance of an ordinary Wesfarmers share (including the value of any dividend and any other shareholder benefits paid during the performance period) against TSR performance of a comparator group of companies, comprising the S&P/ASX 100 Index, over the same period. TSR performance is independently assessed over the performance period against the constituents of the S&P/ASX 100 Index as at the start of the performance period. Vesting schedule against rTSR:

Percentile ranking	Percentage of awards vesting
Below the 50th percentile	0% vesting
Equal to the 50th percentile	50% vesting
Between the 50th and 75th percentile	Straight-line vesting between 50% and 100%, i.e. an additional 2% of awards vest for each percentile increase
Equal to the 75th percentile or above	100% vesting

Wesfarmers' rTSR was chosen because it provides a relative external market performance measure having regard to Wesfarmers' ASX 100 peers and ensures that all executive KMP are remunerated in relation to Group results.

Wesfarmers' portfolio management and investment outcomes	For the Group Managing Director and the Group Chief Financial Officer, 20 per cent of their 2022 KEEPP Performance Shares will be tested against the Wesfarmers' portfolio management and investment outcomes condition. Wesfarmers' portfolio management and investment outcomes were chosen to recognise the criticality of decision-making with regards to potential acquisitions, investments and disposals on shareholder value creation. At the end of the four-year performance period, the Board will consider the performance of the Group Managing Director and the Group Chief Financial Officer in relation to the acquisition, investment and disposal activities of the Group over that period. Throughout the performance period, the Board maintains a log of the portfolio management and investment decisions and rationale, including the decisions not to proceed with portfolio changes or investments. At the end of the performance period, the Board will consider the validity of these decisions from a shareholder value creation perspective, with a greater weighting placed upon decisions made in the first year of the performance period.
Divisional financial performance	For the divisional managing directors, 50 per cent of the 2022 KEEPP Performance Shares are tested against the divisional financial performance condition. The EBT condition measures the respective division's before tax profit against its profit targets, subject to achieving an average ROC gate over the four-year performance period. For the 2023 awards onwards, ROC will be calculated as a weighted average rather than a simple average. ROC is calculated as divisional EBT divided by divisional rolling 12 months capital employed, where capital employed excludes right-of-use assets and lease liabilities. Both the EBT targets and average ROC gate have been calculated using the budget and targets in the respective division's 2022 Corporate Plan. The ROC gate has been set at 90 per cent of the average ROC target over the four-year performance period. Subject to the ROC gate being passed, a portion of the KEEPP Performance Shares will vest for achievement against the annual EBT targets. The annual EBT target is individually weighted for each year of the performance period, with a 40 per cent weighting to the first year of the performance period, followed by 30 per cent, 20 per cent and 10 per cent weighting for years two, three and four respectively. The EBT and ROC results are calculated after the preparation and audit of the financial statements following the end of the final year of the performance period and assessed against the targets set. Vesting schedule against EBT and ROC: Subject to achieving the four-year average ROC gate,

Annual EBT result	Percentage of awards vesting
Below 90% of target	0% vesting
Equal to 90% of target	50% vesting
Between 90% and 100% of target	Straight-line vesting between 50% and 100%
Equal to 100% of target or above	100% vesting

Divisional annual EBT, subject to average ROC, was chosen to ensure that the remuneration of divisional managing directors is directly linked to the achievement of long-term financial returns for the business for which they are directly accountable.

The EBT and ROC targets may be adjusted, where the Board considers it appropriate to do so, so that participants are not unfairly advantaged or disadvantaged, for example, due to significant external events or portfolio management activity.

Remuneration report (audited)

Further terms of the 2022 KEEPP

The table below sets out further terms applying to Deferred Shares and Performance Shares granted under the 2022 KEEPP.

Cessation of employment

If an executive KMP ceases employment with Wesfarmers before the end of the forfeiture period, restriction period or performance period (as applicable), their entitlement to the shares (if any) will depend on the circumstances of their departure. The table below summarises the treatment that will generally apply, subject to the Board's discretion to determine a different treatment to the treatment outlined below.

Reason	Deferred Shares	Performance Shares
Resignation	*During the forfeiture period (i.e. within 12 months of allocation)* – the Deferred Shares will be forfeited. *After the forfeiture period has ended* – the Deferred Shares will remain on foot and subject to the original conditions.	The Performance Shares will be forfeited.
Dismissal by the Board for cause or significant underperformance or in circumstances justifying 'bad leaver' treatment	The Deferred Shares will be forfeited.	The Performance Shares will be forfeited.
Breach of restraint under the executive's service contract	The Deferred Shares will be forfeited.	The Performance Shares will be forfeited.
All other reasons (including due to death, disability or serious injury)	The Deferred Shares will remain on foot and subject to the original conditions. Vesting outcomes will be assessed by the Board at the conclusion of the service period.	The Performance Shares will remain on foot and subject to the original conditions. Testing and vesting (if applicable) outcomes will be assessed by the Board at the conclusion of the performance period.

Following cessation of employment (where Deferred Shares remain on foot):

If, following cessation of employment, the Board determines in good faith that:

– the executive KMP has breached any restriction or undertaking owed to the Wesfarmers Group or any compromise or arrangement in relation to their cessation of employment; or

– the executive KMP's circumstances have changed making it no longer appropriate for them to retain the benefit of their award,

the Board may determine that:

– some or all of the executive KMP's vested or unvested KEEPP Deferred Shares will be forfeited; and/or

– the executive KMP is required to pay or repay as a debt the net proceeds of the sale of shares or dividends provided to them.

Change of control

If a change of control event occurs, the Board has broad discretion to determine the treatment of KEEPP Deferred Shares and KEEPP Performance Shares, having regard to any matter that the Board considers relevant.

Clawback and adjustment

The terms of the KEEPP allow for the Board to clawback or adjust any incentive awards (including cash or shares) which were granted, vest or may vest, or are released or may be released (as applicable). For example, these powers can be exercised as a result of a material misstatement in, or omission from, the financial statements or otherwise as a result of fraud, dishonesty or breach of obligations. In such circumstances, the Board may, up to the value of the overpaid remuneration, reduce or defer or otherwise require the repayment of any amount paid or payable to the executive to ensure that no inappropriate benefit is derived. The Board has discretion to adjust any conditions applicable to an award, if considered appropriate.

Dividend and voting rights

The KEEPP Deferred Shares and the KEEPP Performance Shares carry both dividend and voting rights. While the shares are unquoted shares, any dividends determined are accumulated and are not paid until the shares are quoted. Where the KEEPP Deferred Shares and the KEEPP Performance Shares vest, the dividends are paid to the participant and where the KEEPP Deferred Shares and the KEEPP Performance Shares are forfeited, the dividends are paid to the trustee. The participant does not therefore receive any dividends on unvested KEEPP Deferred Shares or KEEPP Performance Shares.

5.8 Executive KMP share ownership

The Board considers it an important foundation of the Wesfarmers remuneration framework that the executive KMP hold or have a beneficial interest in a significant number of Wesfarmers shares to encourage them to behave like long-term owners and, as at the date of this report, all current executive KMP hold or have a beneficial interest in significantly more than their respective FAR in Wesfarmers shares.

The following table sets out the number of shares held directly, indirectly or beneficially by the current executive KMP (including their related parties), and provides a summary of the number of shares available to the executive and the number of shares that remain under restriction. For details of shares that vested and for which final expensing occurred during the 2023 financial year, refer to section 5.6(b).

					Breakdown of balance at year-end		
Name	Opening balance (at 1 July 2022)[1]	Allocated under a remuneration framework[2]	Net change[3]	Closing balance (at 30 June 2023)[4]	**Not vested[5]**	**Vested[6]**	**Ordinary shares[7]**
R G Scott	1,112,416	146,408	(184,783)	1,074,041	238,290	402,540 of which 307,171 are restricted	433,211
A N Gianotti	482,725	82,284	(25,818)	539,191	130,022	217,951 of which 165,097 are restricted	191,218
I Bailey	219,957	61,168	(9,350)	271,775	102,498	138,303 of which 101,480 are restricted	30,974
M D Schneider	336,237	79,834	(67,702)	348,369	148,545	198,445 of which 167,429 are restricted	1,379
Total	2,151,335	369,694	(287,653)	2,233,376	619,355	957,239	656,782

1 This number reflects the fully-paid ordinary shares held directly, vested equity under the incentive plans as well as unvested equity under the incentive plans. The unvested equity may include the 2019 KEEPP Performance Shares and the 2020 KEEPP Performance Shares and the Performance-tested Shares, and the 2021 KEEPP Deferred Shares and Performance Shares, as appropriate.
2 The number of KEEPP Deferred Shares and KEEPP Performance Shares allocated under the 2022 KEEPP, as appropriate. Refer to section 5.7 for details.
3 Includes personal trades, shares received under the dividend investment plan or other corporate actions.
4 The total number of fully-paid ordinary shares held directly or nominally, and vested and unrestricted equity held within the equity plan.
5 The unvested equity includes the 2020 KEEPP Performance Shares, the 2021 KEEPP Performance Shares and the 2022 KEEPP Deferred Shares and Performance Shares, as appropriate.
6 Vested equity reflects any share-based awards received by the executive KMP that are now fully vested, and includes shares which have vested but which remain subject to a restriction within the incentive plans.
7 This number reflects the fully-paid ordinary shares held directly outside of an equity plan by the executive KMP including their related parties.

5.9 Executive service agreements

The remuneration and other terms of employment for the Group Managing Director, the Group Chief Financial Officer and other executive KMP are covered in formal employment contracts. All service agreements are for unlimited duration and may be terminated immediately for serious misconduct. All executives are entitled to receive pay in lieu of any accrued but untaken annual and long service leave on cessation of employment.

The executive KMP must give a minimum 12 months' notice should they wish to resign and Wesfarmers must give 12 months' notice should it wish to terminate employment (other than for cause).

The Group Managing Director and the Group Chief Financial Officer may terminate their employment within 30 days of an event giving rise to fundamental change. This includes Mr Scott ceasing to be the most senior executive of the Group, a delisting of Wesfarmers or a material reduction in role, status or delegated authority.

In addition, and upon further payment (where required), Wesfarmers may invoke a restraint period of up to 12 months following separation, preventing the executive KMP from engaging in any business activity with competitors of the Group.

Remuneration report (audited)

Non-executive director remuneration

6. Non-executive directors

6.1 Overview of non-executive director remuneration policy and arrangements

Our policy objective

To provide market-competitive remuneration for non-executive directors

Aggregate fees approved by shareholders

The current maximum aggregate fee pool for non-executive directors of $3,600,000 was approved by shareholders at the 2015 Annual General Meeting. Fees paid to Wesfarmers' non-executive directors for membership of the Wesfarmers Board and committees and superannuation contributions made on behalf of the non-executive directors in accordance with Wesfarmers' statutory superannuation obligations, are included in this aggregate fee pool.

Regular reviews of remuneration

The Board periodically reviews the level of fees paid to the non-executive directors, including consideration of external benchmarking. There was no change to the fees paid during the 2023 financial year.

In June 2023, the Board reviewed the Board fees and the committee fees payable to the non-executive directors and the Chairman of the Board having regard to benchmark data, market position and relative fees to apply from 1 July 2023. After consideration, there were no changes to the Chairman's fee, Board fees or committee fees for the 2024 financial year.

6.2 Non-executive director fees and other benefits

The fees shown in the table below (inclusive of superannuation) took effect from 1 January 2021 and applied throughout the 2023 financial year.

Fees/benefits	Description	2023 ($)
Board fees	Chairman – M A Chaney	770,000
	Members – all non-executive directors	240,000
Committee fees	**Audit and Risk Committee**	
	Chairman – S L Warburton	70,000
	Members – J A Westacott, S W English, A Sabharwal	40,000
	Remuneration Committee	
	Chairman – M Roche	60,000
	Members – M A Chaney[1], V M Wallace, A M Watkins, A J Cransberg	30,000
	Nomination Committee	
	Chairman – M A Chaney	No fees
	Members – all non-executive directors	No fees

[1] The Chairman of the Board does not receive a separate fee for membership of any of the Board's committees.

6.3 Non-executive director remuneration

The fees paid or payable to the non-executive directors in relation to the 2023 financial year are set out below:

		Fees – Wesfarmers Limited ($)	Superannuation[1] ($)	Total fees ($)	Other benefits[2] ($)	Grand total ($)
Non-executive directors						
M A Chaney	**2023**	**744,708**	**25,292**	**770,000**	**16,120**	**786,120**
	2022	746,432	23,568	770,000	11,511	781,511
A J Cransberg[3]	**2023**	**244,708**	**25,292**	**270,000**	**-**	**270,000**
	2022	184,824	17,676	202,500	-	202,500
S W English	**2023**	**254,708**	**25,292**	**280,000**	**-**	**280,000**
	2022	256,432	23,568	280,000	-	280,000
M Roche	**2023**	**300,000**	**-**	**300,000**	**-**	**300,000**
	2022	294,108	5,892	300,000	-	300,000
A Sabharwal	**2023**	**254,708**	**25,292**	**280,000**	**-**	**280,000**
	2022	280,000	-	280,000	-	280,000
V M Wallace	**2023**	**244,708**	**25,292**	**270,000**	**-**	**270,000**
	2022	246,432	23,568	270,000	-	270,000
S L Warburton	**2023**	**284,708**	**25,292**	**310,000**	**-**	**310,000**
	2022	286,432	23,568	310,000	-	310,000
A M Watkins[4]	**2023**	**244,708**	**25,292**	**270,000**	**-**	**270,000**
	2022	205,279	19,721	225,000	-	225,000
J A Westacott	**2023**	**280,000**	**-**	**280,000**	**-**	**280,000**
	2022	280,000	-	280,000	-	280,000
Former non-executive directors						
W G Osborn[5]	2022	82,144	7,856	90,000	15,052	105,052
Total						
	2023	**2,852,956**	**177,044**	**3,030,000**	**16,120**	**3,046,120**
	2022	2,862,083	145,417	3,007,500	26,563	3,034,063

1 Superannuation contributions are made on behalf of non-executive directors in accordance with Wesfarmers' statutory superannuation obligations, except where approval was obtained from the Australian Taxation Office by individual non-executive directors to be exempt from making superannuation contributions due to obligations being met by other employers. Also included is any part of a non-executive director's fees that have been sacrificed into superannuation.

2 Other benefits include the cost of other expenses, such as travel or retirement gifts for retired directors. The cost of directors' and officers' insurance is no longer included here, and has also been removed for 2022 to allow for comparison on like-for-like basis.

3 A J Cransberg was appointed as a non-executive director on 1 October 2021.

4 A M Watkins was appointed as a non-executive director on 1 September 2021.

5 W G Osborn retired from the Board, effective 21 October 2021.

Remuneration report (audited)

6.4 Non-executive director share ownership

The Board considers it an important foundation of the Wesfarmers remuneration framework that the directors hold a significant number of Wesfarmers shares to encourage them to behave like long-term owners. Directors are required to hold a minimum of 1,000 Wesfarmers shares within two months of appointment and are also expected to increase their holdings in Wesfarmers shares to the equivalent of their annual main board fee within a five-year period of appointment.

The following table sets out the number of shares held directly, indirectly or beneficially by directors (including their related parties).

Name	Balance at beginning of year	Net change[1]	Balance at year-end	Minimum shareholding requirement compliance
M A Chaney	87,597	-	87,597	Compliant
A J Cransberg	4,226	247	4,473	Compliant[2]
S W English	3,509	1,666	5,175	Compliant
M Roche	9,510	2,550	12,060	Compliant[2]
A Sabharwal	6,050	243	6,293	Compliant[2]
V M Wallace	13,983	-	13,983	Compliant
S L Warburton	7,536	-	7,536	Compliant[2]
A M Watkins	9,000	-	9,000	Compliant[2]
J A Westacott	6,788	-	6,788	Compliant
Total	**148,199**	**4,706**	**152,905**	

[1] The net change includes changes due to personal trades.

[2] As at 30 June 2023, these directors were appointed to the Board within the last five years and therefore their minimum shareholding requirement is 1,000 shares. For all other directors, the minimum shareholding requirement is to hold shares equivalent in value to their annual main Board fee.

Other remuneration information

7. Remuneration governance

7.1 Role of the Board and the Remuneration Committee

The diagram below illustrates the roles of the Board, its Committees, and Wesfarmers management in making executive KMP remuneration decisions.

Wesfarmers Board

The Board is responsible for setting remuneration policy and determining non-executive director, executive director and executive KMP remuneration and ensuring that policy is aligned with the Group's purpose, values, strategic objectives, and risk management framework. In addition, the Board is responsible for approving the remuneration of and overseeing the performance review of the Group Managing Director, for approving the remuneration of the other executive KMP and approving all targets and performance conditions set under the KEEPP.

Remuneration Committee

The Remuneration Committee makes recommendations to the Board in relation to the overall approach to remuneration for the Group, and regarding all aspects of executive KMP remuneration.

In relation to the KEEPP, this includes making recommendations in relation to the targets (including threshold and stretch performance targets) to be included in the KEEPP scorecards and in relation to setting performance conditions that attach to KEEPP Performance Shares (both the financial conditions and the other non-financial performance conditions). As part of setting performance conditions on the KEEPP Performance Shares for the divisional managing directors (currently the Managing Director, Kmart Group and the Managing Director, Bunnings Group), the Remuneration Committee makes recommendations to the Board on whether the conditions should be set at a divisional or business level.

Additional information and data is sought from management and remuneration consultants, as required.

Further information regarding the objectives and role of the Remuneration Committee are contained in its charter, which is available in the corporate governance section of the company's website at **www.wesfarmers.com.au/cg**

Management

The Group Managing Director provides updates and makes recommendations to the Remuneration Committee on remuneration and performance matters in relation to his direct reports throughout the year, but is not involved in making recommendations in relation to his own remuneration. The Group Managing Director provides formal updates to the Remuneration Committee on a six-monthly basis.

Additional information and data is sought from management and remuneration consultants, as required.

Audit and Risk Committee Chairman

The Audit and Risk Committee Chairman attends the Remuneration Committee meetings and is formally involved in the remuneration outcomes recommendations, ensuring that there is a tight linkage between behaviour, risk management and remuneration outcomes.

7.2 Non-executive director remuneration

In the event of any proposed increase in non-executive directors' fees, including committee fees, a reasonableness opinion is obtained from an external remuneration consultant. The Remuneration Committee and the Board (or only the Board if this relates to Remuneration Committee fees) consider this benchmarking and external remuneration consultant opinion, along with other factors such as the reasonableness of any change to the fees in the context of the external environment and any regulatory changes impacting Board accountability, before proposing any increase in fees. See section 6 for further information on non-executive director remuneration.

7.3 Use of remuneration consultants

To inform the Board and Remuneration Committee, and to assist with their decision-making processes, additional information and data is sought from management and remuneration consultants, as required.

No remuneration recommendations as defined in section 9B of the *Corporations Act 2001* were obtained from external remuneration consultants during the financial year ended 30 June 2023.

Remuneration report (audited)

8. Further information on remuneration

8.1 Share trading restrictions

Wesfarmers' Securities Trading Policy reflects the *Corporations Act 2001* prohibition on KMP and their closely related parties entering into any arrangement that would have the effect of limiting the KMP's exposure to risk relating to an element of their remuneration that remains subject to restrictions on disposal.

Wesfarmers directors, the Wesfarmers Leadership Team, and certain members of their immediate family and controlled entities are also required to obtain clearance from the Wesfarmers Company Secretary for the sale, purchase or transfer of Wesfarmers and BWP Trust securities and for short selling, short-term trading, security interests, margin loans and hedging relating to Wesfarmers and BWP Trust securities. The Wesfarmers Company Secretary refers all requests for clearance to at least two members of the Disclosure Committee. Clearance from the Chairman is also required for requests from Wesfarmers directors. Clearance cannot be requested for dealings that are subject to the *Corporations Act 2001* prohibition referred to above.

The policy is available in the corporate governance section of the company's website at **www.wesfarmers.com.au/cg**

Breaches of the policy are subject to disciplinary action, which may include termination of employment.

8.2 Other transactions and balances with key management personnel

From time to time, the executive KMP and directors of the company or its controlled entities, or their related entities, may purchase goods or services from the Group. These purchases are on the same terms and conditions as those entered into by other Group team members or customers and are minor or domestic in nature.

There were no loans made during the year, or remaining unsettled at 30 June 2023, between Wesfarmers and its directors or executive KMP and/or their related parties.

9. Independent audit of remuneration report

The remuneration report has been audited by Ernst & Young. Please see page 183 of this annual report for Ernst & Young's report on the remuneration report.

The directors' report, including the remuneration report, is signed in accordance with a resolution of the directors of Wesfarmers Limited.

M A Chaney AO
Chairman

R G Scott
Managing Director

Perth
24 August 2023

Financial statements

For the year ended 30 June 2023 – Wesfarmers Limited and its controlled entities

Income statement

For the year ended 30 June 2023

	Note	Consolidated 2023 $m	2022 $m
Revenue	1	**43,550**	36,838
Expenses			
Raw materials and inventory		**(28,905)**	(23,438)
Employee benefits expense	2	**(6,333)**	(5,840)
Freight and other related expenses		**(704)**	(668)
Occupancy-related expenses	2	**(505)**	(442)
Depreciation and amortisation	2	**(1,701)**	(1,575)
Impairment expenses	2	**(36)**	(33)
Other expenses	2	**(1,677)**	(1,549)
Total expenses		**(39,861)**	(33,545)
Other income	1	**165**	167
Share of net profits of associates and joint ventures	20	**9**	173
		174	340
Earnings before finance costs and income tax expense		**3,863**	3,633
Interest on lease liabilities	10	**(219)**	(217)
Other finance costs	2	**(135)**	(96)
Profit before income tax expense		**3,509**	3,320
Income tax expense	3	**(1,044)**	(968)
Profit for the year attributable to equity holders of the parent		**2,465**	2,352
Earnings per share attributable to equity holders of the parent	15	**cents**	cents
Basic earnings per share		**217.8**	207.8
Diluted earnings per share		**217.6**	207.6

Statement of comprehensive income

For the year ended 30 June 2023

	Note	Consolidated 2023 $m	2022 $m
Profit for the year		**2,465**	2,352
Other comprehensive income			
Items that may be reclassified to profit or loss:			
Foreign currency translation reserve	14		
Exchange differences on translation of foreign operations		**5**	(11)
Cash flow hedge reserve	14		
Unrealised gains on cash flow hedges		**229**	286
Realised gains on cash flow hedges		**(328)**	(175)
Share of associates and joint ventures reserves		**2**	11
Tax effect	3	**29**	(40)
Items that will not be reclassified to profit or loss:			
Financial assets reserve	14		
Changes in the fair value of financial assets designated at fair value through other comprehensive income		**24**	43
Share of associates and joint ventures reserves		**6**	(6)
Tax effect	3	**(7)**	(13)
Other comprehensive (loss)/income for the year, net of tax		**(40)**	95
Total comprehensive income for the year, net of tax, attributable to equity holders of the parent		**2,425**	2,447

Balance sheet

As at 30 June 2023

		Consolidated	
		2023	2022
	Note	**$m**	$m
ASSETS			
Current assets			
Cash and cash equivalents	4	**673**	705
Trade and other receivables	5	**2,046**	2,094
Inventories	6	**6,039**	6,084
Income tax receivable		**43**	-
Derivatives	18	**116**	452
Other		**237**	264
Total current assets		**9,154**	9,599
Non-current assets			
Investments in associates and joint ventures	20	**943**	934
Other financial assets	7	**15**	677
Deferred tax assets	3	**624**	581
Property, plant and equipment	8	**5,365**	4,750
Goodwill and intangible assets	9	**4,692**	4,684
Right-of-use assets	10	**5,676**	6,014
Derivatives	18	**27**	8
Other		**50**	39
Total non-current assets		**17,392**	17,687
Total assets		**26,546**	27,286
LIABILITIES			
Current liabilities			
Trade and other payables		**5,268**	5,362
Interest-bearing loans and borrowings	16	**-**	988
Lease liabilities	10	**1,135**	1,100
Income tax payable		**-**	6
Provisions	11	**1,117**	1,163
Derivatives	18	**10**	2
Other		**327**	287
Total current liabilities		**7,857**	8,908
Non-current liabilities			
Interest-bearing loans and borrowings	16	**4,430**	3,970
Lease liabilities	10	**5,604**	6,023
Provisions	11	**374**	374
Derivatives	18	**-**	30
Total non-current liabilities		**10,408**	10,397
Total liabilities		**18,265**	19,305
Net assets		**8,281**	7,981
EQUITY			
Equity attributable to equity holders of the parent			
Issued capital	14	**13,574**	13,574
Reserved shares	14	**(102)**	(102)
Retained earnings		**818**	485
Reserves	14	**(6,009)**	(5,976)
Total equity		**8,281**	7,981

Cash flow statement

For the year ended 30 June 2023

	Note	Consolidated 2023 $m	2022 $m
Cash flows from operating activities			
Receipts from customers		**48,253**	40,557
Payments to suppliers and employees		**(42,684)**	(36,754)
Dividends and distributions received from associates		**48**	48
Dividends received from other investments		**25**	54
Interest received		**16**	5
Interest component of lease payments		**(219)**	(217)
Borrowing costs		**(140)**	(92)
Income tax paid		**(1,120)**	(1,300)
Net cash flows from operating activities	4	**4,179**	2,301
Cash flows from investing activities			
Payments for property, plant and equipment and intangibles	4	**(1,286)**	(1,140)
Payments for mineral exploration	4	**(2)**	(4)
Proceeds from sale of property, plant and equipment and intangibles	4	**105**	260
Net proceeds from sale of businesses		**13**	-
Net proceeds from disposal of other investments		**686**	501
Investments in associates and joint ventures		**(42)**	(28)
Acquisition of subsidiaries, net of cash acquired		**(24)**	(773)
Payments for other financial assets		**(2)**	(7)
Net cash flows used in investing activities		**(552)**	(1,191)
Cash flows from financing activities			
Proceeds from borrowings		**-**	938
Repayment of borrowings		**(765)**	(1,166)
Net proceeds from revolving facilities		**380**	2,023
Principal component of lease payments		**(1,142)**	(1,029)
Dividends paid		**(2,132)**	(1,927)
Capital return paid		**-**	(2,267)
Net cash flows used in financing activities		**(3,659)**	(3,428)
Net decrease in cash and cash equivalents		**(32)**	(2,318)
Cash and cash equivalents at beginning of year		**705**	3,023
Cash and cash equivalents at end of year	4	**673**	705

Statement of changes in equity

For the year ended 30 June 2023

		Attributable to equity holders of the parent				
Consolidated	Note	**Issued capital $m**	**Reserved shares $m**	**Retained earnings $m**	**Reserves $m**	**Total equity $m**
Balance at 1 July 2022		**13,574**	**(102)**	**485**	**(5,976)**	**7,981**
Net profit for the year		**-**	**-**	**2,465**	**-**	**2,465**
Other comprehensive income						
Exchange differences on translation of foreign operations	14	**-**	**-**	**-**	**5**	**5**
Changes in the fair value of cash flow hedges, net of tax	14	**-**	**-**	**-**	**(68)**	**(68)**
Changes in the fair value of financial assets designated at fair value through other comprehensive income, net of tax	14	**-**	**-**	**-**	**23**	**23**
Total other comprehensive loss for the year, net of tax		**-**	**-**	**-**	**(40)**	**(40)**
Total comprehensive income for the year, net of tax		**-**	**-**	**2,465**	**(40)**	**2,425**
Share-based payment transactions	14	**-**	**-**	**-**	**14**	**14**
Dividends	13	**-**	**-**	**(2,132)**	**-**	**(2,132)**
Other		**-**	**-**	**-**	**(7)**	**(7)**
		-	**-**	**(2,132)**	**7**	**(2,125)**
Balance at 30 June 2023		**13,574**	**(102)**	**818**	**(6,009)**	**8,281**
Balance at 1 July 2021		15,826	(102)	60	(6,069)	9,715
Net profit for the year		-	-	2,352	-	2,352
Other comprehensive income						
Exchange differences on translation of foreign operations	14	-	-	-	(11)	(11)
Changes in the fair value of cash flow hedges, net of tax	14	-	-	-	82	82
Changes in the fair value of financial assets designated at fair value through other comprehensive income, net of tax	14	-	-	-	24	24
Total other comprehensive income for the year, net of tax		-	-	-	95	95
Total comprehensive income for the year, net of tax		-	-	2,352	95	2,447
Share-based payment transactions	14	16	-	-	(2)	14
Dividends	13	-	-	(1,927)	-	(1,927)
Capital return	13,14	(2,268)	-	-	-	(2,268)
		(2,252)	-	(1,927)	(2)	(4,181)
Balance at 30 June 2022		13,574	(102)	485	(5,976)	7,981

Notes to the financial statements: About this report

For the year ended 30 June 2023

About this report

Wesfarmers Limited (referred to as 'Wesfarmers') is a for-profit company limited by shares incorporated and domiciled in Australia whose shares are publicly traded on the Australian Securities Exchange (ASX). The nature of the operations and principal activities of Wesfarmers and its subsidiaries (referred to as 'the Group') are described in the segment information.

The consolidated financial report of the Group for the financial year ended 30 June 2023 (FY2023) was authorised for issue in accordance with a resolution of the directors on 24 August 2023. The Directors have the power to amend and reissue the financial report.

The financial report is a general purpose financial report which:

- has been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB);
- has been prepared on a historical cost basis, except for investment properties held by associates and joint ventures and certain financial instruments, which have been measured at fair value. The carrying values of recognised assets and liabilities that are the hedged items in fair value hedge relationships, which are otherwise carried at amortised cost, are adjusted to record changes in the fair values attributable to the risks that are being hedged;
- is presented in Australian dollars with all values rounded to the nearest million dollars ($'000,000) unless otherwise stated, in accordance with ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191;
- presents reclassified comparative information where required for consistency with the current year's presentation;
- adopts all new and amended Accounting Standards and Interpretations issued by the AASB that are relevant to the Group and effective for reporting periods beginning on or before 1 July 2022. Refer to note 28 for further details; and
- does not early adopt Accounting Standards and Interpretations that have been issued or amended but are not yet effective.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group. A list of controlled entities (subsidiaries) at year-end is contained in note 21.

The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profits and losses resulting from intra-Group transactions have been eliminated.

Subsidiaries are consolidated from the date on which control is obtained to the date on which control is disposed. Acquisitions of subsidiaries which qualify as business combinations are accounted for using the acquisition method of accounting.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in the income statement. Any investment retained is initially recognised at fair value.

Key judgements and estimates

In the process of applying the Group's accounting policies, management has made a number of judgements and applied estimates of future events.

Judgements and estimates which are material to the financial report are found in the following notes:

Page		
142	Note 1	Revenue and other income
144	Note 3	Tax expense
145	Note 5	Receivables
146	Note 6	Inventories
147	Note 8	Property, plant and equipment
148	Note 9	Goodwill and intangible assets
150	Note 10	Leases
152	Note 11	Provisions
165	Note 19	Impairment of non-financial assets
166	Note 20	Associates and joint arrangements

Foreign currency

The functional currencies of overseas subsidiaries are listed in note 21. As at the reporting date, the assets and liabilities of overseas subsidiaries are translated into Australian dollars at the rate of exchange ruling at the balance sheet date and the income statements are translated at the average exchange rates for the year. The exchange differences arising on the translation are taken directly to a separate component of equity.

Transactions in foreign currencies are initially recorded in the functional currency at the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. Exchange differences arising from the application of these procedures are taken to the income statement, with the exception of differences on foreign currency-denominated borrowings that provide a hedge against a net investment in a foreign entity, which are taken directly to equity until the disposal of the net investment and are then recognised in the income statement. Tax charges and credits attributable to exchange differences on those borrowings are also recognised in equity.

Other accounting policies

Significant and other accounting policies that summarise the measurement basis used and are relevant to an understanding of the financial statements are provided throughout the notes to the financial statements.

Notes to the financial statements: About this report

For the year ended 30 June 2023

Notes to the financial statements

The notes include information which is required to understand the financial statements and is material and relevant to the operations, financial position and performance of the Group. Information is considered material and relevant if, for example:

- the amount in question is significant because of its size or nature;
- it is important for understanding the results of the Group;
- it helps to explain the impact of significant changes in the Group's business – for example, acquisitions, disposals and impairment writedowns; or
- it relates to an aspect of the Group's operations that is important to its future performance.

The notes are organised into the following sections:

- **Group performance**: provides a breakdown of individual line items in the income statement that the directors consider most relevant and summarises the accounting policies, judgements and estimates relevant to understanding these line items;
- **Group balance sheet**: provides a breakdown of individual line items in the balance sheet that the directors consider most relevant and summarises the accounting policies, judgements and estimates relevant to understanding these line items;
- **Capital**: provides information about the capital management practices of the Group and shareholder returns for the year;
- **Risk**: discusses the Group's exposure to various financial risks, explains how these affect the Group's financial position and performance and what the Group does to manage these risks;
- **Group information**: explains aspects of the Group structure and how changes have affected the financial position and performance of the Group, as well as disclosing related party transactions and balances; and
- **Other**: provides information about items that are not recognised in the financial statements but could potentially have a significant impact on the Group's financial position and performance; and provides information on items which require disclosure to comply with Australian Accounting Standards and other regulatory pronouncements.

Significant items impacting the current reporting period

Acquisition of Australian Pharmaceutical Industries Ltd

On 31 March 2022, Wesfarmers, through its wholly-owned subsidiary WFM Investments Pty Ltd, completed the acquisition of Australian Pharmaceutical Industries Ltd (API). API is the foundation business of the Wesfarmers Health (Health) segment. The Health results presented for 2022 are for the period from 31 March 2022 to 30 June 2022.

On 31 March 2023, the provisional acquisition accounting period ended for the acquisition of API. Adjustments were made in finalising the acquisition accounting, resulting in the fair value of identifiable assets recognised on acquisition decreasing by $46 million compared to the provisional fair value amounts previously reported at 30 June 2022. This decrease is due to a reduction in the fair value of property, plant and equipment ($21 million), an increase in provisions recognised ($9 million) and as a result of finalising tax effect accounting (net tax adjustments of $3 million). A reclassification between the indefinite life intangible assets of brand and goodwill ($13 million) also occurred. The decrease in the fair value of identifiable assets resulted in a corresponding increase of $46 million to the goodwill recognised on acquisition. 2022 has been restated to reflect the adjustments to the provisional acquisition accounting for API.

Restructure of the Group's operating segments

In April 2022, the Group determined that from 1 July 2022, Catch will move from the Kmart Group segment and join a newly-formed division, Wesfarmers OneDigital (OneDigital). The OneDigital division includes Catch, OnePass and supporting capabilities.

In accordance with AASB 8 *Operating Segments*, Catch is reported as a segment, reflecting its operating nature, while the results for OnePass and supporting capabilities continue to be reported within Other. The Group has restated amounts presented in the prior period to reflect the new reporting structure. Refer to Segment Information for further details.

Impact of COVID-19 in the previous reporting period

The impact of COVID-19 on the Group's operational and financial performance decreased during FY2023. Many of the Group's operational responses to the pandemic are integrated into normal processes. The Group's retail businesses were impacted by widespread COVID-related lockdowns in the first half of FY2022.

Sale of remaining 2.8 per cent interest in Coles Group Limited

On 12 April 2023, Wesfarmers sold all of its remaining interest (37,193,541 shares) in Coles Group Limited (Coles) for proceeds of $686 million, net of transaction costs. As a result of the sale, Wesfarmers' minority interest in Coles reduced from 2.8 per cent to nil. The interest in Coles was held as a financial asset at fair value through other comprehensive income (FVOCI). The realised gain on sale is recognised in other comprehensive income.

Acquisition of InstantScripts Pty Ltd

On 13 June 2023, Wesfarmers announced that API, a wholly-owned subsidiary of Wesfarmers, entered into an agreement to acquire InstantScripts Pty Ltd (InstantScripts), one of Australia's leading telehealth businesses for cash consideration of approximately $135 million. The transaction was completed on 3 July 2023. Refer to note 26 for further details.

Proposal to acquire SILK Laser Australia Limited

On 26 June 2023, Wesfarmers announced that API had entered into a Scheme Implementation Deed with SILK Laser Australia Limited (SILK, ASX: SLA) to acquire 100 per cent of the shares outstanding for $3.35 cash per share, by way of a Scheme of Arrangement (the Scheme).

The consideration represents an implied equity value for SILK of approximately $180 million. If the transaction proceeds, it will be funded through Wesfarmers' existing balance sheet capacity and debt facilities. The Scheme is subject to conditions including Court and SILK shareholder approval. Subsequent to year end, conditions relating to regulatory clearances have been satisfied (subject to the regulators not withdrawing, suspending or revoking their confirmations).

There is no certainty as to whether the proposed transaction will proceed.

Notes to the financial statements: Segment information

For the year ended 30 June 2023

Segment information

The Group's operating segments are organised and managed separately according to the nature of the products and services provided.

Each segment represents a strategic business unit that offers different products and operates in different industries and markets. The Board and executive management team (the chief operating decision-makers) monitor the operating results of the business units separately for the purpose of making decisions about resource allocation and performance assessment.

The types of products and services from which each reportable segment derives its revenues are disclosed below. Segment performance is evaluated based on operating profit or loss (segment result) which, in certain respects, is presented differently from operating profit or loss in the consolidated financial statements.

Interest income and other finance costs are not allocated to operating segments, as this type of activity is managed on a Group basis.

Transfer prices between business segments are set on an arm's length basis in a manner similar to transactions with third parties. Segment revenue, expenses and results include transfers between business segments. Those transfers are eliminated on consolidation and are not considered material.

The operating segments and their respective types of products and services are as follows:

Bunnings Group

- Retailer of building materials and home, garden and lifestyle improvement products; and
- Servicing households and commercial customers including builders, tradespeople and businesses.

Kmart Group

- **Kmart**: Retailer of apparel and general merchandise, including toys, leisure, entertainment, home and consumables.
- **Target**: Retailer of apparel and general merchandise, including toys and soft home products.

Chemicals, Energy and Fertilisers (WesCEF)

- Manufacturer and marketer of chemicals for industry, mining and mineral processing;
- Manufacturer and marketer of broadacre and horticultural fertilisers;
- Marketer and distributor of LPG and LNG;
- Manufacturer of wood-plastic composite decking and screening products; and
- 50 per cent joint operator of the Mt Holland lithium project.

Officeworks

- Retailer and supplier of office products and solutions for households, small-to-medium sized businesses, and the education sector.

Industrial and Safety

- Supplier and distributor of maintenance, repair and operating products;
- Manufacturer and marketing of industrial, specialty and medical gases and equipment;
- Supplier, manufacturer and distributor of workwear clothing in Australia and internationally;
- Specialised supplier and distributor of industrial safety products and services; and
- Provider of risk management and compliance services.

Wesfarmers Health (Health)

- Wholesaler and retailer of pharmaceutical goods, health, wellbeing and beauty products;
- Provider of clinical cosmetic and skin care treatments; and
- Provider of retail support services to pharmacies through Priceline Pharmacy franchises and banner brands.

Catch

- Online retailer offering branded products on a first-party basis and a third-party online marketplace.

Other

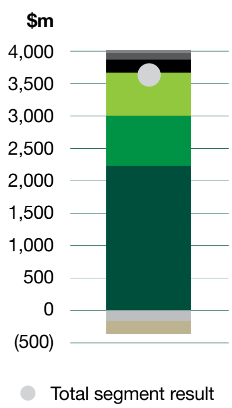
Includes:

- **Food and staples retailing**: 2022 included a 2.8 per cent interest in Coles that was sold in April 2023;
- **Forest products**: non-controlling interest in Wespine Industries Pty Ltd;
- **Property**: non-controlling interest in BWP Trust and joint control of BPI No 1 Pty Ltd;
- **Investment banking**: non-controlling interest in Gresham Partners Group Limited;
- **Loyalty program**: joint control of loyalty and data company Loyalty Pacific Pty Ltd (Flybuys);
- **OneDigital**: includes OnePass and supporting capabilities; and
- **Corporate**: includes treasury, central and administrative support functions and other corporate entity expenses. Corporate is not considered an operating segment and includes activities that are not allocated to other operating segments.

Revenue from contracts with customers by segment for FY2023

	$m	%
Bunnings Group	18,537	42.7
Kmart Group	10,563	24.3
WesCEF	3,303	7.6
Officeworks	3,342	7.7
Industrial and Safety	1,992	4.6
Health	5,312	12.2
Catch	348	0.8
Other	20	0.1
Total	**43,417**	

Segment result for FY2023



	$m	%
Bunnings Group	2,230	61.2
Kmart Group	769	21.1
WesCEF	669	18.4
Officeworks	200	5.5
Industrial and Safety	100	2.7
Health	45	1.2
Catch	(163)	(4.5)
Other	(206)	(5.6)
Total	**3,644**	

Notes to the financial statements: Segment information

For the year ended 30 June 2023

Segment information

	BUNNINGS GROUP[1]		KMART GROUP		WesCEF	
	2023 $m	2022 $m	**2023 $m**	2022 $m	**2023 $m**	2022 $m
Revenue from contracts with customers	**18,537**	17,751	**10,563**	9,054	**3,303**	3,038
Other revenue	**2**	3	**72**	75	**3**	3
Segment revenue	**18,539**	17,754	**10,635**	9,129	**3,306**	3,041
EBITDA	**3,127**	3,057	**1,347**	1,088	**769**	634
Depreciation and amortisation	**(782)**	(740)	**(498)**	(496)	**(99)**	(93)
Interest on lease liabilities	**(115)**	(113)	**(80)**	(87)	**(1)**	(1)
Segment result	**2,230**	2,204	**769**	505	**669**	540
Other finance costs						
Profit before income tax expense						
Income tax expense						
Profit attributable to equity holders of the parent						
Other segment information						
Segment assets	**8,900**	8,817	**5,582**	5,848	**3,811**	3,627
Investments in associates and joint ventures	**17**	17	**-**	-	**83**	85
Tax assets						
Total assets						
Segment liabilities	**(5,593)**	(6,113)	**(4,359)**	(4,267)	**(594)**	(771)
Tax liabilities						
Interest-bearing loans and borrowings						
Total liabilities						
Segment net assets	**3,324**	2,721	**1,223**	1,581	**3,300**	2,941
Other net assets[5]	**(3,463)**	(2,896)	**699**	280	**(2,084)**	(1,737)
Net assets	**(139)**	(175)	**1,922**	1,861	**1,216**	1,204
Capital expenditure[6]	**405**	349	**135**	98	**519**	455
Share of net profit or loss of associates and joint ventures included in segment result[7]	**-**	-	**-**	-	**13**	14

1 The 2023 Bunnings Group segment result includes a net property contribution of $38 million (2022: $52 million).

2 The 2023 Health segment result includes depreciation and amortisation expenses of $13 million relating to assets recognised as part of Wesfarmers' acquisition of API. The 2022 Health segment result includes non-cash expenses of $11 million relating to amortisation and trade through of the incremental asset value recognised as part of the acquisition and impairment costs of $21 million relating to Priceline company owned stores.

3 The 2023 Catch segment result includes costs of $40 million in relation to inventory provisions, team member redundancies and asset write-offs.

4 The 2023 Other result includes an operating loss of $82 million (2022: $80 million) in relation to OnePass and supporting capabilities.

5 Other net assets relate predominantly to intercompany financing arrangements and segment tax balances.

6 Capital expenditure, inclusive of capitalised interest, includes accruals for costs incurred during the year. The amount excluding movements in accruals is $1,288 million (2022: $1,144 million). Refer to note 4 for further details.

7 The movement from 2022 to 2023 in the share of net profit or loss of associates and joint ventures included in Other is predominantly driven by property revaluations in BWP Trust and BPI No 1 Pty Ltd.

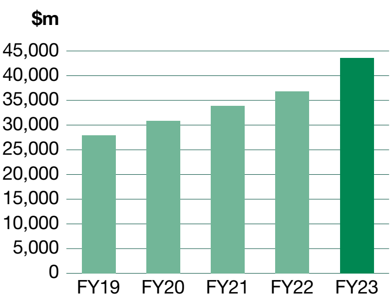
Notes to the financial statements: Segment information

For the year ended 30 June 2023

OFFICEWORKS		INDUSTRIAL AND SAFETY		HEALTH[2]		CATCH[3]		OTHER[4]		CONSOLIDATED	
2023 $m	2022 $m	2023 $m	2022 $m	2023 $m	2022 $m	2023 $m	2022 $m	2023 $m	2022 $m	2023 $m	2022 $m
3,342	3,153	1,992	1,925	5,312	1,240	348	502	20	16	43,417	36,679
15	16	-	-	-	-	6	8	35	54	133	159
3,357	3,169	1,992	1,925	5,312	1,240	354	510	55	70	43,550	36,838
335	303	184	171	124	(2)	(133)	(58)	(189)	15	5,564	5,208
(124)	(113)	(80)	(75)	(74)	(22)	(28)	(29)	(16)	(7)	(1,701)	(1,575)
(11)	(9)	(4)	(4)	(5)	(1)	(2)	(1)	(1)	(1)	(219)	(217)
200	181	100	92	45	(25)	(163)	(88)	(206)	7	3,644	3,416
										(135)	(96)
										3,509	3,320
										(1,044)	(968)
										2,465	2,352
2,141	2,040	1,787	1,805	2,088	2,037	209	271	418	1,326	24,936	25,771
3	3	1	2	-	-	-	-	839	827	943	934
								667	581	667	581
										26,546	27,286
(1,129)	(1,041)	(474)	(599)	(908)	(951)	(110)	(106)	(668)	(493)	(13,835)	(14,341)
								-	(6)	-	(6)
								(4,430)	(4,958)	(4,430)	(4,958)
										(18,265)	(19,305)
1,015	1,002	1,314	1,208	1,180	1,086	99	165	(3,174)	(2,723)	8,281	7,981
54	61	(938)	(847)	(421)	(351)	(222)	(173)	6,375	5,663	-	-
1,069	1,063	376	361	759	735	(123)	(8)	3,201	2,940	8,281	7,981
71	68	73	64	40	4	9	48	29	73	1,281	1,159
-	-	-	2	-	-	-	-	(4)	157	9	173

Total revenue
FROM CONTINUING OPERATIONS

$43,550m **18.2%**



	$m
FY23	43,550
FY22	36,838
FY21	33,941
FY20	30,846
FY19	27,920

Geographical information

The table below provides information on the geographical location of revenue from contracts with customers and non-current assets (other than financial instruments, deferred tax assets and pension assets). Revenue from contracts with customers and non-current assets are allocated to a geography based on the location of the operation in which revenue was derived and assets relate.

	Revenue		Non-current assets	
	2023 $m	2022 $m	2023 $m	2022 $m
Australia	40,587	34,107	15,954	15,718
New Zealand	2,786	2,559	720	674
Other	44	13	24	12
Total	43,417	36,679	16,698	16,404

Notes to the financial statements: **Group performance**

For the year ended 30 June 2023

1. Revenue and other income

	Consolidated	
	2023 $m	2022 $m
Revenue from contracts with customers		
Sale of retail goods in store	**30,166**	26,958
Sale of retail goods online	**2,686**	3,440
Sale of wholesale goods	**5,024**	1,167
Sale of fertilisers, chemicals, speciality gases, LPG and LNG	**3,294**	3,031
Sale of industrial products	**1,988**	1,878
Services revenue	**259**	205
	43,417	36,679
Other revenue		
Interest revenue	**16**	5
Dividend revenue	**25**	54
Other	**92**	100
	133	159
Total revenue	**43,550**	36,838
Other income		
Gains on disposal of property, plant and equipment and other assets	**41**	58
Other	**124**	109
Total other income	**165**	167

Recognition and measurement

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of the goods or services is transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

The Group generates a significant proportion of its revenue from the following:

- **Sale of retail goods in store:** relates to merchandise sold direct to customers through the Group's in store retail operations. Control of goods typically passes at the point of sale.
- **Sale of retail goods online:** relates to merchandise sold direct to customers through online platforms. Control of goods typically passes upon delivery, or when collected by the customer.
- **Sale of wholesale goods:** includes revenue from wholesale distribution of building materials, pharmaceutical, household and other retail goods. Control of goods typically passes upon delivery of goods to the customer.
- **Sales of products to commercial customers:**
  i. Produced or purchased by the Group including fertilisers, chemicals, speciality gases, LPG and LNG; and
  ii. For which the Group has distribution rights, principally related to industrial maintenance and industrial safety.
- **Services revenue:** includes revenue received from services provided to customers, such as clinical treatments, franchise services, marketing and brand support. Revenue is recognised as the performance obligations are satisfied.

The Group's contracts with customers for the sale of retail goods generally incorporate a single performance obligation. Cash payment is generally received at the point of sale. Revenue from lay-by transactions is recognised on the date when the customer completes payment and takes possession of the merchandise. Any cash received in advance of the completion of the performance obligation is recognised on the balance sheet as a contract liability.

Where satisfaction of a performance obligation is completed over time, revenue is recognised in line with the progress towards complete satisfaction of the performance obligation.

A right of return is not a separate performance obligation and the Group recognises revenue net of estimated returns. A refund liability and a corresponding asset in inventory representing the right to recover the returned products from the customer is also recognised.

Other revenue

Interest revenue

Revenue is recognised as the interest accrues on the related financial asset. Interest is determined using the effective interest rate method, which applies the interest rate that exactly discounts estimated future cash receipts over the expected life of the financial instrument.

Dividend revenue

Revenue from dividends, other than those arising from associates, is recognised when the Group's right to receive the payment is established.

Key estimate: gift cards

Revenue from the sale of gift cards is recognised when the card is redeemed and the customer purchases goods by using the card, or when the gift card is no longer expected to be redeemed (breakage). At 30 June 2023, $165 million of revenue is deferred in relation to gift cards (2022: $155 million). Gift card liabilities are contract liabilities as payment has been received for a performance obligation to be completed at a future point in time.

The key assumption in measuring the contract liability for gift cards and vouchers is the expected breakage, which is reviewed annually based on historical information. Any reassessment of expected breakage in a particular year impacts on the revenue recognised from expiry of gift cards and vouchers (either increasing or decreasing). Any reasonably possible change in the estimate is unlikely to have a material impact.

Key judgements: Flybuys

The Group is a participant in the Flybuys loyalty program whereby eligible customers are granted loyalty points based on the dollars they spend. The Group is an agent in this arrangement as the nature of the loyalty program is that Flybuys is responsible for supplying the awards to the customer and as such the Group's role is only to arrange for Flybuys to provide the goods or services.

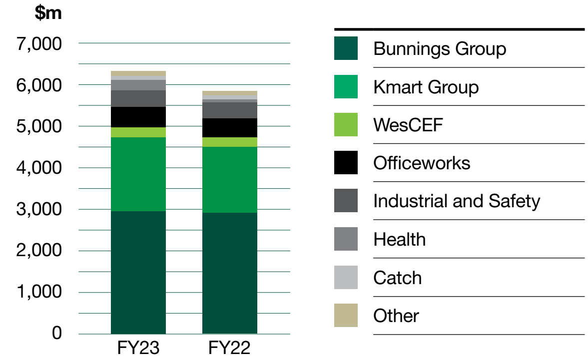
Notes to the financial statements: Group performance

For the year ended 30 June 2023

2. Expenses

	Consolidated	
	2023 $m	2022 $m
Remuneration, bonuses and on-costs	**5,795**	5,351
Superannuation expense	**447**	403
Share-based payments expense	**91**	86
Employee benefits expense	**6,333**	5,840
Short-term and low-value lease payments	**35**	28
Contingent rental payments	**51**	30
Outgoings and other	**419**	384
Occupancy-related expenses	**505**	442
Depreciation	**423**	397
Depreciation of right-of-use assets	**1,087**	1,020
Amortisation of intangibles	**118**	85
Amortisation of leasehold improvements	**73**	73
Depreciation and amortisation	**1,701**	1,575
Impairment of property, plant and equipment	**9**	17
Impairment of goodwill and intangible assets	**4**	-
Impairment of right-of-use assets	**1**	4
Impairment of trade and other receivables	**22**	12
Impairment expenses	**36**	33
Repairs and maintenance	**315**	268
Utilities and office expenses	**608**	546
Insurance expenses	**52**	34
Merchant fees	**143**	140
Other	**559**	561
Other expenses	**1,677**	1,549
Interest on interest-bearing loans and borrowings, net of borrowing costs capitalised	**117**	72
Discount rate adjustment	**6**	2
Amortisation of debt establishment costs	**4**	5
Other finance-related costs	**8**	17
Other finance costs	**135**	96

Employee benefits expense by segment



Recognition and measurement

Employee benefits expense

The Group's accounting policy for liabilities associated with employee benefits is set out in note 11. The policy relating to share-based payments is set out in note 31.

The majority of employees in Australia and New Zealand are party to a defined contribution superannuation scheme and receive fixed contributions from Group companies and the Group's legal or constructive obligation is limited to these contributions. Contributions to defined contribution funds are recognised as an expense as they become payable. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payment is available. The Group also operates a defined benefit superannuation scheme, the membership of which is now closed.

Depreciation and amortisation

Refer to notes 8, 9 and 10 for details on depreciation and amortisation.

Impairment

Refer to note 5 for details on the impairment of trade and other receivables, including a reconciliation of the allowance for credit losses, and note 19 for further details on impairment of non-financial assets.

Other finance costs

Other finance costs are recognised as an expense when they are incurred, except for interest charges attributable to major projects with substantial development and construction phases.

Provisions and other payables are discounted to their present value when the effect of the time value of money is significant. The impact of the unwinding of these discounts and any changes to the discounting is shown as a discount rate adjustment in finance costs.

Capitalisation of borrowing costs

To determine the amount of borrowing costs to be capitalised as part of the costs of major construction projects, the Group uses the weighted average interest rate applicable to its outstanding borrowings, including lease liabilities, during the year. The weighted average interest rate applicable for FY2023 was 3.25 per cent (2022: 3.13 per cent) and $42 million (2022: $34 million) of interest was capitalised to property, plant and equipment for the Mt Holland lithium project. Capitalised borrowing costs are included within WesCEF's capital expenditure.

Notes to the financial statements: **Group performance**

For the year ended 30 June 2023

3. Tax expense

The major components of tax expense are:	Consolidated 2023 $m	Consolidated 2022 $m
Income statement		
Current income tax expense		
Current year (paid or payable)	**994**	869
Adjustment for prior years	**(3)**	29
Deferred income tax expense		
Temporary differences	**50**	82
Adjustment for prior years	**3**	(12)
Income tax expense reported in the income statement	**1,044**	968
Statement of changes in equity		
Net movement on revaluing cash flow hedges	**(29)**	40
Net movement on revaluing financial assets	**7**	13
Income tax reported in equity	**(22)**	53
Tax reconciliation		
Profit before tax	**3,509**	3,320
Income tax rate at the statutory rate of 30%	**1,053**	996
Adjustments relating to prior years	**-**	17
Non-deductible items	**9**	5
Share of results of associates and joint ventures	**(7)**	3
Non-assessable dividends	**(8)**	(16)
Utilisation of previously unrecognised tax losses	**(2)**	(25)
Other	**(1)**	(12)
Income tax on profit before tax	**1,044**	968
Deferred income tax in the balance sheet relates to the following:		
Provisions	**95**	106
Employee benefits	**296**	330
Accruals and other payables	**73**	110
Interest-bearing loans and borrowings	**63**	115
Leases	**322**	322
Derivatives	**3**	10
Inventories	**81**	60
Property, plant and equipment	**249**	235
Other individually insignificant balances	**36**	54
Deferred tax assets	**1,218**	1,342
Accelerated depreciation for tax purposes	**222**	208
Derivatives	**43**	138
Accrued income and other	**155**	240
Intangible assets	**37**	37
Other individually insignificant balances	**137**	138
Deferred tax liabilities	**594**	761
Net deferred tax asset	**624**	581
Deferred income tax in the income statement relates to the following:		
Provisions, employee benefits and leases	**26**	20
Depreciation, amortisation and impairment	**14**	3
Investments in associates and joint ventures	**(15)**	40
Other individually insignificant balances	**28**	7
Deferred tax expense	**53**	70

Recognition and measurement

Current taxes

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to taxation authorities at the tax rates and tax laws enacted or substantively enacted by the balance sheet date.

Deferred taxes

Deferred income tax is provided using the full liability balance sheet method. Deferred income tax assets are recognised for all deductible temporary differences, carried forward unused tax assets and unused tax losses, to the extent it is probable that future taxable profits will be available to utilise them.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date.

Deferred income tax is provided on temporary differences at the balance sheet date between accounting carrying amounts and the tax bases of assets and liabilities, other than for the following:

- Where they arise from the initial recognition of an asset or liability in a transaction that is not a business combination and at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- Where taxable temporary differences relate to investments in subsidiaries, associates and interests in joint ventures:
  i. Deferred tax liabilities are not recognised if the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.
  ii. Deferred tax assets are not recognised if it is not probable that the temporary differences will reverse in the foreseeable future and future taxable profits will not be available to utilise the temporary differences.

Income taxes relating to items recognised directly in equity are recognised in equity and not in the income statement.

Offsetting deferred tax balances

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

Key judgement: unrecognised deferred tax assets

Capital losses: The Group has unrecognised benefits relating to carried forward unused capital losses. Currently, it is not certain that the Group will generate sufficient future taxable capital gains required to recognise a deferred tax asset for these carried forward capital losses. The unrecognised deferred tax assets of $11 million (2022: $10 million) relate wholly to capital losses in Australia.

Key judgement: unrecognised deferred tax liability

A deferred tax liability has not been recognised on indefinite life intangibles for which the carrying value has been assessed as recoverable through sale, consistent with the Group's practice and strategy to maximise shareholder returns through value-adding transactions.

Refer to note 29 for tax transparency disclosures.

Notes to the financial statements: Group balance sheet

For the year ended 30 June 2023

4. Cash and cash equivalents

	Consolidated	
	2023 $m	2022 $m
For the purposes of the cash flow statement, cash and cash equivalents comprise the following:		
Cash on hand and in transit	**252**	238
Cash at bank and on deposit	**254**	279
Cash held in joint operation	**167**	188
	673	705
Reconciliation of net profit after tax to net cash flows from operations		
Net profit	**2,465**	2,352
Adjusted for		
Depreciation and amortisation	**1,701**	1,575
Impairment of assets	**36**	33
Net gain on disposal of non-current assets including investments and associates	**(32)**	(53)
Share of net profits of associates and joint ventures	**(9)**	(173)
Dividends and distributions received from associates	**48**	48
Discount adjustment in other finance costs	**6**	2
Amortisation of debt establishment costs	**4**	5
Other	**18**	13
(Increase)/decrease in assets		
Trade and other receivables	**13**	(212)
Inventories	**57**	(1,183)
Current tax receivable	**(40)**	-
Prepayments	**28**	(60)
Deferred tax assets	**(37)**	29
Other assets	**(1)**	(10)
Increase/(decrease) in liabilities		
Trade and other payables	**(48)**	322
Current tax payable	**-**	(360)
Provisions	**(62)**	(68)
Other liabilities	**32**	41
Net cash flows from operating activities	**4,179**	2,301

Recognition and measurement

Cash at bank and on deposit

Cash and short-term deposits in the balance sheet comprise cash at bank and on hand, and short-term deposits with an original maturity of three months or less and are classified as financial assets held at amortised cost.

Cash at bank earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective deposit rates.

Cash at bank and on deposit is held with banks and financial institutions with investment grade credit ratings. Refer to note 17(D) for credit risk disclosures.

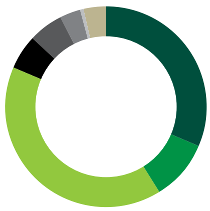
Cash held in joint operation

Cash held in joint operation is only available for use within the joint operation.

4. Cash and cash equivalents (continued)

	Consolidated	
	2023 $m	2022 $m
Cash capital expenditure		
Payments for property	**100**	97
Payments for plant and equipment	**1,054**	869
Payments for intangibles	**132**	174
Payments for mineral exploration	**2**	4
	1,288	1,144
Proceeds from sale of property, plant, equipment and intangibles	**(105)**	(260)
Net cash capital expenditure	**1,183**	884

Cash capital expenditure by segment for FY2023



	$m	%
Bunnings Group	405	31.4
Kmart Group	127	9.9
WesCEF	518	40.2
Officeworks	71	5.5
Industrial and Safety	73	5.7
Health	41	3.2
Catch	10	0.8
Other	43	3.3
Total	**1,288**	

5. Receivables

	Consolidated	
	2023 $m	2022 $m
Trade and other		
Trade receivables	**1,892**	1,938
Allowance for credit losses	**(63)**	(55)
Other debtors	**217**	211
	2,046	2,094
Allowance for credit losses		
Movements in the allowance account for expected credit losses were as follows:		
Carrying amount at beginning of year	**(55)**	(33)
Allowance for credit losses recognised	**(26)**	(17)
Acquisition of controlled entities	**-**	(16)
Write-offs	**14**	6
Unused allowance for credit losses reversed	**4**	5
Carrying amount at the end of the year	**(63)**	(55)

Recognition and measurement

Trade receivables and other debtors are all classified as financial assets held at amortised cost on the basis they are held with the objective of collecting contractual cash flows and the cash flows relate to payments of principal and interest on the principal amount outstanding.

Notes to the financial statements: Group balance sheet

For the year ended 30 June 2023

5. Receivables (continued)

Trade receivables

Trade receivables generally have terms of up to 30 days, extending up to 120 days in relation to the Health segment. They are recognised initially in accordance with the Group's revenue policy and subsequently measured at amortised cost using the effective interest method, less an allowance for credit losses. Refer to note 17(D) for a description of the application of the simplified approach to determine lifetime expected credit loss (ECL) on trade receivables and details of the Group's credit risk exposure.

Other debtors

These amounts generally arise from transactions with the Group's suppliers. It is expected that other debtors' balances will be received when due.

Key estimate: recoverability of trade and other receivables

Management judgement is applied in assessing the recoverability of trade and other receivables on an ongoing basis. Recoverability of specific debtors is assessed with reference to the debtor's ability to repay, which includes:

- The anticipated liquidity of the debtor;
- The estimated value of security held by the Group over the debtor's property and assets;
- The estimated value of other security held, including retention of title of the inventory; and
- The ranking of the Group's debt compared to other creditors of the debtor.

The Group's exposure to potential bad debts is not significant and default rates have historically been very low. Trade receivables are written off when there is no reasonable expectation of recovery, which may be indicated by the debtor failing to engage in a payment plan or failing to make timely contractual payments. Reasonably possible changes in these estimates are unlikely to have a material impact on the trade and other receivables balance.

Refer to note 17(D) for further information on the Group's ECL matrix.

6. Inventories

	Consolidated	
	2023	2022
	$m	$m
Raw materials	**34**	28
Finished goods	**5,997**	6,047
Right-of-return assets	**8**	9
	6,039	6,084

Recognition and measurement

Inventories are valued at the lower of cost and net realisable value. The net realisable value of inventories is the estimated selling price in the ordinary course of business less estimated costs to sell.

6. Inventories (continued)

Costs incurred in bringing each product to its present location and condition are accounted for as follows:

- **Raw materials**: purchase cost on a weighted average basis.
- **Manufactured finished goods**: cost of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity.
- **Retail and wholesale finished goods**: purchase cost on a weighted average basis, after deducting any settlement discounts and supplier rebates, and including logistics expenses incurred in bringing the inventories to their present location and condition.

Volume-related supplier rebates, and supplier promotional rebates where they exceed spend on promotional activities, are accounted for as a reduction in the cost of inventory and recognised in the income statement when the inventory is sold.

Key estimate: net realisable value

The key assumptions, which require the use of management judgement, are the variables affecting costs recognised in bringing the inventory to their location and condition for sale, estimated costs to sell and the expected selling price. These key assumptions are reviewed at least annually. The total net expense relating to inventory writedowns during the year was $50 million (2022: $20 million). Reasonably possible changes in these estimates are unlikely to have a material impact.

Key estimate: supplier rebates

The recognition of certain supplier rebates in the income statement requires management to estimate both the volume of purchases that will be made during a period of time and the related product that was sold and remains in inventory at the reporting date. Management's estimates are based on existing and forecast inventory turnover levels and sales. Reasonably possible changes in these estimates are unlikely to have a material impact.

7. Other financial assets

	Consolidated	
	2023	2022
	$m	$m
Financial assets measured at FVOCI	**14**	675
Other	**1**	2
	15	677

On 12 April 2023, Wesfarmers sold its remaining 2.8 per cent interest (37,193,541 shares) in Coles. Dividends received from Coles for the year ended 30 June 2023 prior to the sale totalled $25 million (2022: $40 million).

Recognition and measurement

The Group's other financial assets primarily comprise equity instruments measured at fair value through other comprehensive income (FVOCI). Fair value gains and losses are presented in other comprehensive income and there is no subsequent reclassification of fair value gains and losses to the income statement on derecognition. Dividends are recognised in the income statement as other revenue when the Group's right to payment is established.

Notes to the financial statements: Group balance sheet

For the year ended 30 June 2023

8. Property, plant and equipment

	PROPERTY		PLANT AND EQUIPMENT			
Consolidated	Land $m	Buildings $m	Leasehold improvements $m	Plant, vehicles and equipment[1] $m	Mine properties[1] $m	Total $m
Year ended 30 June 2023						
Gross carrying amount - at cost	**323**	**535**	**954**	**8,490**	**929**	**11,231**
Accumulated depreciation and impairment	**-**	**(206)**	**(599)**	**(5,061)**	**-**	**(5,866)**
Net carrying amount	**323**	**329**	**355**	**3,429**	**929**	**5,365**
Movement						
Net carrying amount at the beginning of the year	**321**	**297**	**394**	**2,868**	**870**	**4,750**
Additions[2]	**7**	**93**	**39**	**978**	**59**	**1,176**
Disposals and write-offs	**(6)**	**(46)**	**(4)**	**(5)**	**-**	**(61)**
Impairment	**-**	**-**	**(1)**	**(8)**	**-**	**(9)**
Depreciation and amortisation	**-**	**(15)**	**(73)**	**(408)**	**-**	**(496)**
Acquisition/(disposal) of controlled entities	**-**	**-**	**-**	**2**	**-**	**2**
Other including foreign exchange movements	**1**	**-**	**-**	**2**	**-**	**3**
Net carrying amount at the end of the year	**323**	**329**	**355**	**3,429**	**929**	**5,365**
Assets under construction included above	**-**	**87**	**28**	**1,033**	**-**	**1,148**
Year ended 30 June 2022						
Gross carrying amount - at cost	321	489	934	7,648	870	10,262
Accumulated depreciation and impairment	-	(192)	(540)	(4,780)	-	(5,512)
Net carrying amount	321	297	394	2,868	870	4,750
Movement						
Net carrying amount at the beginning of the year	369	324	377	2,458	833	4,361
Additions[2]	37	60	86	739	37	959
Disposals and write-offs	(87)	(93)	(1)	(1)	-	(182)
Impairment	-	-	(9)	(8)	-	(17)
Depreciation and amortisation	-	(15)	(73)	(382)	-	(470)
Acquisition of controlled entities	4	3	15	84	-	106
Transfers	-	18	-	(18)	-	-
Other including foreign exchange movements	(2)	-	(1)	(4)	-	(7)
Net carrying amount at the end of the year	321	297	394	2,868	870	4,750
Assets under construction included above	-	46	17	614	870	1,547

1 The mine under construction of $1,150 million, as disclosed in 2022, has been reclassified to plant, vehicles and equipment ($280 million) and mine properties ($870 million).

2 The 2023 additions include the capitalisation of $42 million of borrowing costs (2022: $34 million).

Recognition and measurement

The carrying value of property, plant and equipment is measured as the cost of the asset, less accumulated deprecation and impairment. The cost of the asset also includes the cost of replacing parts that are eligible for capitalisation, and the cost of major inspections. The cost of mine properties comprises the transferred value of mineral rights (exploration and evaluation expenditure), subsequent construction costs, any costs directly attributable to bringing the asset into operation, and, for qualifying assets, borrowing costs.

Depreciation and amortisation

Items of property, plant and equipment are depreciated on a straight-line basis over their useful lives. The estimated useful life of buildings is between 20 and 40 years and plant, vehicles and equipment is between three and 40 years. Land is not depreciated.

Mine properties are depreciated over the life of mine, based on the rate of depletion of economically recoverable reserves, once production has commenced.

Leasehold improvements are amortised over the period of the lease or the anticipated useful life of the improvements, whichever is shorter.

Derecognition

An item of property, plant and equipment is derecognised when it is sold or otherwise disposed of, or when its use is expected to bring no future economic benefits. Any gain or loss from derecognising the asset (the difference between the proceeds of disposal and the carrying amount of the asset) is included in the income statement in the period the item is derecognised.

Impairment

Refer to note 19 for details on impairment testing.

Notes to the financial statements: Group balance sheet

For the year ended 30 June 2023

8. Property, plant and equipment (continued)

Key estimates: property, plant and equipment

The estimations of useful lives, residual value and depreciation and amortisation methods require management judgement and are reviewed annually. If they need to be modified, the change is accounted for prospectively from the date of reassessment until the end of the revised useful life (for both the current and future years). Such revisions are generally required when there are changes in economic circumstances impacting the specific assets or groups of assets, such as a change in store performance or the life of mine.

These changes are limited to specific assets and as such, any reasonably possible change in the estimate is unlikely to have a material impact on the estimations of useful lives, residual values or depreciation and amortisation methods.

Key judgement: assets under construction

The Mt Holland lithium project (the Project) consists of mine properties, and plant, vehicles and equipment. The determination of when the individual components of the Project are substantially complete and ready for intended use, requires management judgement, which considers the following factors:

- The level of capital expenditure incurred to date compared with the original construction cost estimates;
- Whether the majority of the assets are substantially complete and ready for use;
- Whether the completion of a reasonable period of testing each asset has occurred;
- Whether the ability to produce mineral resources in a saleable form (within specifications) has been demonstrated; and
- Whether the ability to sustain ongoing production has been demonstrated.

As at 30 June 2023, the Project's mine properties were determined to be in production and commenced depreciation. The concentrator and refinery continue to be classified as assets under construction within plant, vehicles and equipment.

9. Goodwill and intangible assets

Consolidated	Goodwill $m	Brand $m	Contractual and non-contractual relationships $m	Software $m	Total $m
Year ended 30 June 2023					
Gross carrying amount - at cost	**3,846**	**1,321**	**131**	**1,013**	**6,311**
Accumulated amortisation and impairment	**(494)**	**(498)**	**(55)**	**(572)**	**(1,619)**
Net carrying amount	**3,352**	**823**	**76**	**441**	**4,692**
Movement					
Net carrying amount at the beginning of the year	**3,337**	**824**	**84**	**439**	**4,684**
Additions	**-**	**-**	**-**	**112**	**112**
Disposals and write-offs	**-**	**-**	**-**	**(6)**	**(6)**
Impairment	**-**	**-**	**-**	**(4)**	**(4)**
Amortisation	**-**	**(1)**	**(8)**	**(109)**	**(118)**
Acquisition/(disposal) of controlled entities	**15**	**-**	**-**	**9**	**24**
Net carrying amount at the end of the year	**3,352**	**823**	**76**	**441**	**4,692**
Year ended 30 June 2022					
Gross carrying amount - at cost	3,831	1,321	131	896	6,179
Accumulated amortisation and impairment	(494)	(497)	(47)	(457)	(1,495)
Net carrying amount	3,337	824	84	439	4,684
Movement					
Net carrying amount at the beginning of the year	2,967	617	29	289	3,902
Additions	-	1	-	195	196
Disposals and write-offs	-	-	-	(3)	(3)
Amortisation	-	(1)	(10)	(74)	(85)
Acquisition of controlled entities	370	207	65	32	674
Net carrying amount at the end of the year	3,337	824	84	439	4,684

Notes to the financial statements: Group balance sheet

For the year ended 30 June 2023

9. Goodwill and intangible assets (continued)

Recognition and measurement

Goodwill

Goodwill acquired in a business combination is initially measured at cost. Cost is measured as the cost of the business combination minus the net fair value of the acquired and identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition.

Following initial recognition, intangible assets are carried at cost less accumulated amortisation and any impairment losses. Intangible assets with finite lives are amortised on a straight-line basis over their useful lives and tested for impairment whenever there is an indication that they may be impaired.

The amortisation period and method are reviewed at each financial year-end. Intangible assets with indefinite useful lives are tested for impairment in the same way as goodwill.

A summary of the useful lives of intangible assets is as follows:

Intangible asset	Useful life
Brand[1]	Indefinite and finite (up to 20 years)
Contractual and non-contractual relationships[2]	Finite (up to 15 years)
Software	Finite (up to 10 years)

[1] Includes trade names and other intangible assets with characteristics of a brand.

[2] Contractual and non-contractual relationships are intangible assets that have arisen through business combinations. They represent the value of pre-existing customer relationships in the acquired company.

Assets with an assumed indefinite useful life are reviewed at each reporting period to determine whether this assumption continues to be appropriate. If not, it is changed to a finite life and accounted for prospectively as a change in accounting estimate.

Impairment

Refer to note 19 for details on impairment testing.

Key judgement: useful lives of intangible assets

Certain brands have been assessed as having indefinite useful lives on the basis of strong brand strength, ongoing expected profitability and continuing support. The brand incorporates complementary assets such as store formats, networks and product offerings.

Key judgement: capitalisation of software costs

Configuration and customisation costs incurred in a Software-as-a-Service (SaaS) arrangement, that is a service agreement, are recognised as an operating expense. The exception is where the Group has the power to obtain the future economic benefits flowing from the underlying resource and to restrict the access of others to those benefits. Under this scenario, an intangible asset that the Group controls is created and therefore capitalised.

	Consolidated	
	2023 $m	2022 $m
Allocation of goodwill to groups of cash generating units		
Carrying amount of goodwill		
Bunnings Group	**877**	876
Kmart Group	**856**	856
WesCEF	**2**	2
Officeworks	**816**	816
Industrial and Safety	**418**	421
Health	**383**	366
	3,352	3,337
Allocation of indefinite life intangible assets to groups of cash generating units		
Carrying amount of indefinite life intangibles		
Bunnings Group	**14**	14
Kmart Group	**415**	415
Officeworks	**160**	160
Industrial and Safety	**22**	22
Health	**194**	194
Catch	**18**	18
Other	**-**	1
	823	824

Notes to the financial statements: Group balance sheet

For the year ended 30 June 2023

10. Leases

Group as a lessee

The Group has leases primarily in relation to retail and distribution properties, in addition to offices, motor vehicles and office equipment. The lease terms vary significantly and can include escalation clauses, renewal or purchase options and termination rights. Escalation clauses vary between fixed rate, inflation-linked, market rent and combination reviews. Changes to rental terms linked to inflation or market rent reviews typically occur on an annual or five-yearly basis.

Set out below are the carrying amounts of the right-of-use assets and the movements during the year.

	RIGHT-OF-USE ASSETS			
Consolidated	Land $m	Buildings $m	Vehicles and other $m	Total $m
Year ended 30 June 2023				
Gross carrying amount - at cost	**111**	**9,442**	**73**	**9,626**
Accumulated depreciation and impairment	**(22)**	**(3,906)**	**(22)**	**(3,950)**
Net carrying amount	**89**	**5,536**	**51**	**5,676**
Movement				
Net carrying amount at the beginning of the year	**72**	**5,896**	**46**	**6,014**
Net additions[1]	**24**	**709**	**14**	**747**
Impairment, net of reversals	**-**	**(1)**	**-**	**(1)**
Depreciation	**(7)**	**(1,072)**	**(8)**	**(1,087)**
Acquisition/(disposal) of controlled entities	**-**	**(3)**	**(1)**	**(4)**
Other including foreign exchange movements	**-**	**7**	**-**	**7**
Net carrying amount at the end of the year	**89**	**5,536**	**51**	**5,676**
Year ended 30 June 2022				
Gross carrying amount - at cost	87	8,804	62	8,953
Accumulated depreciation and impairment	(15)	(2,908)	(16)	(2,939)
Net carrying amount	72	5,896	46	6,014
Movement				
Net carrying amount at the beginning of the year	48	5,949	38	6,035
Net additions[1]	30	756	12	798
Impairment, net of reversals	-	(4)	-	(4)
Depreciation	(6)	(1,008)	(6)	(1,020)
Acquisition of controlled entities	-	216	2	218
Other including foreign exchange movements	-	(13)	-	(13)
Net carrying amount at the end of the year	72	5,896	46	6,014

[1] Includes new leases, reassessments and remeasurements, net of terminated leases.

Notes to the financial statements: Group balance sheet

For the year ended 30 June 2023

10. Leases (continued)

Set out below are the carrying amounts of the lease liabilities and the movements during the year.

	Consolidated	
	2023	2022
	$m	$m
Current	**1,135**	1,100
Non-current	**5,604**	6,023
Total lease liabilities	**6,739**	7,123
Movement		
Net carrying amount at the beginning of the year	**7,123**	7,105
Net additions[1]	**755**	818
Accretion of interest	**219**	217
Gross lease payments	**(1,361)**	(1,246)
Acquisition/(disposal) of controlled entities	**(4)**	244
Other including foreign exchange movements	**7**	(15)
Net carrying amount at the end of the year	**6,739**	7,123

1 Includes new leases, reassessments and remeasurements, net of terminated leases.

The maturity profile of the Group's lease liabilities based on contractual undiscounted payments is provided in note 17(B).

The Group has a number of lease contracts that include extension options. Management exercises significant judgement in determining whether these extension options are reasonably certain to be exercised. Further details on this key judgement are provided on the following page.

Lease extension options are available in respect of 75 per cent (2022: 76 per cent) of the Group's land and building leases. The number and extent of available lease extension options differs considerably between leases. Where the Group has deemed the exercise of available option periods to be reasonably certain, those option periods have been included in the lease term and are therefore incorporated in the recorded lease liability of $6,739 million (2022: $7,123 million). A number of available option periods, which are exercisable at the discretion of the Group as lessee, have not been included in the recorded lease liability on the basis that they are not reasonably certain to be exercised, and do not represent liabilities of the Group at 30 June 2023.

The following are the lease-related amounts recognised in the income statement.

	Consolidated	
	2023	2022
	$m	$m
Depreciation of right-of-use assets	**1,087**	1,020
Interest on lease liabilities	**219**	217
Included in occupancy-related expenses:		
Short-term and low-value lease payments	**35**	28
Contingent rental payments	**51**	30
Outgoings and other	**419**	384
Total amount recognised in the income statement	**1,811**	1,679

Recognition and measurement

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The initial cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, any restoration costs and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets. The estimated useful lives of the right-of-use land and building assets are between one and 42 years and right-of-use vehicles and other assets are between one and 20 years. The right-of-use assets are also subject to impairment, assessed in accordance with the Group's impairment policy.

Lease liabilities

Lease liabilities are recognised by the Group at the commencement date of the lease. Lease liabilities are measured at the present value of lease payments to be made over the lease term.

The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group. Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs.

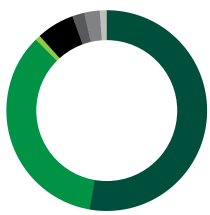
In calculating the present value of lease payments, the Group uses its incremental borrowing rate (IBR) at the lease commencement date where the interest rate implicit in the lease is not readily determinable. After the commencement date, the lease liability is increased to reflect the accretion of interest and reduced for lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g. changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment to purchase the underlying asset.

Short-term leases and lease of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases, which are defined as those leases that have a lease term of 12 months or less from the commencement date. It also applies the lease of low-value assets recognition exemption to leases that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expenses on a straight-line basis over the lease term.

Lease liabilities by segment

as at 30 June 2023



	$m	%
Bunnings Group	3,568	53.0
Kmart Group	2,341	34.7
WesCEF	61	0.9
Officeworks	413	6.1
Industrial and Safety	130	1.9
Health	156	2.3
Catch	53	0.8
Other	17	0.3
Total	**6,739**	

Notes to the financial statements: Group balance sheet

For the year ended 30 June 2023

10. Leases (continued)

Key judgements and estimates: leases

Lease term

The lease term is considered to be a key judgement. At lease commencement, Wesfarmers considers an option to extend a lease to be reasonably certain when there is a clear economic incentive for extension, such as:

- favourable contractual terms and conditions in the option period compared to market rates;
- leasehold improvements have recently been undertaken and are likely to have significant residual value at the end of the current lease period;
- significant termination costs exist; or
- the underlying asset is important to the Group's operations.

After lease commencement, options to extend are reassessed upon the occurrence of a significant event or change in circumstance.

Discount rate

The discount rates applied in measuring the lease liability are a key estimate. As at 30 June 2023, the rates were between 1.0 and 5.9 per cent (2022: between 0.8 and 5.0 per cent) for the Group's land and buildings leases. On commencement of a lease, the future lease payments are discounted using the IBR where the interest rate implicit in the lease is not readily available. The lessee's IBR reflects the Group's IBR adjusted for lease tenure and the currency of the lease. Where there is a lease modification, a revised discount rate is applied in remeasuring the lease liability.

Stand-alone price of lease and non-lease components

As applicable, the calculated lease liability excludes an estimate of the gross lease payments allocated to non-lease components. This estimate is determined on a lease-by-lease basis on inception of the lease.

In determining the stand-alone price of the lease and non-lease components, consideration is given to benchmark property outgoings and historical information of the Group's lease portfolio.

11. Provisions

	Consolidated	
	2023	2022
	$m	$m
Current		
Employee benefits	**869**	900
Self-insured risks	**123**	126
Restoration and restructuring	**48**	48
Other	**77**	89
	1,117	1,163
Non-current		
Employee benefits	**101**	110
Self-insured risks	**111**	109
Restoration and restructuring	**161**	154
Other	**1**	1
	374	374
Total provisions	**1,491**	1,537

Recognition and measurement

Provisions are recognised when:

- the Group has a present obligation (legal or constructive) as a result of a past event;
- it is probable that resources will be expended to settle the obligation; and
- a reliable estimate can be made of the amount of the obligation.

Key estimate: discounting

Provisions, other than employee benefits, are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability to the extent they are not included in the cash flows.

Employee benefits provision balances are calculated using discount rates derived from the high-quality corporate bond (HQCB) market in Australia provided by Milliman Australia. As at 30 June 2023, the rates were between 5.2 and 5.6 per cent (2022: between 3.6 and 5.3 per cent).

Notes to the financial statements: Group balance sheet

For the year ended 30 June 2023

11. Provisions (continued)

Employee benefits

The provision for employee benefits represents annual leave, long service leave entitlements and incentives accrued by employees.

Wages and salaries

Liabilities for wages and salaries, including non-monetary benefits expected to be settled within 12 months of the reporting date, are recognised in provisions and other payables in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled.

Annual leave and long service leave

The liability for annual leave and long service leave is recognised in the provision for employee benefits. The obligation is measured using the projected unit credit method. Expected future payments are discounted using market yields at the reporting date on HQCB with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

Key estimate: long service leave

Management judgement is required in determining the following key assumptions used in the calculation of long service leave at the balance sheet date:

- future increases in salaries and wages;
- future on-cost rates; and
- future probability of employee departures and period of service.

The total long service leave liability is $426 million (2022: $422 million). Given the magnitude of the liability and the nature of the key assumptions, any reasonably possible change in one or a combination of the assumptions is unlikely to have a material impact.

Self-insured risks

The Group is self-insured for workers' compensation and general liability claims. Provisions are recognised based on claims reported, and an estimate of claims incurred but not reported. These provisions are determined on a discounted basis, using an actuary valuation performed at each reporting date.

Key estimate: self-insured risks

The self-insured risk liability is based on a number of management estimates including, but not limited to:

- future inflation;
- investment return;
- average claim size;
- claim development; and
- claim administration expenses.

These assumptions are reviewed periodically and any reassessment of these assumptions will affect workers' compensation or claims expense (either increasing or decreasing the expense). Any reasonable change in these assumptions will not have a significant impact on the Group.

Restoration and restructuring

Make good

The Group recognises the present value of the estimated costs that may be incurred in restoring leased premises to their original condition at the end of the respective lease terms as a provision for make good. The costs are recognised as the obligation is incurred either at commencement of the lease or as a consequence of using the asset and are included in the cost of the right-of-use assets. This estimate is reviewed at each reporting date and adjusted for any known changes in the initial cost estimate.

Mine and plant rehabilitation

The Group's mining activities create obligations for site closure or rehabilitation when the environmental disturbance occurs. Provisions for closure and rehabilitation have been measured by calculating the present value of future rehabilitation costs using a risk-free discount rate over a period of up to 50 years.

Restructuring

Provisions for restructuring are recognised where steps have been taken to implement a detailed plan, including discussions with those impacted by it and relate principally to:

- the closure of retail outlets or distribution centres;
- restructuring; and
- associated redundancies.

Consolidated	Self-insured risks $m	Restoration and restructuring $m	Other $m	Total $m
Carrying amount at 1 July 2022	**235**	**202**	**90**	**527**
Net provisions arising during the year	**61**	**16**	**20**	**97**
Utilised	**(62)**	**(8)**	**(32)**	**(102)**
Acquisition/(disposal) of controlled entities	**-**	**(1)**	**-**	**(1)**
Carrying amount at 30 June 2023	**234**	**209**	**78**	**521**
Carrying amount at 1 July 2021	269	204	59	532
Net provisions arising during the year	19	13	30	62
Utilised	(53)	(23)	(38)	(114)
Acquisition of controlled entities	-	8	39	47
Carrying amount at 30 June 2022	235	202	90	527

Notes to the financial statements: **Capital**

For the year ended 30 June 2023

12. Capital management

The primary objective of Wesfarmers is to provide a satisfactory return to its shareholders. The Group aims to achieve this objective by:

- improving returns on invested capital relative to the cost of capital;
- ensuring a satisfactory return is made on any new capital invested; and
- returning capital to shareholders when appropriate.

Capital is defined as the combination of shareholders' equity, reserves and net debt (exclusive of lease liabilities). The Board is responsible for monitoring and approving the capital management framework within which management operates. The purpose of the framework is to safeguard the Group's ability to continue as a going concern while optimising its debt and equity structure to improve returns. Wesfarmers aims to maintain a capital structure that is consistent with a stable investment grade credit rating.

	Note	Consolidated 2023 $m	Consolidated 2022 $m
Equity and reserves			
Issued capital	14	**13,574**	13,574
Reserved shares	14	**(102)**	(102)
Retained earnings		**818**	485
Reserves	14	**(6,009)**	(5,976)
		8,281	7,981
Net debt (exclusive of lease liabilities)			
Total interest-bearing loans and borrowings	16	**4,430**	4,958
Less:			
Cash and cash equivalents	4	**(673)**	(705)
		3,757	4,253
Total capital		**12,038**	12,234

The Group manages its capital through various means, including:

- adjusting the amount of dividends paid to shareholders;
- maintaining a dividend investment plan;
- raising or returning capital; and
- raising or repaying debt for working capital requirements, capital expenditure and acquisitions.

Wesfarmers regularly monitors its capital requirements using various benchmarks, with the main internal measures being free cash flow and debt to EBITDA. The principal external measures are the Group's credit ratings from S&P Global Ratings and Moody's Investors Service.

	Consolidated 2023 $m	Consolidated 2022 $m
Free cash flow		
Net cash flows from operating activities	**4,179**	2,301
Less:		
Capital expenditure	**(1,288)**	(1,144)
Net disposals/(acquisitions)	**631**	(307)
Add:		
Proceeds from sale of property, plant and equipment and intangibles	**105**	260
Free cash flow	**3,627**	1,110
Debt to EBITDA[1]		
Total interest-bearing loans and borrowings	**4,430**	4,958
Total lease liabilities	**6,739**	7,123
Less:		
Cash and cash equivalents	**(673)**	(705)
Net debt (inclusive of lease liabilities) (A)	**10,496**	11,376
Profit before income tax	**3,509**	3,320
Interest on lease liabilities	**219**	217
Other finance costs	**135**	96
Depreciation and amortisation	**1,701**	1,575
EBITDA (B)	**5,564**	5,208
Debt to EBITDA (times) (A/B)	**1.9**	2.2
Group credit ratings		
S&P Global Ratings	**A-(stable)**	A-(stable)
Moody's Investors Service	**A3(stable)**	A3(stable)

[1] The calculation of debt to EBITDA may differ from the metrics calculated by the credit rating agencies, which each have their own methodologies for adjustments.

Notes to the financial statements: **Capital**

For the year ended 30 June 2023

13. Dividends and distributions

	Consolidated	
	2023 $m	2022 $m
Determined during the year (dividends fully-franked at 30 per cent)		
Interim dividend for 2023: $0.88 (2022: $0.80) per share	**998**	907
Final dividend for 2022: $1.00 (2021: $0.90) per share	**1,134**	1,020
Capital return for 2021: $2.00[1] per share	**-**	2,268
	2,132	4,195
Proposed and unrecognised as a liability (dividends fully-franked at 30 per cent)		
Final dividend for 2023: $1.03 (2022: $1.00) per share	**1,169**	1,134
	1,169	1,134
Franking credit balance		
Franking credits available for future years at 30 per cent adjusted for debits and credits arising from the payment of income tax payable/(receivable) and from recognised dividends receivable or payable	**884**	768
Impact on the franking account of dividends proposed before the financial report was issued but not recognised as a distribution to equity holders during the year	**(501)**	(486)

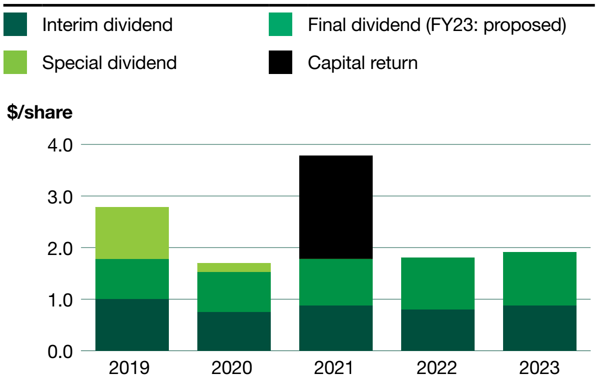
[1] A capital return to shareholders of 200 cents per share was paid on 2 December 2021.

Wesfarmers' dividend policy considers availability of franking credits, current earnings and future cash flow requirements and targeted credit metrics.

The Group operates a dividend investment plan which allows eligible shareholders to elect to invest their dividends in ordinary shares. All holders of Wesfarmers ordinary shares with addresses in Australia or New Zealand are eligible to participate in this plan. The allocation price for shares is based on the average of the daily volume-weighted average price of Wesfarmers ordinary shares sold on the ASX, calculated with reference to a pricing period as determined by the directors.

An issue of shares under the dividend investment plan results in an increase in issued capital unless the Group elects to purchase the required number of shares on-market.

Shareholder distributions



14. Equity and reserves

The nature of the Group's contributed equity

Ordinary shares are fully paid and have no par value. They carry one vote per share and the right to dividends. They bear no special terms or conditions affecting income or capital entitlements of the shareholders and are classified as equity.

Reserved shares are ordinary shares that have been repurchased by the company and are being held for future use. They include employee reserved shares, which are shares issued to employees under the share loan plan. Once the share loan has been paid in full, they are converted to ordinary shares and issued to the employee.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds. There are no shares authorised for issue that have not been issued at the reporting date.

Movement in shares on issue	Ordinary Shares '000	Ordinary Shares $m	Reserved Shares '000	Reserved Shares $m
At 1 July 2022	**1,134,145**	**13,574**	**(2,349)**	**(102)**
Exercise of in-substance options	**-**	**-**	**939**	**-**
KEEPP[1] vested during the year	**-**	**-**	**339**	**-**
Issue of unquoted fully-paid ordinary shares for the purposes of KEEPP	**369**	**-**	**(369)**	**-**
At 30 June 2023	**1,134,514**	**13,574**	**(1,440)**	**(102)**
At 1 July 2021	1,133,840	15,826	(2,483)	(102)
Exercise of in-substance options	-	-	94	-
KEEPP vested during the year	-	-	345	-
Issue of unquoted fully-paid ordinary shares for the purposes of KEEPP	305	-	(305)	-
Transfer from other reserves	-	16	-	-
Capital return	-	(2,268)	-	-
At 30 June 2022	1,134,145	13,574	(2,349)	(102)

[1] Key Executive Equity Performance Plan.

Notes to the financial statements: Capital

For the year ended 30 June 2023

14. Equity and reserves (continued)

	Consolidated 2023 $m	2022 $m	Nature and purpose
Cash flow hedge reserve	**38**	106	The hedging reserve is used to record the portion of the unrealised gain or loss on a hedging instrument in a cash flow hedge that is determined to be in an effective hedge relationship. The change in cash flow hedge reserve for the year ended 30 June 2023 includes the after-tax net movement in the market value of cash flow hedges from 30 June 2022, and comprised a $(55) million (2022: $72 million) movement in foreign exchange rate contracts, a $(22) million (2022: $8 million) movement in cross-currency interest rate swaps, an $8 million movement in interest rate swaps (2022: nil), a $1 million (2022: $5 million) movement in associates and joint ventures reserves and a nil movement (2022: $(3) million) in commodity swaps.
Demerger reserve	**(5,860)**	(5,860)	The demerger reserve is used to recognise the gain on demerger of Coles and the demerger dividend.
Financial assets reserve	**71**	48	The financial assets reserve is used to record fair value changes on financial assets measured at fair value through other comprehensive income.
Foreign currency translation reserve	**39**	34	The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.
Leasing reserve	**(518)**	(518)	The leasing reserve is used to recognise the cumulative effect of applying AASB 16 Leases at the date of initial application.
Share-based payments reserve	**54**	40	The share-based payments reserve is used to recognise the value of equity-settled share-based payments provided to employees, including key management personnel, as part of their remuneration.
Other reserves	**167**	174	The other reserves consists of the restructure tax reserve, capital reserve and general reserve.
Total reserves	**(6,009)**	(5,976)	

15. Earnings per share

	Consolidated 2023	2022
Profit attributable to ordinary equity holders of the parent ($m)	**2,465**	2,352
WANOS[1] used in the calculation of basic EPS (shares, million)[2]	**1,132**	1,132
WANOS[1] used in the calculation of diluted EPS (shares, million)[2]	**1,133**	1,133
- Basic EPS (cents per share)	**217.8**	207.8
- Diluted EPS (cents per share)	**217.6**	207.6

[1] Weighted average number of ordinary shares.

[2] The variance in the WANOS used in the calculation of the basic EPS and the diluted EPS is attributable to the dilutive effect of in-substance options and restricted shares.

There have been no transactions involving ordinary shares between the reporting date and the date of completion of these financial statements, apart from the normal conversion of employee reserved shares (treated as in-substance options) to unrestricted ordinary shares.

Basic EPS

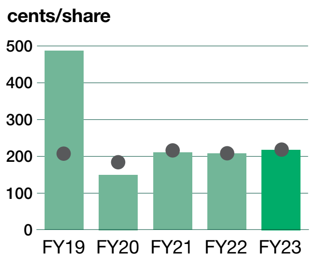
Basic EPS is calculated as net profit attributable to equity holders of the parent, adjusted to exclude any costs of servicing equity (other than dividends), divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted EPS

Diluted EPS is calculated as basic earnings per share with an adjustment for the weighted average number of ordinary shares that would be issued on conversion of all dilutive potential ordinary shares. Dilution arises as a result of the employee reserved shares issued under the employee share plan being accounted for as in-substance options and unvested restricted shares.

Basic earnings per share

217.8 cents



	Reported basic EPS	Adjusted basic EPS
FY23	**217.8**	**217.8**
FY22	207.8	207.8
FY21[1]	210.4	214.1
FY20[2]	150.0	183.4
FY19[3]	487.2	206.8

Reported basic EPS   Basic EPS adjusted for significant items

[1] FY2021 EPS of 210.4 cents per share includes significant items relating to the restructure of the Kmart Group. Excluding these items, adjusted basic EPS is 214.1 cents per share.

[2] FY2020 EPS of 150.0 cents per share includes significant items relating to non-cash impairments, write-offs and provisions for the Kmart Group, the non-cash impairment of Industrial and Safety, the finalisation of tax positions on prior year disposals and the gain on sale of 10.1 per cent interest in Coles and subsequent revaluation of the retained interest. Excluding these items, adjusted basic EPS is 183.4 cents per share.

[3] FY2019 EPS of 487.2 cents per share includes significant items relating to the gains on disposal of Bengalla, Kmart Tyre and Auto Service and Quadrant Energy, the gain on demerger of Coles and the provision for Coles' supply chain automation. Excluding these items, adjusted basic EPS is 206.8 cents per share.

Notes to the financial statements: **Capital**

For the year ended 30 June 2023

16. Interest-bearing loans and borrowings

	Consolidated	
	2023 $m	2022 $m
Current		
Unsecured		
Capital markets debt	**-**	988
	-	988
Non-current		
Unsecured		
Bank debt	**2,452**	2,067
Capital markets debt	**1,978**	1,903
	4,430	3,970
Total interest-bearing loans and borrowings	**4,430**	4,958

Recognition and measurement

Capital markets debt includes foreign and domestic corporate bonds. All loans and borrowings are initially recognised at fair value, less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in the income statement when the liabilities are derecognised.

The carrying values of liabilities that are the hedged items in fair value hedge relationships, which are otherwise carried at amortised cost, are adjusted to record changes in the fair values attributable to the risks that are being hedged. Fair value gains and losses are recognised in the income statement.

Funding strategies

The Group's funding strategy is to maintain diversity of funding sources and a presence in key financing markets, maintain an appropriate average maturity, and balance exposures to fixed and floating rates.

Funding strategies (continued)

In August 2022, EUR650 million (A$764 million, net of cross-currency interest rate swaps) of bonds matured and were repaid from available cash balances and bank debt facilities. Additionally, throughout the period, a number of bilateral bank agreements have been extended or entered into to maintain the Group's debt capacity and average maturity profile.

The Group had unused bank financing facilities available at 30 June 2023 of $2,625 million (30 June 2022: $2,099 million).

Sustainability and climate targets in sustainability-linked bonds and loans

As at 30 June 2023, the Group has outstanding AUD and Euro denominated sustainability-linked bonds (SLBs) totalling A$1,978 million (2022: A$1,903 million). The SLBs highlight the significance of the Group's sustainability priorities in supporting long-term funding and value creation.

The interest rates payable on the SLBs are linked to two sustainability performance targets (SPT). The SPTs relate to achieving 100 per cent renewable electricity in Bunnings, Kmart, Target and Officeworks by 31 December 2025 and limiting the CO_2e emissions intensity in ammonium nitrate production in the WesCEF division for the 24 months to 31 December 2025. If the SPTs are not met, there will be a maximum coupon step-up of 25 basis points (12.5 basis points per SPT).

The Group has sustainability-linked loans (SLLs) totalling $400 million (2022: $400 million). As at 30 June 2023, the Group had drawn $50 million (2022: $400 million). The interest rates payable on the SLLs are linked to the Group's progress on Indigenous employment and emissions intensity in ammonium nitrate production in the WesCEF division consistent with the SLBs.

	Liabilities from financing activities			
Consolidated	**Borrowings due within one year $m**	**Borrowings due after one year $m**	**Derivatives held to hedge borrowings $m**	**Total $m**
Balance as at 1 July 2022	**988**	**3,970**	**(195)**	**4,763**
Cash inflows	**-**	**380**	**-**	**380**
Cash outflows	**(765)**	**-**	**-**	**(765)**
Acquisition of controlled entities	**1**	**-**	**-**	**1**
Foreign exchange adjustments	**(224)**	**78**	**149**	**3**
Other non-cash movements	**-**	**2**	**32**	**34**
Balance as at 30 June 2023	**-**	**4,430**	**(14)**	**4,416**
Balance as at 1 July 2021	950	2,072	(335)	2,687
Cash inflows	-	2,961	-	2,961
Cash outflows	(1,166)	-	-	(1,166)
Transfers	1,028	(1,035)	-	(7)
Acquisition of controlled entities	300	-	-	300
Foreign exchange adjustments	(126)	(25)	152	1
Other non-cash movements	2	(3)	(12)	(13)
Balance as at 30 June 2022	988	3,970	(195)	4,763

Notes to the financial statements: Risk

For the year ended 30 June 2023

17. Financial risk management

The Group holds financial instruments for the following purposes:

- **Financing:** to raise finance for the Group's operations or, in the case of short-term deposits, to invest surplus funds. The types of instruments used include bank debt, capital markets debt, cash and short-term deposits.
- **Operational:** the Group's activities generate financial instruments, including cash, trade receivables, trade payables and finance advances.
- **Risk management:** to reduce risks arising from the financial instruments described above, including foreign exchange contracts, interest rate swaps and cross-currency interest rate swaps.

It is, and has been throughout the year, the Group's policy that no speculative trading in financial instruments shall be undertaken.

The Group's holding of these financial instruments exposes it to risk. The Board reviews and agrees the Group's policies for managing each of these risks, which are summarised in the table below:

Risk	Exposure	Management
Liquidity risk (note 17(B))		
	The Group's exposure to liquidity risk arises through volatility of cash flows due to trading patterns or conditions, interruptions to cash flows due to technological incidents or banking system incidents, or interruptions to funding sources and markets. The Group's exposure also includes a risk that the Group may not be able to repay or refinance its interest-bearing loans and borrowings when due.	Liquidity risk is managed centrally by Group Treasury through detailed forecasting of the operating cash flows of the underlying businesses and maintenance of appropriate cash and bank facility arrangements to cover reasonably foreseeable events. The Group maintains diversity of funding sources and an appropriate average maturity. The Group aims to spread maturities to avoid excessive refinancing in any period. The Group also maintains investment grade credit ratings from S&P Global Ratings and Moody's Investors Service, which support its ability to raise additional debt in capital markets when necessary.
Market risk (note 17(C))		
Foreign currency risk	The Group's primary currency exposure is to the US dollar and arises from sales or purchases by a division in currencies other than the division's functional currency. The Group is also exposed to the Euro through its capital markets debt. As a result of operations in New Zealand, the Group's balance sheet can also be affected by movements in the AUD/NZD exchange rate.	The objective of the Group's policy on foreign exchange hedging is to protect the Group from adverse currency fluctuations. Hedging is implemented for the following reasons: • protection of competitive position; and • greater certainty of earnings due to protection from sudden currency movements. The Group manages foreign exchange risk centrally by hedging material foreign exchange exposures for firm sales or purchases or when highly probable forecast transactions have been identified (including funding transactions). The level of hedging is higher for near-term forecast transactions than for longer term forecast transactions. The Group also aims to hedge 100 per cent of capital expenditure-related foreign currency purchases to match expected payment dates and these may extend beyond 12 months. The Group mitigates the effect of its translational currency exposure to its New Zealand operations by borrowing in New Zealand dollars.
Interest rate risk	The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's debt obligations that have floating interest rates.	The Group maintains a balance of exposure to floating and fixed rate debt, and aims to spread debt renewals to avoid all renewals occurring in the same period. The Group may hedge borrowings to fixed or floating rates as appropriate to manage exposure levels. These swaps are designated to hedge interest costs associated with underlying debt obligations.
Commodity price risk	The Group's exposure to commodity price risk is operational and arises from changes in the prices of inputs and inventory used by divisions, including where the division must reimburse a third party for costs incurred by that party (for example, fuel costs as part of transport services), which may negatively impact the Group's cash flow or profitability.	When appropriate and effective, the Group manages commodity price risk centrally by hedging material commodity exposures. The Group does not currently enter into any financial instruments that vary with movements in commodity prices. The foreign exchange risk component may be managed as part of the Group's foreign exchange risk management policies. The Group's other commodity 'own use contracts' are outside the scope of AASB 9 *Financial Instruments.*

Notes to the financial statements: Risk

For the year ended 30 June 2023

17. Financial risk management (continued)

Risk	Exposure	Management
Credit risk (note 17(D))		
	The Group is exposed to credit risk from its operating activities (primarily from customer receivables) and from its financing activities, including deposits with financial institutions, foreign exchange transactions and other financial instruments. Credit risk is the risk that a contracting entity will not complete its obligation under a financial instrument or customer contract that will result in a financial loss to the Group.	Customer credit risk is managed by each division subject to established policies, procedures and controls relating to customer credit risk management. The Group trades primarily with recognised, creditworthy third parties. Customers who wish to trade on credit terms are subject to credit verification procedures, including an assessment of their independent credit rating, financial position, past experience and industry reputation. **Receivables** Credit risk management practices include reviews of trade receivables aging by days past due, the timely follow-up of past due amounts and the use of credit securities such as credit insurance, retention of title and letters of credit. **Financial instruments and cash deposits** Credit risk from deposits with banks and financial institutions is managed by Group Treasury in accordance with Board-approved policy. Deposits are made within credit limits assigned to each counterparty according to their credit rating which must be an investment-grade credit rating. The carrying amount of financial assets represents the maximum credit exposure. There are no significant concentrations of credit risk within the Group.

17(A) Offsetting financial instruments

The Group presents its derivative assets and liabilities on a gross basis. Derivative financial instruments entered into by the Group are subject to enforceable master netting arrangements, such as an International Swaps and Derivatives Association (ISDA) master netting agreement. In certain circumstances, for example, when a credit event such as a default occurs, all outstanding transactions under an ISDA agreement are terminated, the termination value is assessed and only a single net amount is payable in settlement of all transactions.

The amounts set out in note 18 represent the derivative financial assets and liabilities of the Group, that are subject to the above arrangements, and are presented on a gross basis.

17(B) Liquidity risk

As at 30 June 2023, the Group had unused bank financing facilities available of $2,625 million (2022: $2,099 million).

The table on the following page classifies the Group's financial liabilities, including net and gross settled financial instruments and lease liabilities, into relevant maturity periods based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the tables are the contractual undiscounted cash flows and will not necessarily reconcile with the amounts disclosed in the balance sheet.

Trade and other payables and lease liabilities are recognised at the gross contractual cash flows to be paid using the spot currency exchange rates applicable at the reporting date. Expected future interest payments on loans and borrowings exclude accruals recognised in trade and other payables at the reporting date and have been estimated using forward currency exchange rates and forward interest rates applicable at the reporting date. For loans and borrowings before swaps, cross-currency interest rate swaps, hedge interest rate swaps and hedge forward exchange contracts, the amounts disclosed are the gross contractual cash flows to be paid estimated using forward currency exchange rates and forward interest rates applicable at the reporting date.

Early payment facility for suppliers

The Group has a facility in place to assist its suppliers to manage their cash flows. Suppliers can elect to receive early payment of some or all of their invoices by electing to sell their invoices to third party financiers. They typically receive payment the same business day, or within one business day, of election. Supplier participation in the program is optional and the Group does not use this as an opportunity to extend payment terms or obtain any commission or financial benefit. The relevant invoices continue to be payable on their original due dates and continue to be classified as trade and other payables in the balance sheet, as the prepayment arrangement is between the supplier, the financiers and the third-party platform provider. The value of invoices sold by suppliers under the facility as at 30 June 2023 is $727 million (2022: $737 million).

Notes to the financial statements: Risk

For the year ended 30 June 2023

17(B) Liquidity risk (continued)

Consolidated	on demand or < 3 months $m	3-12 months $m	1-5 years $m	>5 years $m	Total contractual cash flows $m	Carrying amount (assets)/ liabilities $m
As at 30 June 2023						
Trade and other payables	**4,906**	**362**	**-**	**-**	**5,268**	**5,268**
Loans and borrowings before swaps	**-**	**-**	**3,105**	**1,552**	**4,657**	**4,430**
Expected future interest payments on loans and borrowings	**35**	**129**	**193**	**92**	**449**	**-**
Lease liabilities	**292**	**1,034**	**4,311**	**1,946**	**7,583**	**6,739**
Hedge interest rate swaps (net settled)	**-**	**(5)**	**(10)**	**-**	**(15)**	**(11)**
Cross-currency interest rate swaps (gross settled)	**-**	**20**	**75**	**(172)**	**(77)**	**(14)**
Hedge forward exchange contracts (gross settled)	**(37)**	**(69)**	**(2)**	**-**	**(108)**	**(108)**
Total	**5,196**	**1,471**	**7,672**	**3,418**	**17,757**	**16,304**
As at 30 June 2022						
Trade and other payables	5,017	345	-	-	5,362	5,362
Loans and borrowings before swaps	989	-	2,073	2,151	5,213	4,958
Expected future interest payments on loans and borrowings	22	97	323	121	563	-
Lease liabilities	285	1,000	4,393	2,312	7,990	7,123
Cross-currency interest rate swaps (gross settled)	(223)	20	77	(100)	(226)	(195)
Hedge forward exchange contracts (gross settled)	(91)	(142)	(9)	-	(242)	(233)
Total	5,999	1,320	6,857	4,484	18,660	17,015

17(C) Market risk

Foreign exchange risk

The Group's exposures to the US dollar and Euro (prior to hedging contracts) at the reporting date were as follows:

Consolidated	**2023** USD A$m	**2023** EUR A$m	2022 USD A$m	2022 EUR A$m
Financial assets				
Cash and cash equivalents	**21**	**-**	35	-
Trade and other receivables	**40**	**-**	40	-
Cross-currency interest rate swaps	**-**	**14**	-	225
Hedge foreign exchange derivative assets	**118**	**-**	235	-
Financial liabilities				
Trade and other payables	**(1,305)**	**(10)**	(1,449)	(32)
Interest-bearing loans and borrowings	**-**	**(987)**	-	(1,900)
Cross-currency interest rate swaps	**-**	**-**	-	(30)
Hedge foreign exchange derivative liabilities	**(10)**	**-**	(2)	-
Net exposure	**(1,136)**	**(983)**	(1,141)	(1,737)

Notes to the financial statements: Risk

For the year ended 30 June 2023

17(C) Market risk (continued)

Group's sensitivity to foreign exchange movements

The sensitivity analysis below shows the impact that a reasonably possible change in foreign exchange rates over a financial year would have on profit after tax and equity, based solely on the Group's foreign exchange risk exposures existing at the balance sheet date. The Group has used the observed range of actual historical rates for the preceding five-year period, with a heavier weighting placed on recently observed market data, in determining reasonably possible exchange movements to be used for the current year's sensitivity analysis. Past movements are not necessarily indicative of future movements. The following exchange rates have been used in performing the sensitivity analysis.

	2023		2022	
Consolidated	USD	EUR	USD	EUR
Actual	**0.66**	**0.61**	0.69	0.66
+10% (2022: +10%)	**0.73**	**0.67**	0.76	0.73
-10% (2022: -10%)	**0.60**	**0.55**	0.62	0.59

The impact on profit and equity is estimated by applying the hypothetical changes in the US dollar and Euro exchange rate to the balance of financial instruments at the reporting date.

The below sensitivity analysis does not include the impact on the Group's equity from the translation of subsidiaries with differing functional currencies (primarily the New Zealand dollar) to the Group's presentation currency.

The results of the foreign exchange rate sensitivity analysis are driven by three main factors, as outlined below:

- the impact of applying the above foreign exchange movements to financial instruments that are not in hedge relationships will be recognised directly in profit;
- to the extent that the foreign currency-denominated derivatives on the balance sheet form part of an effective cash flow hedge relationship, any fair value movements caused by applying the above sensitivity movements will be deferred in equity and will not affect profit; and
- movements in financial instruments forming part of an effective fair value hedge relationship will be recognised in profit. However, as a corresponding entry will be recognised for the hedged item, there will be no net impact on profit.

At 30 June 2023, had the Australian dollar moved against the US dollar and Euro, as illustrated in the table above, with all other variables held constant, the Group's profit after tax and other equity would have been affected by the change in value of its financial assets and financial liabilities as shown in the table below.

Consolidated	2023 A$m	2022 A$m
AUD/USD +10% (2022: +10%)		
- impact on profit	**7**	4
- impact on equity	**(151)**	(144)
AUD/USD -10% (2022: -10%)		
- impact on profit	**(8)**	(5)
- impact on equity	**182**	150
AUD/EUR +10% (2022: +10%)		
- impact on profit	**-**	-
- impact on equity	**7**	7
AUD/EUR -10% (2022: -10%)		
- impact on profit	**-**	-
- impact on equity	**(9)**	(12)

Interest rate risk

As at the reporting date, the Group had financial assets and liabilities with exposure to interest rate risk as shown in the table below. Interest on financial instruments classified as floating rate is repriced at intervals of less than one year. Interest on financial instruments classified as fixed rate is fixed until maturity of the instrument. The classification between fixed and floating interest takes into account applicable hedge instruments.

Consolidated	2023 $m	2022 $m
Financial assets		
Fixed rate		
Finance advances and loans	**3**	3
Floating rate		
Cash at bank, on deposit and held in joint operation	**421**	467
Financial liabilities		
Fixed rate		
Capital markets debt	**1,978**	2,891
Unsecured bank debt	**500**	-
Floating rate		
Unsecured bank debt	**1,952**	2,067

At 30 June 2023, after taking into account the effect of interest rate swaps and economic hedging relationships, approximately 45 per cent of the Group's borrowings are exposed to movements in variable rates (2022: approximately 43 per cent).

Group's sensitivity to interest rate movements

The following sensitivity analysis shows the impact that a reasonably possible change in interest rates over a financial year would have on profit after tax and equity. The impact is determined by assessing the effect that such a reasonably possible change in interest rates would have had on interest income and expense and the impact on financial instrument fair values existing at the balance sheet date. This sensitivity is based on reasonably possible changes over a financial year, determined using observed historical interest rate movements for the preceding five-year period, with a heavier weighting given to more recent market data.

The results of the sensitivity analysis are driven by three main factors, as outlined below:

- for unhedged floating rate financial instruments, any increase or decrease in interest rates will impact profit;
- to the extent that derivatives form part of an effective cash flow hedge relationship, there will be no impact on profit and any increase/(decrease) in the fair value of the underlying derivative instruments will be deferred in equity; and
- movements in the fair value of derivatives in an effective fair value hedge relationship will be recognised directly in profit. However, as a corresponding entry will be recognised for the hedged item, there will be no net impact on profit.

Notes to the financial statements: Risk

For the year ended 30 June 2023

17(C) Market risk (continued)

The following sensitivity analysis is based on the Australian variable interest rate risk exposures in existence at the balance sheet date. If interest rates had moved by +/- 100bps (basis points) (2022: +/- 100bps) and with all other variables held constant, the Group's profit after tax and equity would have been affected as shown in the table below.

Consolidated	2023 $m	2022 $m
+100bps (2022: +100bps)		
- impact on profit	**(12)**	(13)
- impact on equity	**57**	52
-100bps (2022: -100bps)		
- impact on profit	**12**	13
- impact on equity	**(63)**	(58)

17(D) Credit risk

The carrying amount of current receivables represents the Group's maximum credit exposure.

The Group applies the simplified approach in measuring ECLs for trade receivables and other short-term debtors, whereby an allowance for impairment is considered across all trade receivables and other short-term debtors, regardless of whether a credit event has occurred, based on the expected losses over the lifetime of the receivable. Therefore, the Group does not track changes in credit risk but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established the following provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to debtors and the economic climate.

Consolidated

Trade and other receivables days past due	Estimated total gross carrying amount at default $m	Expected credit loss rate %	Lifetime expected credit loss $m
2023			
Current	**1,762**	**0.5**	**8**
Under one month	**200**	**2.0**	**4**
One to two months	**56**	**1.8**	**1**
Two to three months	**34**	**29.4**	**10**
Over three months	**57**	**70.2**	**40**
Total	**2,109**		**63**
2022			
Current	1,592	0.6	9
Under one month	313	1.3	4
One to two months	110	3.6	4
Two to three months	20	30.0	6
Over three months	114	28.1	32
Total	2,149		55

17(E) Fair values

The carrying amounts and estimated fair values of all the Group's financial instruments carried at amortised cost in the financial statements are materially the same with the exception of the following:

Consolidated	2023 $m	2022 $m
Capital markets debt: carrying amount	**1,978**	2,891
Capital markets debt: fair value	**1,563**	2,443

The methods and assumptions used to estimate the fair value of financial instruments are as follows.

Cash

The carrying amount is fair value due to the asset's liquid nature.

Receivables/payables

Due to the short-term nature of these financial rights and obligations, carrying amounts are estimated to represent fair values.

Derivatives

The Group enters into derivative financial instruments with various counterparties, principally banks and financial institutions with investment grade credit ratings. Foreign exchange forward contracts, interest rate swap contracts, cross-currency interest rate swaps and commodity futures contracts are all valued using forward pricing techniques. These include the use of market observable inputs, such as foreign exchange spot and forward rates, yield curves of the respective currencies, interest rate curves and forward rate curves of the underlying commodity. Accordingly, these derivatives are classified as Level 2 in the fair value measurement hierarchy.

Interest-bearing loans and borrowings

The fair value of capital markets debt as outlined above have been calculated using quoted market prices or dealer quotes for similar instruments. The fair value of bank debt is calculated by discounting the expected future cash flows at prevailing interest rates using market observable inputs and is not materially different to the carrying amount.

Valuation of financial instruments

For all fair value measurements and disclosures, the Group uses the following to categorise the method used:

- Level 1: the fair value is calculated using quoted prices in active markets.
- Level 2: the fair value is estimated using inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).
- Level 3: the fair value is estimated using inputs for the asset or liability that are not based on observable market data.

The Group's financial instruments were primarily valued using market observable inputs (Level 2), with the exception of financial assets measured at FVOCI (Level 1) and shares in unlisted companies at fair value (Level 3) which were $14 million at 30 June 2023 (2022: $13 million).

For financial instruments that are carried at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. There were no transfers between Level 1 and Level 2 during the year. There were no Level 3 fair value movements during the year.

Notes to the financial statements: Risk

For the year ended 30 June 2023

18. Hedging

Types of hedging instruments

The Group is exposed to risk from movements in foreign exchange, interest rates and commodity prices. As part of its risk management strategy set out in note 17, the Group holds the following types of derivative instruments:

Forward exchange contracts: contracts denominated in US dollars, Euro and other foreign currencies to hedge highly probable sale and purchase transactions (cash flow hedges).

Interest rate swaps: to manage the Group's exposure to fixed and floating interest rates arising from borrowings. These hedges incorporate cash flow hedges, which fix future interest payments, and fair value hedges, which reduce the Group's exposure to changes in the value of its assets and liabilities arising from interest rate movements.

Cross-currency interest rate swaps: to manage the Group's exposure to foreign exchange rate variability in its interest repayments on foreign currency-denominated borrowings (cash flow hedges) or to hedge against movements in the fair value of those liabilities due to foreign exchange and interest rate movements (fair value hedges). The borrowing margin on cross-currency interest rate swaps has been treated as a 'cost of hedging' and deferred into equity. These costs are then amortised to the income statement as a finance cost over the remaining life of the borrowing.

Brent oil futures contracts: to manage the Group's exposure to price variability in its forecast purchase of natural gas (cash flow hedge). The Group's Brent oil contracts matured in 2022. As at 30 June 2023, the Group had no Brent oil futures contracts.

	2023				2022			
Consolidated	Notional m	Weighted average hedged rate	Asset A$m	Liability A$m	Notional m	Weighted average hedged rate	Asset A$m	Liability A$m
Foreign exchange contracts								
Cash flow hedge - sales (AUD)	**US$34**	**Asset: 0.66; Liability: 0.68**	**-**	**(1)**	US$36	Asset: nil Liability: 0.72	-	(2)
Cash flow hedge - purchases (AUD)	**US$2,204**	**Asset: 0.69; Liability: 0.65**	**109**	**(8)**	US$2,256	Asset: 0.74 Liability: 0.69	214	-
Cash flow hedge - purchases (NZD)	**US$188**	**Asset: 0.63; Liability: 0.59**	**9**	**(1)**	US$149	Asset: 0.69 Liability: 0.62	21	-
Cash flow hedge - purchases (AUD)	**€ 19**	**Asset: 0.62; Liability: 0.60**	**-**	**-**	€ 7	Asset: 0.66 Liability: 0.64	-	-
Cross-currency interest rate swaps								
Cash flow hedge	**€ 600**	**3.04% fixed**	**14**	**-**	€ 1,250	4.51% fixed	225	(30)
Interest rate swaps								
Cash flow hedge	**A$500**	**3.42% fixed**	**11**	**-**	-	-	-	-
Total derivative asset/(liability)			**143**	**(10)**			460	(32)

Recognition and measurement

Recognition

Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured to fair value as set out in note 17(E). The method of recognising any remeasurement gain or loss depends on the nature of the item being hedged. For hedging instruments, any hedge ineffectiveness is recognised directly in the income statement in the period in which it is incurred.

Hedge accounting

At the start of a hedge relationship, the Group formally designates and documents the hedge relationship, including the risk management strategy for undertaking the hedge. This includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). Hedge accounting is only applied where there is an economic relationship between the hedged item and the hedging instrument and the hedge ratio of the hedging relationship is the same as that resulting from actual quantities of the hedged item and hedging instrument used.

For the purposes of hedge accounting, hedges are classified as:

- Fair value hedges when they hedge the exposure to changes in the fair value of a recognised asset, liability or firm commitment that could affect profit or loss; or
- Cash flow hedges when they hedge a particular risk associated with the cash flows of recognised assets and liabilities and highly probable forecast transactions. A hedge of the foreign exchange risk of a firm commitment is accounted for as a cash flow hedge.

The Group will discontinue hedge accounting prospectively only when the hedging relationship, or part of the hedging relationship no longer qualifies for hedge accounting, which includes where there has been a change to the risk management objective and strategy for undertaking the hedge and instances when the hedging instrument expires or is sold, terminated or exercised. For these purposes, the replacement or rollover of a hedging instrument into another hedging instrument is not an expiration or termination if such a replacement or rollover is consistent with our documented risk management objective.

Notes to the financial statements: Risk

For the year ended 30 June 2023

18. Hedging (continued)

Hedges that meet the criteria for hedge accounting are classified and accounted for as follows:

Fair value hedges

The Group uses fair value hedges to mitigate the risk of changes in the fair value of foreign currency-denominated borrowings from foreign currency and interest rate fluctuations over the hedging period. Where these fair value hedges qualify for hedge accounting, gains or losses from remeasuring the fair value of the hedging instrument are recognised within finance costs in the income statement, together with gains or losses in relation to the hedged item where those gains or losses relate to the risk intended to be hedged. The net amount recognised in the income statement in FY2023 was less than $1 million (2022: less than $1 million).

If the hedged item is an unrecognised firm commitment, the subsequent cumulative change in the fair value of the hedged risk is recognised as an asset or liability with a corresponding gain or loss recognised in profit or loss. The changes in the fair value of the hedging instrument are also recognised in profit or loss.

The accumulated amount of fair value adjustments which are included in the carrying amount of interest-bearing loans and borrowings in the balance sheet as at 30 June 2023 was less than $1 million (2022: less than $1 million):

	2023		2022	
	Foreign bonds	**Domestic bonds**	Foreign bonds	Domestic bonds
Consolidated	**$m**	**$m**	$m	$m
Face value at inception	**938**	**1,000**	1,702	1,000
Change arising from revaluation to spot rates at 30 June	**48**	**-**	198	-
	986	**1,000**	1,900	1,000
Balance of unamortised discount/premium	**(4)**	**(4)**	(5)	(4)
Carrying amount at amortised cost	**982**	**996**	1,895	996

There was no material ineffectiveness relating to financial instruments in designated fair value hedge relationships during the year (2022: nil).

Cash flow hedges

The Group uses cash flow hedges to mitigate the risk of variability of future cash flows attributable to foreign currency fluctuations over the hedging period associated with our foreign currency-denominated borrowings and ongoing business activities, predominantly where we have highly probable purchase or settlement commitments in foreign currencies. The Group also uses cash flow hedges to hedge variability in cash flows due to interest rates on some of our borrowings.

For cash flow hedges, the portion of the gain or loss on the hedging instrument that is effective is recognised directly in equity, while the ineffective portion is recognised in profit or loss. The maturity profile of these hedges is shown in note 17(B) with the recognition of the gain or loss expected to be consistent with this profile.

		2023			2022	
	Trade	**Foreign bonds**	**Domestic bonds**	Trade	Foreign bonds	Commodity hedge[1]
Consolidated	**$m**	**$m**	**$m**	$m	$m	$m
Change in the fair value of the hedged item	**(125)**	**(181)**	**11**	183	(140)	(4)

[1] The 2022 commodity hedge movement relates to the change in fair value before the hedged item matured. The Group had no commodity hedges at 30 June 2023.

Amounts recognised in equity are transferred to the income statement when the hedged transaction affects profit or loss, such as when hedged income or expenses are recognised or when a forecast sale occurs. When the hedged item is the cost of a non-financial asset or liability, the amounts taken to equity are transferred to the initial carrying amount of the non-financial asset or liability.

If the forecast transaction is no longer expected to occur, amounts previously recognised in equity are transferred to the income statement. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, amounts previously recognised in equity remain in equity until the forecast transaction occurs.

Notes to the financial statements: Risk

For the year ended 30 June 2023

19. Impairment of non-financial assets

Testing for impairment

The Group tests property, plant and equipment, goodwill and intangibles, and right-of-use assets for impairment:

- at least annually for indefinite life intangibles and goodwill; and
- where there is an indication that the asset may be impaired (which is assessed at least at each reporting date); or
- where there is an indication that conditions causing a previously recognised impairment (on assets other than goodwill) may have changed.

Annual impairment testing of intangibles and goodwill is performed at 31 March each year to coincide with the timing of the annual corporate plan and business forecast process.

If the asset does not generate independent cash inflows and its value in use cannot be estimated to be close to its fair value, the asset is tested for impairment as part of the cash generating unit (CGU) to which it belongs.

Assets are impaired if their carrying amount exceeds their recoverable amount. The recoverable amount of an asset or CGU is determined as the higher of its fair value less costs of disposal (FVLCOD) and value in use (VIU).

Impairment calculations

In assessing VIU, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. In determining FVLCOD for CGUs, a discounted cash flow model is used based on a methodology consistent with that applied by the Group in determining the value of potential acquisition targets, maximising the use of market observed inputs. These calculations, classified as Level 3 on the fair value hierarchy, are compared to valuation multiples, or other fair value indicators where available, to ensure reasonableness.

Inputs to impairment calculations

For VIU calculations and FVLCOD discounted cash flow models, cash flow projections are based on Wesfarmers' corporate plans and business forecasts prepared by management and approved by the Board. The corporate plans are developed annually with a five-year outlook and, for the VIU calculations, are adjusted to exclude the costs and benefits of expansion capital and on the understanding that actual outcomes may differ from the assumptions used.

In determining FVLCOD for CGUs, these projections are discounted using a risk-adjusted discount rate commensurate with a typical market participant's assessment of the risk associated with the projected cash flows. When calculating the FVLCOD of a CGU, forecast cash flows also incorporate reasonably available market participant assumptions.

Cash flows beyond the five-year corporate plan period are extrapolated using estimated growth rates, which are based on Group estimates, taking into consideration historical performance as well as expected long-term operating conditions. Growth rates do not exceed the consensus forecasts of the long-term average growth rate for the industry in which the CGU operates.

Discount rates used in both calculations are based on the weighted average cost of capital determined by prevailing or benchmarked market inputs, risk adjusted where necessary. Other assumptions are determined with reference to external sources of information and use consistent estimates for variables such as terminal cash flow multiples.

Recognised impairment

During FY2023, impairment of $14 million, net of reversals, was recognised in respect of non-financial assets (2022: $21 million).

Reversal of impairment

Where there is an indication that previously recognised impairment losses may no longer exist or have decreased, the asset is tested for impairment reversal. Impairments recognised against goodwill are not reversed.

There were no material reversals of impairment during FY2023. In light of the current economic conditions and associated uncertainty, there was not sufficient evidence available to indicate that conditions giving rise to previously recognised impairment have reversed.

Key estimates: impairment of non-financial assets

The Group has assessed the recoverable amounts of CGUs with material goodwill and other indefinite life intangible assets using FVLCOD calculations. Post-tax discount rates applied in the impairment testing for these CGUs ranged from 8.4 per cent to 11.3 per cent and terminal growth rates ranged from 2.0 per cent to 3.0 per cent. Key assumptions in the CGU's cash flow projections include growth rates and gross margins which are based on corporate plans that take into consideration historic performance, forecast macroeconomic conditions and the estimated effect of strategies.

For all CGUs with material goodwill or indefinite life intangible assets, other than Health, FVLCOD calculations determined headroom in excess of 25 per cent of the CGU's carrying amount. Based on current economic conditions and CGU performance, no reasonably possible change in a key assumption used in the determination of the recoverable value of these CGUs would result in a material impairment to the Group.

The Health CGU was formed following the acquisition of API on 31 March 2022. The recoverable amount has been assessed as part of the Group's annual impairment testing, applying a post-tax discount rate of 9.6 per cent and a terminal growth rate of 3.0 per cent. The carrying amount continues to approximate its fair value. The recoverable amount is sensitive to changes in the discount rate and the terminal growth rate. A 50 basis point increase in discount rate or a seven per cent reduction in its forecast terminal cash flow eliminates the headroom in the recoverable amount.

Store CGUs are reviewed for indicators of impairment using both external and internal sources of information. Detailed impairment testing is completed when the existence of an indication of impairment is identified. Where detailed impairment testing is required, the recoverable amount of the store CGU is determined using VIU calculations, based on forecast cash flows for the store over its remaining life.

Climate-related risks

The Group's assessment of the potential financial impacts of climate-related risks, including the associated costs of achieving net zero Scope 1 and Scope 2 emissions targets for Bunnings, Kmart Group and Officeworks by 2030, Industrial and Safety (excluding Coregas) by 2035 and WesCEF and Coregas by 2050, continues to mature. The potential financial impacts of climate-related risks have been considered in the CGU's impairment tests through the inclusion of the impact of committed initiatives or through downside scenario analysis. As at 30 June 2023, this analysis did not indicate a climate-related risk of material impairment due to the current headroom in each of the Group's affected CGUs. The financial impact of this risk will continue to be assessed.

Notes to the financial statements: Group information

For the year ended 30 June 2023

20. Associates and joint arrangements

	Consolidated	
	2023 $m	2022 $m
Investment in associates	**812**	787
Investment in joint ventures	**131**	147
	943	934
Movement in investment in associates		
Net carrying amount at the beginning of the year	**787**	660
Share of net profits of associates	**42**	159
Dividends	**(48)**	(48)
Associates acquired during the year	**15**	22
Additional investment	**10**	-
Movements in reserves	**6**	(6)
Net carrying amount at the end of the year	**812**	787
Total comprehensive income from associates and joint ventures		
Share of net profits from associates	**42**	159
Other comprehensive income/(loss) from associates	**6**	(6)
Share of net (losses)/profits from joint ventures	**(33)**	14
Other comprehensive income from joint ventures	**2**	11
Total comprehensive income for the year	**17**	178

BWP Trust

The Group has a 24.8 per cent interest in BWP Trust. The Group's interest in BWP Trust is accounted for using the equity method in the consolidated financial statements. The fair value of the Group's interest, by reference to the closing share price of BWP Trust on 30 June 2023, approximated its carrying value (Level 1 in the fair value hierarchy). The following table summarises the financial information of the Group's investment in BWP Trust.

	2023 $m	2022 $m
Summarised balance sheet		
Current assets	**23**	21
Non-current assets	**2,937**	3,001
Current liabilities	**(86)**	(80)
Non-current liabilities	**(468)**	(456)
Net assets	**2,406**	2,486
Group's share of BWP Trust's net assets	**595**	615
Fair value adjustment	**(15)**	(15)
Carrying amount at end of year	**580**	600
Summarised income statement		
Revenue	**158**	153
Expenses	**(45)**	(39)
Unrealised (losses)/gains in fair value	**(76)**	372
Profit attributable to the unit holders of BWP Trust	**37**	486
Group's share of profit for the year	**9**	121

Recognition and measurement

Investment in associates

The Group's investments in its associates, being entities in which the Group has significant influence and are neither subsidiaries or joint arrangements, are accounted for using the equity method. Under this method, the investment in the associates are carried in the balance sheet at cost plus any post-acquisition changes in the Group's share of the net assets of the associate.

Goodwill relating to associates is included in the carrying amount of the investment and is not amortised. After application of the equity method, the Group determines whether it is necessary to recognise any additional impairment loss with respect to the Group's investment. The income statement reflects the Group's share of the results of the operations of the associate.

Where there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes and discloses this in the statement of comprehensive income.

Where the reporting dates of the associates and the Group vary, the associates' management accounts for the period to the Group's balance date are used for equity accounting. The accounting policies of associates are consistent with those used by the Group for like transactions and events in similar circumstances.

Investment properties owned by associates are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the balance sheet date. Gains or losses arising from changes in the fair values of investment properties are recognised in profit or loss of the associate, in the year in which they arise. This is consistent with the Group's policy.

Interests in joint arrangements

Joint operations

The Group recognises its share of the assets, liabilities, income and expenses from the use and output of its joint operations.

Joint ventures

The Group's investments in its joint ventures are accounted for using the equity method.

Notes to the financial statements: **Group information**

For the year ended 30 June 2023

20. Associates and joint arrangements (continued)

Key judgement: control and significant influence

The Group has a number of management agreements with associates and joint arrangements it considers when determining whether it has control, joint control or significant influence. The Group assesses whether it has the power to direct the relevant activities of the investee by considering the rights it holds to appoint or remove key management and the decision-making rights and scope of powers specified in the contract.

Where the Group has the unilateral power to direct the relevant activities of an investee, the Group then assesses whether the power it holds is for its own benefit (acting as principal) or for the benefit of others (acting as agent). This determination is based on a number of factors including an assessment of the magnitude and variability of the Group's exposure to variable returns associated with its involvement with the investee. In an agency capacity, the Group is considered to be acting on behalf of other parties and therefore does not control the investee when it exercises its decision-making powers.

Interests in associates and joint arrangements

				Ownership	
				2023	2022
Associates	**Principal activity**	**Reporting date**	**Country of incorporation/ place of business**	**%**	**%**
BWP Trust	Property investment	30 June	Australia	**24.8**	24.8
Geared Up Culcha Pty Ltd	Industrial workwear supplier	30 June	Australia	**49.0**	49.0
Gresham AC Trust No. 2	Investment trust	30 June	Australia	**(a)**	(a)
Gresham Partners Group Limited	Investment banking	30 September	Australia	**50.0**	50.0
Queensland Nitrates Management Pty Ltd	Chemical manufacture	30 June	Australia	**50.0**	50.0
Queensland Nitrates Pty Ltd	Chemical manufacture	30 June	Australia	**50.0**	50.0
Tecsa Limited	Data consultants	30 September	United Kingdom	**30.0**	-
Wespine Industries Pty Ltd	Pine sawmillers	30 June	Australia	**50.0**	50.0
World's Biggest Garage Sale Pty Ltd	Restoration and resale of used goods	30 June	Australia	**21.4**	21.4
Joint operations					
Sodium Cyanide	Sodium cyanide manufacture	30 June	Australia	**75.0**	75.0
Mt Holland Lithium	Lithium development	31 December	Australia	**50.0**	50.0
Joint ventures					
BPI No 1 Pty Ltd	Property management	30 June	Australia	**(b)**	(b)
Covalent Lithium Pty Ltd	Management company	31 December	Australia	**50.0**	50.0
Loyalty Pacific Pty Ltd[1]	Loyalty programs	25 June	Australia	**50.0**	50.0

[1] A wholly-owned subsidiary, Wesfarmers Loyalty Management Pty Ltd, has a 50.0 per cent interest in Loyalty Pacific Pty Ltd (Flybuys).

(a) Gresham AC Trust No. 2: While the Group's interest in the unit holders' funds of Gresham AC Trust No.2 amounts to greater than 50.0 per cent, it is not a controlled entity as the Group does not have the practical ability to direct its relevant activities.

(b) BPI No 1 Pty Ltd: While the Group owns the only equity share in BPI No 1 Pty Ltd, the Group's effective interest approximates 50.0 per cent and joint control is effected through contractual arrangements with the joint venture partner.

Notes to the financial statements: Group information

For the year ended 30 June 2023

21. Subsidiaries

The consolidated financial statements include the financial statements of Wesfarmers Limited and the subsidiaries listed in the following table:

Entity		2023 %	2022 %
A.C.N. 003 921 873 Pty Limited		**100**	100
A.C.N. 004 191 646 Pty Ltd		**100**	100
A.C.N. 007 870 484 Pty Ltd	~	**-**	100
A.C.N. 061 462 593 Pty Ltd		**100**	100
A.C.N. 092 194 904 Pty Ltd	~	**-**	100
A.C.N. 112 719 918 Pty Ltd		**100**	100
A.C.N. 645 670 711 Pty Ltd		**100**	100
A.C.N. 645 674 102 Pty Ltd		**100**	100
ANKO Global Holdings Pty Ltd	+	**100**	100
ANKO Retail Incorporated	◤	**100**	100
API (Canberra) Pty Ltd		**100**	100
API Financial Services Australia Pty Limited		**100**	100
API Healthcare Holdings (NZ) Limited	■	**100**	100
API Leasing Pty Ltd		**100**	100
API Owned CSC Pty Ltd		**100**	100
API Services Australia Pty Ltd		**100**	100
API Victoria Pty Ltd	*	**100**	100
Australian Gold Reagents Pty Ltd		**75**	75
Australian Graphics Pty Ltd	~	**-**	100
Australian International Insurance Limited	+	**100**	100
Australian Light Minerals Pty Ltd	*	**100**	100
Australian Pharmaceutical Industries (Queensland) Pty Ltd	*	**100**	100
Australian Pharmaceutical Industries Pty Ltd (formerly Australian Pharmaceutical Industries Ltd)	*	**100**	100
Australian Underwriting Holdings Limited	+	**100**	100
Australian Underwriting Services Pty Ltd		**100**	100
Australian Vinyls Corporation Pty Ltd	+	**100**	100
AVC Holdings Pty Ltd	+	**100**	100
AVC Trading Pty Ltd	+	**100**	100
BBC Hardware Limited	+	**100**	100
BBC Hardware Properties (NSW) Pty Ltd		**100**	100
BBC Hardware Properties (Vic) Pty Ltd		**100**	100
Beaumont Australia Pty Limited		**100**	100
Beaumont Bathrooms Renovator (SA) Pty Limited		**100**	100
Beaumont Tiles (Vic) Pty Limited		**100**	100
Beaumont Tiles NZ Pty Limited	■	**100**	100
Beaumont's Discount Tile Warehouse Pty Limited		**100**	100
Blacksmith Jacks Pty Ltd		**100**	100
Blackwoods 4PL Pty Ltd		**100**	100
Blackwoods Xpress Pty Ltd	~	**-**	100
BPI Management Pty Ltd		**100**	100
BrandsExclusive (Australia) Pty Ltd		**100**	100
Brenahan Exploration Pty Ltd		**100**	100
Bresnahan Exploration Pty Ltd		**100**	100
BUKI (Australia) Pty Ltd	+	**100**	100
Bullivants International Pty Ltd		**100**	100
Bullivants Pty Limited	+	**100**	100
Bunnings (NZ) Limited	■	**100**	100
Bunnings Group Limited	+	**100**	100
Bunnings Joondalup Pty Ltd		**100**	100
Bunnings Limited	■	**100**	100
Bunnings Management Services Pty Ltd	+	**100**	100
Bunnings Properties Pty Ltd	+	**100**	100
Bunnings Technologies India Private Limited	# •	**100**	100
BWP Management Limited	<	**100**	100
C S Holdings Pty Limited	+	**100**	100
Campbells Hardware & Timber Pty Limited		**100**	100
Canberra Pharmaceutical Supplies Trust		**100**	100
Catch Essentials Pty Ltd		**100**	100
Catch Group Holdings Limited	+	**100**	100
Catch Group Share Holdings Pty Ltd	~	**-**	100
Catch.com.au Pty Ltd	+	**100**	100
CGNZ Finance Limited	■	**100**	100
Chemical Holdings Kwinana Pty Ltd	+	**100**	100
Clearskincare Adelaide Street Pty Ltd		**100**	100
Clearskincare Bendigo Pty Ltd		**100**	100
Clearskincare Bondi Beach Pty Ltd		**100**	100
Clearskincare Bondi Junction Pty Ltd		**100**	100
Clearskincare Brighton Pty Ltd		**100**	100
Clearskincare Canberra City Pty Ltd		**100**	100
Clearskincare Carindale Pty Ltd		**100**	100
Clearskincare Carousel Pty Ltd		**100**	100
Clearskincare Chatswood Pty Ltd		**100**	100
Clearskincare Chermside Pty Ltd		**100**	100
Clearskincare Chirnside Park Pty Ltd		**100**	100
Clearskincare City Square Pty Ltd		**100**	100
Clearskincare Claremont Pty Ltd		**100**	100
Clearskincare Clarence Street Pty Ltd		**100**	100
Clearskincare Clinics Australia Pty Ltd	*	**100**	100
Clearskincare Clinics Payroll Pty Ltd	*	**100**	100
Clearskincare Clinics Pty Ltd		**100**	100

Notes to the financial statements: **Group information**

For the year ended 30 June 2023

21. Subsidiaries (continued)

Entity		2023 %	2022 %
Clearskincare Cockburn Gateway Pty Ltd		**100**	100
Clearskincare Collins Street Pty Ltd		**100**	100
Clearskincare Cremorne Pty Ltd		**100**	100
Clearskincare Cronulla Pty Ltd		**100**	100
Clearskincare Doncaster Pty Ltd		**100**	100
Clearskincare Fremantle Pty Ltd		**100**	100
Clearskincare Hurstville Pty Ltd		**100**	100
Clearskincare Leichhardt Pty Ltd		**100**	100
Clearskincare Macarthur Square Pty Ltd		**100**	100
Clearskincare Macquarie Centre Pty Ltd		**100**	100
Clearskincare Miranda Pty Ltd		**100**	100
Clearskincare Moonee Ponds Pty Ltd		**100**	100
Clearskincare Mt Lawley Pty Ltd		**100**	100
Clearskincare Newmarket Limited	■	**100**	100
Clearskincare Northland Pty Ltd		**100**	100
Clearskincare Norwood Pty Ltd		**100**	100
Clearskincare Parramatta Pty Ltd		**100**	100
Clearskincare Quentin Ave Pty Ltd		**100**	100
Clearskincare QV Melbourne Pty Ltd		**100**	100
Clearskincare Robina Pty Ltd		**100**	100
Clearskincare Rockdale Pty Ltd		**100**	100
Clearskincare South Australia Pty Ltd		**100**	100
Clearskincare South Yarra Pty Ltd		**100**	100
Clearskincare Southland Pty Ltd		**100**	100
Clearskincare Southport Pty Ltd		**100**	100
Clearskincare Sunshine Plaza Pty Ltd		**100**	100
Clearskincare Takapuna Limited	■	**100**	100
Clearskincare Toowong Pty Ltd		**100**	100
Clearskincare Ventures Pty Ltd		**100**	100
Clearskincare Warringah Mall Pty Ltd		**100**	100
Clearskincare West End Pty Ltd		**100**	100
CM3 Contractor Management Pty Ltd (formerly A.C.N. 655 875 620 Pty Ltd)		**100**	100
CMNZ Investments Pty Ltd		**100**	100
ConsortiumCo Pty Ltd		**100**	100
Coo-ee Investments Pty Limited		**100**	100
Coregas NZ Limited	■	**100**	100
Coregas Pty Ltd	+	**100**	100
Crosby Tiles Pty Ltd		**100**	100
Crowl Creek Exploration Pty Ltd	~	**-**	100
CSBP Ammonia Terminal Pty Ltd		**100**	100
CSBP Limited	+	**100**	100
CSC Ashfield Mall Pty Ltd		**100**	100
CSC Auckland Limited	■	**100**	100
CSC Bayside Frankston Pty Ltd		**100**	100
CSC Camberwell Pty Ltd		**100**	100
CSC Forest Hill Pty Ltd		**100**	100
CSC Forrest Chase Pty Ltd		**100**	100
CSC Franchising Pty Ltd		**100**	100
CSC Holdings Australia Pty Ltd	*	**100**	100
CSC Holdings New Zealand Limited	■	**100**	100
CSC Joondalup Pty Ltd		**100**	100
CSC Manuka Pty Ltd		**100**	100
CSC Mordialloc Pty Ltd		**100**	100
CSC Mt Ommaney Pty Ltd		**100**	100
CSC North Sydney Pty Ltd		**100**	100
CSC Northbridge Pty Ltd		**100**	100
CSC Ponsonby Limited	■	**100**	100
CSC Port Melbourne Pty Ltd		**100**	100
CSC Products Pty Ltd		**100**	100
CSC Riverton Pty Ltd		**100**	100
CSC Shared Services Pty Ltd		**100**	100
CSC West Lakes Pty Ltd		**100**	100
CSC Whitford Pty Ltd		**100**	100
CTE Pty Ltd		**100**	100
Cuming Smith and Company Limited	+	**100**	100
Dairy Properties Pty Ltd		**100**	100
Dowd Corporation Pty Ltd		**100**	100
Eastfarmers Pty Ltd		**100**	100
FIF Investments Pty Limited		**100**	100
Fosseys (Australia) Pty Ltd	+	**100**	100
Garrett Investments Limited	■	**100**	100
Geeks2U Holdings Pty Limited		**100**	100
Geeks2U International Pty Limited		**100**	100
Geeks2U IP Pty Limited		**100**	100
Geeks2U NZ Limited	■	**100**	100
Geeks2U Pty Limited		**100**	100
GPML Pty Ltd		**100**	100
Greencap Holdings Limited	~	**-**	100
Greencap Pty Ltd	~	**-**	100
HouseWorks Co Pty Ltd		**100**	100
Howard Smith Limited	+	**100**	100
J Blackwood & Son Pty Ltd	+	**100**	100
James Patrick & Co Pty Ltd (in liquidation)		**100**	100
KAS Direct Sourcing Private Limited	# ●	**100**	100
KAS Global Trading Pty Limited	# ♦	**100**	100
KAS International Sourcing Bangladesh Pvt Ltd	◣	**100**	100
KAS International Trading (Shanghai) Company Limited	# ▶	**100**	100

Notes to the financial statements: Group information

For the year ended 30 June 2023

21. Subsidiaries (continued)

Entity		2023 %	2022 %
KAS Pty Limited	# ♦	100	100
KAS Services India Private Limited	# ●	100	100
KGA Sourcing (Singapore) Pte. Ltd	@ # ⌘	100	-
Kidman Barrow Creek Pty Ltd	~	-	100
Kidman Gold Pty Ltd		100	100
Kleenheat Pty Ltd		100	100
Kmart Australia Limited	+	100	100
Kmart Group Asia Pty Ltd		100	100
Kmart Holdings Pty Ltd	+	100	100
Kmart NZ Holdings Limited	■	100	100
Kwinana Nitrogen Company Proprietary Limited		100	100
Lawvale Pty Ltd		100	100
Life's Tiles Pty Ltd		100	100
Liftco Pty Limited	+	100	100
Loggia Pty Ltd	+	100	100
Making Life Easy - Mobility and Independent Living Superstore Pty Ltd		100	100
Manacol Pty Limited	+	100	100
Meredith Distribution (NSW) Pty Ltd		100	100
Meredith Distribution Pty Ltd		100	100
MH Gold Pty Limited	⁎	100	100
Millars (WA) Pty Ltd		100	100
M.L.E. Unit Trust		100	100
Modwood Technologies Pty Ltd		100	100
Montague Resources Australia Pty Ltd		100	100
Moonyoora Minerals Pty Ltd		100	100
Mumgo Pty Ltd		100	100
Neat N' Trim Uniforms Pty Ltd		100	100
New Price Retail Finance Pty Ltd	⁎	100	100
New Price Retail Pty Ltd	⁎	100	100
New Price Retail Services Pty Ltd		100	100
New South Wales Hardwarehouse Unit Trust		100	100
Nitrates Investments Pty Ltd	@	100	-
NZ Finance Holdings Pty Limited	■	100	100
Officeworks Businessdirect Pty Ltd		100	100
Officeworks Holdings Pty Ltd	+	100	100
Officeworks Ltd	+	100	100
Officeworks NZ Limited	■	100	100
Officeworks Property Pty Ltd		100	100
One Data Pty Ltd		100	100
One Digital Pty Ltd (formerly Wesfarmers One Digital Pty Ltd)	+	100	100
Pailou Pty Ltd	+	100	100
Patrick Operations Pty Ltd		100	100
Petersen Bros Pty Ltd		100	100
Pharma-Pack Pty Ltd		100	100
Premier Power Sales Pty Ltd		100	100
Priceline (NZ) Pty Limited	■	100	100
Priceline Proprietary Limited	⁎	100	100
Protector Alsafe Pty Ltd		100	100
PSM Healthcare Limited	■	100	100
PT Blackwoods Indonesia	❍	100	100
R & N Palmer Pty Ltd		100	100
Relationship Services Pty Limited		100	100
Retail Australia Consortium Pty Ltd		100	100
Retail Investments Pty Ltd		100	100
RJ Beaumont & Co Pty Ltd	+	100	100
Scones Jam n Cream Pty Ltd		100	100
Second Priceline Unit Trust		100	100
Sellers (SA) Pty Ltd		100	100
Share Nominees Limited		100	100
SiSU Wellness Pty Ltd	@	60	11
Sotico Pty Ltd		100	100
Soul Pattinson (Manufacturing) Pty Ltd		100	100
Synapse Finance Pty Ltd	⁎	100	100
Target Australia Pty Ltd	+	100	100
Target Australia Sourcing (Shanghai) Co Ltd	# ►	100	100
Target Australia Sourcing Limited	# ♦	100	100
Target Holdings Pty Ltd	+	100	100
The Builders Warehouse Group Pty Limited		100	100
The Franked Income Fund		100	100
The Priceline Unit Trust		100	100
The Westralian Farmers Limited	+	100	100
The Workwear Group HK Limited	# ♦	100	100
The Workwear Group Holding Pty Ltd	+	100	100
The Workwear Group Pty Ltd	+	100	100
TheActive Pty Ltd	~	-	100
Tilers Plus Pty Limited		100	100
Tilewerx Pty Limited		100	100
Tincorp Holdings Pty Ltd		100	100
Trimevac Pty Ltd	~	-	100
Tyremaster (Wholesale) Pty Ltd		100	100
Ucone Pty Ltd	+	100	100
Valley Investments Pty Ltd	+	100	100
Victorian Hardwarehouse Unit Trust		100	100
Viking Direct Pty Limited		100	100
W4K.World 4 Kids Pty Ltd		100	100
Wesfarmers Agribusiness Limited	+	100	100
Wesfarmers Bengalla Management Pty Ltd		100	100
Wesfarmers Bengalla Pty Ltd	+	100	100
Wesfarmers Bunnings Limited	+	100	100

Notes to the financial statements: **Group information**

For the year ended 30 June 2023

21. Subsidiaries (continued)

Entity		2023 %	2022 %
Wesfarmers Chemical US Holdings Corp	◤	**100**	100
Wesfarmers Chemicals, Energy & Fertilisers Limited	+	**100**	100
Wesfarmers Coal Resources Pty Ltd	+	**100**	100
Wesfarmers Department Stores Holdings Pty Ltd	+	**100**	100
Wesfarmers Emerging Ventures Pty Ltd		**100**	100
Wesfarmers Energy (Gas Sales) Limited	+	**100**	100
Wesfarmers Energy (Industrial Gas) Pty Ltd		**100**	100
Wesfarmers Fertilizers Pty Ltd	+	**100**	100
Wesfarmers Gas Limited	+	**100**	100
Wesfarmers Holdings Pty Ltd		**100**	100
Wesfarmers Industrial & Safety Holdings NZ Limited	■	**100**	100
Wesfarmers Industrial & Safety NZ Limited	■	**100**	100
Wesfarmers Industrial and Safety Pty Ltd	+	**100**	100
Wesfarmers Insurance Investments Pty Ltd	+	**100**	100
Wesfarmers International Holdings Pty Ltd		**100**	100
Wesfarmers Investments Pty Ltd		**100**	100
Wesfarmers Kleenheat Gas Pty Ltd	+	**100**	100
Wesfarmers Lithium Pty Ltd	∗	**100**	100
Wesfarmers LNG Pty Ltd	+	**100**	100
Wesfarmers Loyalty Management Pty Ltd	+	**100**	100
Wesfarmers LPG Pty Ltd	+	**100**	100
Wesfarmers New Energy Holdings Pty Ltd	∗	**100**	100
Wesfarmers Oil & Gas Pty Ltd		**100**	100
Wesfarmers One Pass Pty Ltd (formerly Wesfarmers A Plus Pty Ltd)	+	**100**	100
Wesfarmers Online Retail Holdings Pty Ltd	+	**100**	100
Wesfarmers Provident Fund Pty Ltd		**100**	100
Wesfarmers Resources Pty Ltd	+	**100**	100
Wesfarmers Retail Holdings Pty Ltd	+	**100**	100
Wesfarmers Retail Pty Ltd	+	**100**	100
Wesfarmers Risk Management (Singapore) Pte Ltd	# ⌘	**100**	100
Wesfarmers Securities Management Pty Ltd		**100**	100
Wesfarmers Superannuation Pty Ltd		**100**	100
Wesfarmers TCS Investments Pty Ltd	@	**100**	-
Wesfarmers Transport Limited	+	**100**	100
Weskem Pty Ltd		**100**	100
Westralian Farmers Superphosphates Limited	+	**100**	100
WEV Capital Investments Pty Ltd		**100**	100
WFCL Investments Pty Ltd		**100**	100
WFM Investments Pty Ltd	+	**100**	100
WIS International Pty Ltd		**100**	100
WIS Solutions Pty Ltd		**100**	100
WIS Supply Chain Management (Shanghai) Co Ltd	# ▶	**100**	100
WPEQ Pty Ltd		**100**	100
WPP Holdings Pty Ltd		**100**	100
WW E-Services Australia Pty Limited	~	**-**	100
WWG Middle East Apparel Trading LLC	▼	**49**	49
Yakka Pty Limited		**100**	100

Entity acquired, incorporated or control obtained during the year	@
Entity disposed, dissolved or deregistered during the year	~
Audited by firms of Ernst & Young International	#
Audited by other firms of accountants	<
An ASIC-approved deed of cross guarantee has been entered into by Wesfarmers Limited and these entities	+
Entity added to the Closed Group by way of an Assumption Deed during the year, refer to note 23 for further details	∗

All subsidiaries are incorporated in Australia unless identified by one of the following symbols:

Bangladesh	◣
China	▶
Hong Kong	♦
India	●
Indonesia	❍
New Zealand	■
Singapore	⌘
United Arab Emirates	▼
United States of America	◤

All entities utilise the functional currency of the country of incorporation with the exception of Wesfarmers Risk Management (Singapore) Pte Ltd and WIS Supply Chain Management (Shanghai) Co Ltd, which utilise the Australian dollar and KAS International Trading (Shanghai) Company Limited, PT Blackwoods Indonesia and Wesfarmers Oil & Gas Pty Ltd, which utilise the US dollar.

Notes to the financial statements: Group information

For the year ended 30 June 2023

22. Parent disclosures

	Parent 2023 $m	2022 $m
Assets		
Current assets	**10,877**	11,271
Non-current assets	**5,742**	5,735
Total assets	**16,619**	17,006
Liabilities		
Current liabilities	**234**	1,231
Non-current liabilities	**4,362**	4,007
Total liabilities	**4,596**	5,238
Net assets	**12,023**	11,768
Equity		
Equity attributable to equity holders of the parent		
Issued capital	**13,467**	13,467
Employee reserved shares	**-**	3
Retained earnings	**1,839**	1,582
Dividends reserve	**292**	292
Restructure tax reserve	**150**	150
Hedging reserve	**(13)**	1
Share-based payments reserve	**52**	37
Demerger reserve	**(3,764)**	(3,764)
Total equity	**12,023**	11,768
Profit attributable to members of the parent	**2,389**	2,084
Total comprehensive income for the year, net of tax, attributable to members of the parent	**2,375**	2,094
Contingencies[1]		
Trading guarantees	**159**	167

[1] Contingent liabilities at balance date are not included in the balance sheet.

Wesfarmers is party to various legal actions that have arisen in the normal course of business. It is expected that any liabilities arising from such legal action would not have a material adverse effect on the Group's financial report.

Dividends reserve

The dividends reserve was created by the parent entity for the purposes of segregating profits from which dividends to shareholders can be paid.

Guarantees

Wesfarmers Limited and certain Australian controlled entities are parties to a Deed of Cross Guarantee (the Deed).

Parent entity financial information

The financial information for the parent entity has been prepared on the same basis as the consolidated financial statements, except as set out below.

Investments in subsidiaries, associates and joint venture entities

Investments in subsidiaries, associates and joint venture entities are accounted for at cost in the financial statements of the parent. Dividends received from associates are recognised in the parent entity's profit or loss when its right to receive the dividend is established.

23. Deed of Cross Guarantee

The subsidiaries identified with a '+' in note 21 are parties to a Deed of Cross Guarantee under which each party has guaranteed to pay any deficiency in the event of the winding up of any of the members in the Closed Group. By entering into the Deed, the wholly-owned entities have been relieved from the requirement to prepare a financial report and directors' report under ASIC Corporations (Wholly-owned companies) Instrument 2016/785.

These subsidiaries and Wesfarmers Limited together referred to as the 'Closed Group', either originally entered into the Deed on 27 June 2008, or have subsequently joined the Deed by way of an Assumption Deed. Entities which joined the Group by way of an Assumption Deed throughout the year are identified with a '*' in note 21.

The consolidated income statement and retained earnings of the entities that are members of the Closed Group is as follows:

Consolidated income statement and retained earnings	Deed 2023 $m	2022 $m
Profit before income tax expense	**3,367**	3,125
Income tax expense	**(963)**	(859)
Net profit for the year	**2,404**	2,266
Retained earnings at beginning of year	**(32)**	(360)
Adjustment for companies transferred into/out of the Closed Group	**(48)**	(11)
Total available for appropriation	**2,324**	1,895
Dividends provided for or paid	**(2,132)**	(1,927)
Retained earnings at end of year	**192**	(32)

Consolidated statement of comprehensive income	Deed 2023 $m	2022 $m
Profit for the year	**2,404**	2,266
Other comprehensive income		
Items that may be reclassified to profit or loss:		
Changes in the fair value of cash flow hedges, net of tax	**(68)**	82
Items that will not be reclassified to profit or loss:		
Changes in the fair value of financial assets designated at FVOCI, net of tax	**23**	24
Other comprehensive (loss)/income for the year, net of tax	**(45)**	106
Total comprehensive income for the year, net of tax	**2,359**	2,372

Notes to the financial statements: Group information

For the year ended 30 June 2023

23. Deed of Cross Guarantee (continued)

The consolidated balance sheet of the entities that are members of the Closed Group is as follows:

Consolidated balance sheet	Deed 2023 $m	2022 $m
Assets		
Current assets		
Cash and cash equivalents	**388**	230
Trade and other receivables	**1,638**	1,297
Related party receivables	**162**	1,912
Inventories	**5,525**	5,215
Income tax receivable	**68**	-
Derivatives	**116**	452
Other	**204**	175
Total current assets	**8,101**	9,281
Non-current assets		
Investment in controlled entities	**3,142**	3,812
Investment in associates and joint ventures	**318**	318
Other financial assets	**7**	664
Deferred tax assets	**685**	709
Property, plant and equipment	**5,033**	3,231
Goodwill and intangible assets	**4,575**	4,002
Right-of-use assets	**5,201**	5,404
Derivatives	**27**	8
Other	**45**	80
Total non-current assets	**19,033**	18,228
Total assets	**27,134**	27,509
Liabilities		
Current liabilities		
Trade and other payables	**4,309**	4,085
Related party payables	**79**	68
Interest-bearing loans and borrowings	**-**	988
Lease liabilities	**1,026**	979
Income tax payable	**-**	18
Provisions	**1,037**	1,019
Derivatives	**10**	2
Other	**297**	247
Total current liabilities	**6,758**	7,406
Non-current liabilities		
Related party payables	**1,019**	1,081
Interest-bearing loans and borrowings	**4,233**	3,846
Lease liabilities	**5,144**	5,439
Provisions	**363**	352
Derivatives	**-**	30
Total non-current liabilities	**10,759**	10,748
Total liabilities	**17,517**	18,154
Net assets	**9,617**	9,355
Equity		
Issued capital	**13,574**	13,574
Reserved shares	**(102)**	(102)
Retained earnings	**192**	(32)
Reserves	**(4,047)**	(4,085)
Total equity	**9,617**	9,355

24. Related party transactions

	Consolidated 2023 $'000	2022 $'000
Transactions with related parties		
Associates		
Lease rent paid	**137,592**	133,096
Receipts from associates	**(18,217)**	(16,457)
Payments to associates	**34,560**	47,767
Joint ventures		
Receipts from loyalty program	**(59,206)**	(48,250)
Payments for loyalty program	**60,628**	45,548
Receipts from joint ventures	**(3,003)**	(1,086)
Payments to joint ventures	**45,914**	43,495
Outstanding balances with related parties		
Associates		
Amounts receivable from associates	**10,764**	9,684
Amounts owing to associates	**(4,426)**	(738)
Joint ventures		
Amounts receivable from joint ventures	**8,114**	13,525
Amounts owing to joint ventures	**(236,852)**	(230,104)

The Group entered into transactions with related parties during the year as follows:

- Rent for retail stores and warehouses has been paid by the Group to an associated entity, BWP Trust, and to a joint venture, BPI No 1 Pty Ltd.
- Amounts have been paid to and received from Loyalty Pacific Pty Ltd for the operation of the Flybuys loyalty program.
- Purchase of goods from an associated entity, Wespine Industries Pty Ltd, on normal commercial terms and conditions.
- Management fees have been received from an associated entity, BWP Trust, on normal commercial terms and conditions for staff and other services provided to associates.
- Management fees have been paid to Covalent Lithium Pty Ltd on normal commercial terms and conditions for the management of the Mt Holland lithium project.
- Partly-owned subsidiaries of an associate of the Group, Gresham Partners Group Limited, have provided advisory services to Wesfarmers and were paid fees of $5 thousand in FY2023 (2022: $5,522 thousand).

Notes to the financial statements: Other

For the year ended 30 June 2023

25. Commitments and contingencies

	Consolidated	
	2023	2022
	$m	$m
Capital commitments[1]		
Within one year	**364**	485
Greater than one year but not more than five years	**15**	49
	379	534
Commitments for leases not yet commenced (undiscounted)[1, 2]		
Within one year	**12**	8
Greater than one year but not more than five years	**125**	121
More than five years	**271**	208
	408	337
Contingencies[1]		
Trading guarantees	**162**	171

1 Capital commitments, commitments for leases not yet commenced (undiscounted) and contingencies at balance date are not included in the balance sheet.

2 The commitments relate to lease agreements associated with new stores, distribution centres and offices.

Guarantees

The Group has issued a number of bank and other guarantees to third parties for various operational and legal purposes. It is not expected that these guarantees will be called on.

Contingent liabilities

Certain companies within the Group are party to various legal actions that have arisen in the normal course of business. It is expected that any liabilities arising from such legal action would not have a material effect on the Group.

26. Events after the reporting period

Dividends

A fully-franked final dividend of 103 cents per share resulting in a dividend payment of $1,169 million was determined with a payment date of 5 October 2023. The final dividend will also carry a New Zealand franking credit, in addition to the Australian franking credit, of 10 cents (NZD) per share. The final dividend has not been provided for in the 30 June 2023 full-year financial statements.

Acquisition of InstantScripts Pty Ltd

On 13 June 2023, Wesfarmers announced that API, a wholly-owned subsidiary of Wesfarmers, entered into an agreement to acquire InstantScripts, one of Australia's leading telehealth businesses for cash consideration of approximately $135 million. The transaction completed on 3 July 2023.

Due to the timing of the completion of the acquisition and the restriction on access to the books and records of InstantScripts until after completion, the accounting for the business combination has not yet been determined. Further information in relation to this acquisition is unable to be provided due to the limited time between completion and the release of this report.

27. Auditors' remuneration

	Consolidated	
	2023	2022
	$'000	$'000
Fees to Ernst & Young (Australia)		
Fees for the audit and review of the financial reports of the Group and any controlled entities	**4,602**	4,667
Fees for other assurance and agreed-upon-procedures services[1]	**730**	634
Fees for other services		
- tax compliance	**539**	559
- other	**94**	94
	5,965	5,954
Fees to other overseas network firms of Ernst & Young (Australia)		
Fees for the audit and review of the financial reports of the Group and any controlled entities	**582**	613
Fees for other assurance and agreed-upon-procedures services	**-**	56
Fees for other services		
- tax compliance	**164**	128
	746	797
Total auditors' remuneration	**6,711**	6,751

1 The 2023 fees for other assurance and agreed-upon-procedures includes $469 thousand (2022: $374 thousand) relating to the provision of limited assurance services of the Group's sustainability reporting.

Other assurance and agreed-upon-procedures services and other services represent 22.8 per cent (2022: 21.8 per cent) of the total fees paid or payable to Ernst & Young and related practices for the year ended 30 June 2023.

Auditors' remuneration includes amounts reimbursed to the auditors for incidental costs incurred in completing their services.

Notes to the financial statements: Other

For the year ended 30 June 2023

28. Other accounting policies

(A) New and amended accounting standards and interpretations adopted from 1 July 2022

All new and amended Australian Accounting Standards and Interpretations mandatory to the Group as at 1 July 2022 have been adopted, including as disclosed below. Other new and amended Australian Accounting Standards and Interpretations adopted in the current period were not material to the Group.

Reference	Description
AASB 2023-2 Amendments to Australian Accounting Standards-International Tax Reform-Pillar Two Model Rules	This amendment introduces a mandatory temporary exception to accounting for deferred taxes arising from the implementation of the Pillar Two Model Rules published by the Organisation for Economic Co-operation and Development (OECD) in relation to the global minimum top-up taxes. This relief is effective immediately and entities are required to include disclosure in the financial statements when applying this relief. In addition, this amendment introduces targeted disclosure requirements to assist financial statement users better understand an entity's income taxes arising from the reform, particularly in the period before legislation implementing the rules is in effect. The application of this amendment is effective from 1 January 2023, and will be adopted by the Group on 1 July 2023. The Group has applied the relief to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes. The Group is in the process of assessing the impact of the Pillar Two Model Rules and the disclosure requirements contained in this amendment.

(B) New and amended standards and interpretations issued but not yet effective

The following new and amended accounting standards and interpretations issued but not yet effective are relevant to current operations. They are available for early adoption but have not been applied by the Group in this financial report.

Reference	Description
The effects of these standards and interpretations are not expected to be material:	
AASB 2021-2 *Amendments to Australian Accounting Standards - Disclosure of Accounting Policies*	The application of this amendment is effective from 1 January 2023, and will be adopted by the Group on 1 July 2023. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirements for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adds guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.
AASB 2021-2 *Amendments to Australian Accounting Standards - Definition of Accounting Estimates*	The application of this amendment is effective from 1 January 2023, and will be adopted by the Group on 1 July 2023. The amended standard clarifies that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors.
AASB 2014-10 *Amendments to Australian Accounting Standards - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	The application of this amendment is effective from 1 January 2025 (as deferred by AASB 2021- 7 *Amendments to AASs – Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections*), and will be adopted by the Group on 1 July 2025. The amendments require a full gain or loss to be recognised when a transaction involves a business (whether it is housed in a subsidiary or not) and partial gain or loss to be recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.
AASB 2020-1 *Amendments to Australian Accounting Standards - Classification of Liabilities as Current or Non-current*	The application of this amendment is effective from 1 January 2024 (as deferred by AASB 2020- 6 *Amendments to AASs – Classification of Liabilities as Current or Non-current – Deferral of Effective Date*), and will be adopted by the Group on 1 July 2024. This amendment to AASB 101 *Presentation of Financial Statements* clarifies the requirements for classifying liabilities as current or non-current.
AASB 2022-6 *Amendments to AASs – Non-current Liabilities with Covenants*	The application of this amendment is effective from 1 January 2023, and will be adopted by the Group on 1 July 2023. The amendments clarify specific situations in which an entity does not have a right to defer settlement for at least 12 months after the reporting date and adds presentation and disclosure requirements for non-current liabilities subject to compliance with future covenants within the next 12 months.
AASB 2021-5 *Amendments to Australian Accounting Standards - Deferred Tax related to Assets and Liabilities arising from a Single Transaction*	The application of this amendment is effective from 1 January 2023, and will be adopted by the Group on 1 July 2023. The amendments narrow the scope of the initial recognition exemption so that it does not apply to transactions that give rise to equal and offsetting temporary differences and clarifies that the exemption does not apply to transactions such as leases and decommissioning obligations.
AASB 2022-5 *Amendments to Australian Accounting Standards - Lease Liability in a Sale and Leaseback*	The application of this amendment is effective from 1 January 2024, and will be adopted by the Group on 1 July 2024. The amendments specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure that the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains.
AASB 2023-1 *Amendments to Australian Accounting Standards - Supplier Financing Arrangements*	The application of this amendment is effective from 1 January 2024, and will be adopted by the Group on 1 July 2024. The amendments clarify the characteristics of supplier finance arrangements. The amendments require information about the impact of supplier finance arrangements on liabilities and cash flows, including terms and conditions of those arrangements as at the beginning and end of the reporting period and the type and effect of non-cash changes in the carrying amount of those arrangements.

Notes to the financial statements: Other

For the year ended 30 June 2023

28. Other accounting policies (continued)

(C) Tax consolidation

Wesfarmers and its 100 per cent owned Australian resident subsidiaries have formed a tax consolidated group with effect from 1 July 2002. Wesfarmers is the head entity of the tax consolidated group. Members of the group have entered into a tax sharing agreement in order to allocate income tax expense to the wholly-owned subsidiaries on a stand-alone basis. The tax sharing arrangement provides for the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. The possibility of such a default is considered remote at the date of this report.

Members of the tax consolidated group have entered into a tax funding agreement. The group has applied the group allocation approach in determining the appropriate amount of current taxes to allocate to members of the tax consolidated group. The tax funding agreement provides for each member of the tax consolidated group to pay a tax equivalent amount to or from the parent in accordance with their notional current tax liability or current tax asset. Such amounts are reflected in amounts receivable from or payable to the parent company in their accounts and are settled as soon as practicable after lodgement of the consolidated return and payment of the tax liability.

29. Tax transparency disclosures

A reconciliation of Wesfarmers' accounting profit to its tax expense and material temporary and permanent differences are disclosed in note 3.

A reconciliation of accounting profit to income tax paid or payable and the effective company tax rates for Australian and global operations of the Group are tabled below.

	Consolidated	
	2023	2022
	$m	$m
Tax paid or payable reconciliation		
Accounting profit	**3,509**	3,320
Income tax at the statutory rate of 30%	**1,053**	996
Non-deductible items	**9**	5
Temporary differences: deferred tax	**(50)**	(82)
Associates and other	**(16)**	(25)
Utilisation of previously unrecognised tax losses	**(2)**	(25)
Current year tax paid or payable	**994**	869
Effective tax rate		
Effective tax rate for Australian operations	**29.9%**	29.1%
Effective tax rate for global operations	**29.8%**	29.2%

30. Director and executive disclosures

Compensation of key management personnel

The remuneration disclosures are provided in sections one to nine of the remuneration report on pages 100 to 130 of this annual report designated as audited and forming part of the directors' report.

	Consolidated	
	2023	2022
	$'000	$'000
Short-term benefits[1]	**11,061**	10,848
Long-term benefits	**120**	118
Post-employment benefits	**283**	240
Share-based payments	**15,299**	13,115
	26,763	24,321

1 The cost of directors' and officers' insurance is no longer included within short-term benefits. 2022 has been restated to allow for comparison on a like-for-like basis.

Other transactions with key management personnel

From time to time, directors of Wesfarmers or its controlled entities, or their director-related entities, may purchase goods or services from the Group. These purchases are on the same terms and conditions as those entered into by other Group employees or customers and are trivial or domestic in nature.

Notes to the financial statements: Other

For the year ended 30 June 2023

31. Share-based payments

The Group provides benefits to employees (including the executive director) of the Group through share-based incentives. Employees are paid for their services or incentivised for their performance in part through shares or rights over shares. The expense arising from these transactions is shown in note 2. The total number of ordinary Wesfarmers shares acquired on-market during FY2023 to satisfy employee incentive schemes was 2,710,637 (2022: 1,635,002) at an average price of $46.35 (2022: $57.45) per share.

Recognition and measurement

Share-based payments can either be equity-settled or cash-settled. If the employee is provided a choice of settlement options then the scheme is considered to be cash-settled.

Equity-settled transactions

The cost of equity-settled transactions with employees is measured using their fair value at the date at which they are granted. In determining the fair value, only performance conditions linked to the price of the shares of Wesfarmers Limited (market conditions) are taken into account.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which any performance conditions (excluding market conditions) are met, ending on the date on which the employees become fully entitled to the award (vesting date). The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects the extent to which the vesting period has expired and the proportion of the awards that are expected to ultimately vest. No expense is recognised for awards that do not ultimately vest due to a non-market performance condition not being met. The expense is recognised in full if the awards do not vest (or are not exercised) due to a market performance condition not being met.

Where the terms of an equity-settled award are modified, as a minimum, an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any increase in the value of the transaction as a result of the modification, as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described above.

Cash-settled transactions

The ultimate expense recognised in relation to cash-settled transactions will be equal to the actual cash paid to the employees, which will be the fair value at settlement date. The expected cash payment is estimated at each reporting date and a liability recognised to the extent that the vesting period has expired and in proportion to the amount of the awards that are expected to ultimately vest.

Additional information on award schemes

Key Executive Equity Performance Plan (KEEPP)

KEEPP was introduced in September 2016. Under the 2022 KEEPP, eligible executive key management personnel (KMP) were invited to receive performance shares and deferred shares in the company. From the 2021 KEEPP, newly issued unquoted fully-paid ordinary shares are allocated under the KEEPP. The company will apply for quotation of the shares upon vesting or forfeiture of the shares.

KEEPP is a single total incentive established for each executive KMP that operates over seven years. The quantum of the KEEPP award is determined against an individually personalised 12-month scorecard, split into financial, safety and Group ecosystem performance measures and individual performance objectives.

In FY2021, the earnings before interest and tax and return on capital (ROC) conditions of the 2019 and 2020 KEEPP performance shares were amended to post-AASB 16 earnings before tax and ROC metrics. There was no incremental change in the fair value of the awards. The share price on the date which the amendment was communicated to participants was $59.10 per share.

Performance shares - 2022 KEEPP

For the Group Managing Director and the Group Chief Financial Officer, the performance conditions are Wesfarmers' total shareholder return (TSR) relative to the TSR of the ASX 100 (80 per cent weighting) and portfolio management and investment outcomes (20 per cent weighting). For the divisional managing directors, the performance conditions are Wesfarmers' TSR relative to the TSR of the ASX 100 (50 per cent weighting) and divisional financial performance (50 per cent weighting).

The fair value of the performance shares with a TSR condition is determined using an option pricing model with the following inputs:

	Group CFO, Group MD and Divisional MD
Grant date	27 Oct 2022
Grant date share price ($)	44.54
Volatility (%)	25.09
Risk-free rate (%)	3.43
Fair value ($)	29.79

Equity-settled awards outstanding

Weighted average share price in FY2023 was $47.83 (2022: $52.74). The following table includes shares subject to trading restrictions.

	KEEPP (shares)	WESAP (shares)	WLTIP (shares)	WESP (options)
Outstanding at the beginning of the year	1,842,933	4,959,818	151,835	135,824
Granted during the year	369,694	2,801,469	-	-
Exercised during the year	(426,419)	(2,045,971)	(47,464)	(135,532)
Lapsed during the year	(75,689)	(139,722)	-	-
Other adjustments	-	(13,281)	-	-
Outstanding at the end of the year	1,710,519	5,562,313	104,371	292
Exercisable at the end of the year	50,038	5,492,040	153,447	843,489

Notes to the financial statements: Other

For the year ended 30 June 2023

31. Share-based payments (continued)

Key Executive Equity Performance Plan (KEEPP) (continued)

Deferred shares - 2022 KEEPP

The 2022 KEEPP deferred shares are subject to a 12-month service condition (the forfeiture period). If an executive resigns or is terminated for cause during the forfeiture period, the Board may decide to cancel that share allocation. The fair value of the award at grant date is expensed over the one-year forfeiture period.

The grant date share price is the fair value of both the performance shares and the deferred shares with divisional financial performance conditions or the portfolio management and investment outcomes condition.

Further details of the KEEPP and of the terms of the grants made during FY2023 are provided in the remuneration report.

Wesfarmers Employee Share Acquisition Plan (WESAP)

The WESAP was introduced in October 2009. Under the plan, all eligible employees are invited to acquire fully-paid ordinary shares in the company. The shares are either acquired under a salary sacrifice arrangement or are granted as an award, subject to the Group achieving a net profit after tax performance condition. Eligibility for an award of shares is dependent upon an in-service period with a participating division and being a permanent employee.

The plan qualifies as a non-discriminatory employee share scheme complying with the requirements of Division 83A of the *Income Tax Assessment Act 1997* (as amended) for Australian resident employees.

Executives

In November 2016, WESAP was introduced to eligible executives. Under the 2022 offer, eligible executives are invited to receive performance shares and deferred shares in the company.

Performance shares - 2022 WESAP

The performance condition (with 100 per cent weighting) is Wesfarmers' TSR relative to the TSR of the ASX 100 over a four-year performance period.

The fair value of the performance shares with a TSR condition is determined using an option pricing model with the following inputs:

Grant date	**3 Oct 2022**
Grant date share price ($)	**42.80**
Volatility (%)	**24.99**
Risk-free rate (%)	**3.62**
Fair value ($)	**29.36**

Deferred shares - 2022 WESAP

Deferred shares are subject to a three-year forfeiture period. If an executive resigns or is terminated for cause within three years, the deferred shares will be forfeited.

The grant date share price is the fair value of the deferred shares and the award is expensed over the forfeiture period.

Annual incentive

In August 2022, eligible executives received a restricted (mandatory deferred) share award under the WESAP as part of their annual incentive. If an executive resigns or is terminated for cause within one year of the share allocation, the Board may decide to cancel that share allocation. The fair value of the award at grant date is expensed over the forfeiture period.

Wesfarmers Long Term Incentive Plan (WLTIP)

2020 Kmart-related Performance-tested Shares

The Board approved a one-off performance-tested share grant for the Group Managing Director, the Group Chief Financial Officer and the Managing Director, Kmart Group in relation to the restructure of Kmart Group, which was allocated in FY2021 under the WLTIP.

The performance condition (with 100 per cent weighting) is based on the conversion of Target stores to Kmart stores and measured through total cumulative converted store profit for the relevant stores, against the targeted store contribution in the Board-approved proposal.

The fair value of the equity instruments granted was $48.78 and was determined with reference to the share price on the date of grant.

Further details of the vesting outcome of the 2020 Kmart-related Performance-tested Shares are provided in the remuneration report.

Wesfarmers Employee Share Plan (WESP)

The last issue under the WESP was made in December 2004. Under the plan, employees were invited to apply for ordinary shares in the company, funded by an interest-free loan from the Group. The employees' obligation for repayment of the loans is limited to the dividends paid and capital returns by the company and, in the event the employee ceases employment, the market price achieved on the sale of the shares.

The plan is accounted for as an in-substance equity-settled award, with the contractual life of each option equivalent to the estimated loan life and no maximum term.

Directors' declaration

Wesfarmers Limited and its controlled entities

In accordance with a resolution of the directors of Wesfarmers Limited, we state that:

1. In the opinion of the directors:

1.1 the financial statements, notes and the additional disclosures included in the directors' report designated as audited, of the consolidated entity for the full-year ended 30 June 2023 are in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the consolidated entity's financial position as at 30 June 2023 and of its performance for the year ended on that date; and

(b) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and

1.2 the financial statements and notes comply with International Financial Reporting Standards as disclosed in the notes to the financial statements on page 137 of the 2023 Annual Report; and

1.3 there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

2. This declaration has been made after receiving the declaration required to be made to the directors in accordance with section 295A of the *Corporations Act 2001* for the financial year ended 30 June 2023.

3. In the opinion of the directors, as at the date of this declaration, there are reasonable grounds to believe that the members of the Closed Group comprising the company and the controlled entities marked '+' as identified in note 21 will be able to meet any obligations or liabilities to which they are or may become subject to by virtue of the Deed of Cross Guarantee referred to in note 23.

On behalf of the Board:

M A Chaney AO
Chairman

R G Scott
Managing Director

Perth
24 August 2023

Independent auditor's report

To the Members of Wesfarmers Limited

Building a better working world

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Independent auditor's report to the members of Wesfarmers Limited

Report on the audit of the financial report

Opinion

We have audited the financial report of Wesfarmers Limited ('the Company') and its subsidiaries (collectively, 'the Group'), which comprises the consolidated balance sheet as at 30 June 2023, the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the consolidated financial position of the Group as at 30 June 2023 and of its consolidated financial performance for the year ended on that date; and

b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.

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1. Inventory valuation and existence

Why significant

At 30 June 2023, the Group held inventory balances of $6,039 million, as disclosed in Note 6 *Inventories* (‘Note 6’).

Inventories are valued at the lower of cost and net realisable value (‘NRV’). The NRV of inventories is the estimated selling price in the ordinary course of business less estimated costs to sell, the determination of which requires significant judgement by the Group.

Key matters of judgement include:

- The estimated costs to bring the inventory to its location and condition for sale
- Estimated costs to sell
- The expected selling price.

In addition, the distribution of the Group’s inventory across a high number of locations and the quantum of the inventory balances may result in an increased risk in relation to existence.

How our audit addressed the key audit matter

Our audit procedures included the following:

- We assessed the inventory management, procurement and commercial income processes, including an evaluation of the effectiveness of relevant controls
- We tested the accuracy of the weighted average costing systems and performed overhead allocation testing on a sample of inventory
- We attended stocktakes at a sample of locations and reviewed stocktake processes for compliance with internal policies
- We tested the subsequent reconciliation of the stock count results into the inventory records and general ledger
- We tested the estimated costs to bring the inventory to its location and condition for sale, the estimated costs to sell and the pricing assumptions in the NRV testing
- We evaluated management’s assessment of stock obsolescence provisions through attendance at stocktakes, enquiries and analytical procedures
- We performed inventory cut-off testing on a sample of transactions either side of year-end
- We reviewed key stock statistics, including sell-through rates, stock aging and stock turnover
- We performed analysis of shrinkage results and provision calculations
- We considered the adequacy of the financial report disclosures.

2. Supplier rebates

Why significant

Rebates associated with the Group’s retail operations are received from suppliers.

The value and timing of supplier rebates recognised requires judgement and the consideration of a number of factors including:

- The commercial terms of each individual rebate
- The appropriate timing of recognition
- Consideration of the nature of the rebate and whether the rebate amount should be applied against the carrying value of inventory or recognised in the income statement
- The accurate recognition and measurement of rebates in accordance with Australian Accounting Standards and the Group’s related processes and controls.

Disclosures relating to the measurement and recognition of supplier rebates can be found in Note 6.

How our audit addressed the key audit matter

Our audit procedures included the following:

- We gained an understanding of the nature of each material type of supplier rebate, including reading the significant agreements in place
- We tested the effectiveness of relevant controls in place relating to the recognition and measurement of rebate amounts
- We performed comparisons of the various rebate arrangements against the prior year and budget, including analysis of aging profiles and where material variances were identified, obtained supporting evidence
- We selected a sample of supplier rebates and tested whether documentation existed supporting the recognition and measurement of the rebates in the 30 June 2023 financial statements
- We inspected a sample of material new contracts entered into before and after the balance date and assessed whether the treatment adopted by the Group in respect to rebates arising under these contracts was appropriate
- We inquired of legal counsel and business representatives including product category merchandisers, supply chain managers and procurement staff as to the existence of any non-standard agreements or side arrangements
- We considered the adequacy of the financial report disclosures.

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Independent auditor's report

To the Members of Wesfarmers Limited

Information other than the financial report and auditor’s report thereon

The directors are responsible for the other information. The other information comprises the information included in the Company’s 2023 Annual Report, but does not include the financial report and our auditor’s report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Group’s ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group’s internal control
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors
- Conclude on the appropriateness of the directors’ use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Group to cease to continue as a going concern
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated to the directors, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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Independent auditor's report

To the Members of Wesfarmers Limited

Report on the audit of the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 103 to 130 of the directors' report for the year ended 30 June 2023.

In our opinion, the Remuneration Report of Wesfarmers Limited for the year ended 30 June 2023, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Ernst + Young

Ernst & Young

T S Hammond
Partner
Perth

24 August 2023

J K Newton
Partner
Perth

24 August 2023

Signed reports

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Five-year financial performance and key metrics

Group performance

All figures in $m unless shown otherwise[1]	2023	Post-AASB 16 2022[2]	2021[3]	2020[4]	Pre-AASB 16 2019[5]
Summarised income statement					
Revenue from contracts with customers	**43,417**	36,679	33,797	30,753	44,485
Other revenue	**133**	159	144	93	199
Total revenue	**43,550**	36,838	33,941	30,846	44,684
Operating profit before depreciation and amortisation, finance costs and income tax	**5,564**	5,208	5,226	4,272	7,627
Depreciation and amortisation	**(1,701)**	(1,575)	(1,509)	(1,528)	(809)
Interest on lease liabilities	**(219)**	(217)	(226)	(237)	-
EBIT (after interest on lease liabilities)	**3,644**	3,416	3,491	2,507	6,818
Other finance costs	**(135)**	(96)	(118)	(133)	(175)
Income tax expense	**(1,044)**	(968)	(993)	(677)	(1,133)
Profit after tax from discontinued operations	**-**	-	-	75	3,570
Operating profit after income tax attributable to members of Wesfarmers Limited	**2,465**	2,352	2,380	1,697	5,510
Capital and dividends					
Ordinary shares on issue (number) 000's as at 30 June	**1,134,514**	1,134,145	1,133,840	1,133,840	1,133,840
Paid up ordinary capital as at 30 June	**13,574**	13,574	15,826	15,818	15,809
Fully-franked dividend per ordinary share (determined) (cents)	**191**	180	178	152	178
Fully-franked special dividend per ordinary share (determined) (cents)[6]	**-**	-	-	18	100
Capital return per ordinary share (cents)[7]	**-**	-	200	-	-
Financial performance					
Earnings per share (weighted average) (cents)	**217.8**	207.8	210.4	150.0	487.2
Earnings per share growth (%)	**4.8**	(1.2)	40.3	(69.2)	360.5
Return on average ordinary shareholders' equity (R12) (excluding significant items) (%)	**31.4**	29.4	26.1	22.1	19.2
Financial position as at 30 June					
Total assets	**26,546**	27,286	26,214	25,425	18,333
Total liabilities	**18,265**	19,305	16,499	16,081	8,362
Net assets	**8,281**	7,981	9,715	9,344	9,971
Net tangible asset backing per ordinary share ($)	**3.17**	2.91	5.14	4.89	5.21
Net debt to equity (%)[8]	**48.4**	56.3	2.3	(0.9)	25.1
Total liabilities/total assets (%)	**68.8**	70.8	62.9	63.2	45.6
Market capitalisation as at 30 June	**55,977**	47,532	67,010	50,830	41,000

1 All figures are presented as last reported, including discontinued operations.

2 2022 has been restated to reflect the adjustments to the provisional acquisition accounting for API.

3 The summarised income statement for 2021 includes pre-tax (post-tax) restructuring costs of $59 million ($41 million) in the Kmart Group.

4 The summarised income statement for 2020 includes significant items relating to the following pre-tax (post-tax) items: $525 million ($437 million) impairment of the Target brand name and other assets, $110 million ($83 million) restructuring costs and provisions in the Kmart Group and a $310 million ($298 million) impairment to Industrial and Safety, offset by a gain of $290 million ($203 million) on the sale of 10.1 per cent of the interest in Coles, a gain of $220 million ($154 million) on the revaluation of the retained 4.9 per cent interest in Coles and a benefit of $83 million from the finalisation of tax positions on prior year disposals.

5 The summarised income statement for 2019 includes significant items relating to the following pre-tax (post-tax) items: $2,319 million ($2,264 million) gain on demerger of Coles, the $679 million ($645 million) gain on disposal of Bengalla, the $267 million ($244 million) gain on disposal of KTAS, the $138 million ($120 million) gain on disposal of Quadrant Energy and $146 million ($102 million) provision for Coles supply chain automation.

6 The 2020 fully-franked special dividend reflects the distribution of after-tax profits on the sale of the Group's 10.1 per cent interest in Coles.

7 A capital return to shareholders of 200 cents per share was paid on 2 December 2021.

8 Net debt balance includes interest-bearing loans and borrowings less cash at bank and on deposit and held in joint operation. Excludes cash in transit and lease liabilities.

Five-year financial performance and key metrics

Divisional performance

All figures in $m unless shown otherwise	2023	Post-AASB 16 2022	2021	2020	Pre-AASB 16 2019
Bunnings Group					
Revenue	**18,539**	17,754	16,871	14,999	13,166
Earnings before tax[1]	**2,230**	2,204	2,185	1,826	1,626
Return on capital employed (R12) (%)[1]	**65.4**	77.2	82.4	58.0	50.5
Capital expenditure (cash basis)	**405**	349	445	511	470
Safety (R12, TRIFR)	**16.5**	11.3	11.3	10.3	11.2
Scope 1 and 2 emissions, market-based ($ktCO_2e$)	**59.9**	104.9	110.3	n.r.	n.r.
Scope 1 and 2 emissions, location-based ($ktCO_2e$)	**187.5**	220.5	234.5	262.6	269.5
Aboriginal and Torres Strait Islander team members	**1,246**	1,288	1,026	853	687
Operational waste diverted from landfill (%)	**57.1**	54.9	52.5	53.1	52.7
Kmart Group[2]					
Revenue	**10,635**	9,129	9,982	9,217	8,713
Earnings before tax[3]	**769**	505	693	410	550
Return on capital employed (R12) (%)[3, 4]	**47.0**	32.2	52.1	20.4	29.4
Capital expenditure (cash basis)	**127**	105	185	142	207
Safety (R12, TRIFR)	**7.4**	8.5	9.2	12.8	19.4
Scope 1 and 2 emissions, market-based ($ktCO_2e$)	**218.1**	250.9	262.5	n.r.	n.r.
Scope 1 and 2 emissions, location-based ($ktCO_2e$)	**239.1**	277.3	292.6	303.7	318.6
Aboriginal and Torres Strait Islander team members	**1,986**	1,847	1,512	708	674
Operational waste diverted from landfill (%)	**82.0**	80.6	78.8	80.5	78.5
WesCEF					
Revenue	**3,306**	3,041	2,146	2,085	2,078
Earnings before tax[5, 6]	**669**	540	384	394	438
Return on capital employed (R12) (%)[5, 6]	**21.6**	21.6	17.7	20.3	32.6
Return on capital employed (R12) (%) (excluding ALM)[5, 6]	**39.7**	36.3	28.6	30.5	32.6
Capital expenditure (cash basis)[7]	**518**	455	137	110	58
Safety (R12, TRIFR)	**3.8**	4.2	3.0	3.3	4.2
Scope 1 and 2 emissions, market-based ($ktCO_2e$)[8]	**849.5**	795.4	873.9	n.r.	n.r.
Scope 1 and 2 emissions, location-based ($ktCO_2e$)[8, 9]	**846.4**	804.3	880.5	983.3	897.3
Aboriginal and Torres Strait Islander team members	**50**	48	43	33	28
Operational waste diverted from landfill (%)	**87.4**	85.9	71.4	89.7	74.4

1 Includes net property contribution for 2023 of $38 million; 2022 of $52 million; 2021 of ($10) million; 2020 of $16 million post-AASB 16 ($36 million pre-AASB 16) and 2019 of $85 million.

2 2022 has been restated to exclude Catch. 2021 and 2020 includes Catch from 12 August 2019. 2019 financial information includes KTAS until its divestment in November 2018.

3 Earnings excludes pre-tax restructuring costs and provisions in 2021 of $59 million and 2020 of $110 million and pre-tax non-cash impairments relating to Target in 2020 of $525 million.

4 ROC includes the impact of lower capital employed as a result of pre-tax non-cash impairments relating to Target in 2020 of $525 million.

5 2019 includes Quadrant Energy.

6 2020 and 2019 includes $18 million and $30 million of insurance proceeds respectively, relating to the five-month ammonia plant production disruption that commenced in February 2018. 2019 includes a $19 million provision for the removal of redundant equipment.

7 Includes WesCEF's share of capital expenditure in relation to the Covalent lithium project of $394 million in 2023; $304 million in 2022; $52 million in 2021 and $24 million in 2020. 2023 and 2022 also includes $42 million and $34 million respectively of capitalised interest.

8 2022 Scope 1 and 2 emissions includes the impact of the scheduled ammonia plant shutdown.

9 2020 Scope 1 and 2 location-based emissions baseline is 955.5 $ktCO_2e$, and differs from the reported value of 983.3 $ktCO_2e$ due to adjustments for the current global warming potentials of relevant greenhouse gases. The 2020 baseline was established using the Scope 2 location-based accounting method and has not been restated using the Scope 2 market-based method as they were not materially different for the baseline year.

Five-year financial performance and key metrics

Divisional performance (continued)

All figures in $m unless shown otherwise	2023	Post-AASB 16 2022	2021	2020	Pre-AASB 16 2019
Officeworks					
Revenue	**3,357**	3,169	3,029	2,787	2,314
Earnings before tax	**200**	181	212	197	167
Return on capital employed (R12) (%)	**18.3**	17.8	22.3	20.2	17.0
Capital expenditure (cash basis)	**71**	68	65	40	42
Safety (R12, TRIFR)	**5.4**	5.8	6.1	7.9	8.5
Scope 1 and 2 emissions, market-based ($ktCO_2e$)	**27.1**	30.8	34.4	n.r.	n.r.
Scope 1 and 2 emissions, location-based ($ktCO_2e$)	**31.5**	37.2	40.1	43.2	45.8
Aboriginal and Torres Strait Islander team members	**302**	323	328	190	198
Operational waste diverted from landfill (%)	**87.8**	80.8	91.1	85.6	82.0
Industrial and Safety[1]					
Revenue	**1,992**	1,925	1,855	1,745	1,752
Earnings before tax[2]	**100**	92	70	39	86
Return on capital employed (R12) (%)[2]	**8.0**	7.9	6.2	2.7	5.8
Capital expenditure (cash basis)	**73**	64	62	59	83
Safety (R12, TRIFR)	**3.3**	3.5	4.3	4.8	6.9
Scope 1 and 2 emissions, market-based ($ktCO_2e$)	**27.2**	26.4	27.4	n.r.	n.r.
Scope 1 and 2 emissions, location-based ($ktCO_2e$)	**26.9**	26.4	27.4	27.1	25.9
Aboriginal and Torres Strait Islander team members	**97**	92	83	72	77
Operational waste diverted from landfill (%)[3]	**40.4**	41.6	38.5	n.r.	n.r.
Health					
Revenue[4]	**5,312**	1,240	n.r.	n.r.	n.r.
Earnings before tax[4]	**45**	(25)	n.r.	n.r.	n.r.
Return on capital employed (R12) (%)	**4.2**	n.r.	n.r.	n.r.	n.r.
Capital expenditure (cash basis)[4]	**41**	3	n.r.	n.r.	n.r.
Safety (R12, TRIFR)	**6.6**	n.r.	n.r.	n.r.	n.r.
Scope 1 and 2 emissions, market-based ($ktCO_2e$)[5]	**11.6**	13.8	n.r.	n.r.	n.r.
Scope 1 and 2 emissions, location-based ($ktCO_2e$)[5]	**12.1**	15.0	n.r.	n.r.	n.r.
Aboriginal and Torres Strait Islander team members	**3**	n.r.	n.r.	n.r.	n.r.
Operational waste diverted from landfill (%)[6]	**73.0**	n.r.	n.r.	n.r.	n.r.
Catch[7]	**Reported separately**		**Included in Kmart Group**		
Gross transaction value	**733**	989	973	632	n.r.
Revenue	**354**	510	528	364	n.r.
Earnings before tax[8]	**(163)**	(88)	(46)	1	n.r.
Capital expenditure (cash basis)	**10**	45	n.r.	n.r.	n.r.
Safety (R12, TRIFR)	**4.7**	2.1	n.r.	n.r.	n.r.
Scope 1 and 2 emissions, market-based ($ktCO_2e$)	**2.8**	3.0	n.r.	n.r.	n.r.
Scope 1 and 2 emissions, location-based ($ktCO_2e$)	**3.4**	3.8	n.r.	n.r.	n.r.
Aboriginal and Torres Strait Islander team members	**2**	-	n.r.	n.r.	n.r.
Operational waste diverted from landfill (%)	**66.2**	72.7	n.r.	n.r.	n.r.

1 Includes results from Greencap prior to its divestment on 1 August 2022.
2 2020 earnings excludes a $310 million pre-tax non-cash impairment and includes $15 million of payroll remediation costs.
3 Due to improved methodology, the years prior to 2021 are no longer comparable and therefore not reported in this table.
4 2022 includes API's results from 31 March 2022 to 30 June 2022.
5 2022 full year emissions estimated for comparison purposes.
6 2023 operational waste data is for distribution centres only.
7 Catch is included in Kmart Group for 2021 and 2020 includes Catch from 12 August 2019.
8 2023 includes $40 million of restructuring costs.

Shareholder information

Substantial shareholders

As at the date of this report, the following shareholders are substantial shareholders for the purposes of Part 6C.1 of the *Corporations Act 2001*:

- BlackRock Group (BlackRock Inc. and subsidiaries) holding 6.04 per cent;
- The Vanguard Group, Inc. holding 6.00 per cent; and
- State Street Corporation (and subsidiaries) holding 5.00 per cent.

Voting rights

Wesfarmers fully-paid ordinary shares carry voting rights of one vote per share.

Distribution of members and their holdings

Size of holdings	Number of shareholders	% of issued capital
1 – 1,000	403,904	11.31
1,001 – 5,000	91,977	16.98
5,001 – 10,000	10,377	6.35
10,001 – 100,000	5,145	9.13
100,001 and over	138	56.24

There were 14,094 shareholders that held less than a marketable parcel of Wesfarmers ordinary shares.

There were 0.93 per cent of shareholders with registered addresses outside Australia.

Twenty largest shareholders

The 20 largest shareholders of ordinary shares on the company's register as at 24 August 2023 were:

Name	Number of shares	% of issued capital
HSBC Custody Nominees (Australia) Limited	255,167,454	22.50
J P Morgan Nominees Australia Pty Limited	163,255,717	14.40
Citicorp Nominees Pty Limited	80,086,543	7.06
National Nominees Limited	21,067,476	1.86
BNP Paribas Noms Pty Ltd (DRP)	19,474,237	1.72
BNP Paribas Nominees Pty Ltd (Agency Lending DRP A/C)	19,204,514	1.69
HSBC Custody Nominees (Australia) Limited (Nt-Comnwlth Super Corp A/C)	7,724,476	0.68
Australian Foundation Investment Company Limited	7,372,000	0.65
Citicorp Nominees Pty Limited (Colonial First State Inv A/C)	5,494,415	0.48
Argo Investments Limited	5,040,027	0.44
Netwealth Investments Limited (Wrap Services A/C)	4,735,740	0.42
BNP Paribas Nominees Pty Ltd HUB24 Custodial Serv Ltd (DRP A/C)	3,613,855	0.32
Citicorp Nominees Pty Limited (Citibank NY ADR DEP A/C)	2,120,269	0.19
Washington H Soul Pattinson and Company Limited	2,104,278	0.19
Mutual Trust Pty Ltd	1,979,132	0.17
IOOF Investment Services Limited (IPS Superfund A/C)	1,793,854	0.16
Mr Peter Alexander Brown	1,556,000	0.14
BNP Paribas Noms (NZ) Ltd (DRP)	1,308,352	0.12
Navigator Australia Ltd (MLC Investment Sett A/C)	1,250,182	0.11
BKI Investment Company Limited	1,218,156	0.11

The percentage holding of the 20 largest shareholders of Wesfarmers ordinary shares was 53.40.

Investor information

Managing your shareholding

The company's share registry is managed by Computershare Investor Services Pty Limited (Computershare).

The Investor Centre website is the fastest, easiest and most convenient way to view and manage your shareholding. Investor Centre enables a shareholder to:

- view the company share price;
- change your banking details;
- change your address (for non-CHESS sponsored holdings);
- update your dividend instructions;
- update your Tax File Number (TFN), Australian Business Number (ABN) or exemption;
- select your email and communication preferences;
- view your transaction and dividend history; and
- generate a holding balance letter.

Visit **www.wesdirect.com.au** and click on 'Login' for portfolio membership or click on 'Single Holding' to view your Wesfarmers shareholding information.

When communicating with Computershare or accessing your holding online you will need your Securityholder Reference Number (SRN) or Holder Identification Number (HIN) as shown on your Issuer Sponsored/CHESS statements.

You can also contact Computershare by:

Post GPO Box 2975 Melbourne, Victoria 3001 Australia

Telephone Australia 1300 558 062

Telephone International (+61 3) 9415 4631

Website www.investorcentre.com/contact

Tax File Numbers

While it is not compulsory to provide a TFN, if shareholders have not provided a TFN and Wesfarmers pays an unfranked or partly-franked dividend, the company will be required to deduct tax from the unfranked portion of the dividend at the top marginal rate plus the Medicare Levy. Shareholders can go online to update their TFN by visiting **www.wesdirect.com.au**

Change of name or consolidation of holdings

Name changes or consolidation of multiple holdings into one single holding must be made in writing by using the required forms, which can be downloaded from **www.wesdirect.com.au** and clicking on the 'Printable Forms' button.

Uncertificated Share Register: The Wesfarmers share register is uncertificated. Two forms of uncertificated holdings are available to shareholders:

- **Issuer-sponsored holdings** – these holdings are sponsored by Wesfarmers and there is no need for shareholders to be sponsored by a stockbroker; and
- **Broker-sponsored holdings** – shareholders may arrange to be sponsored by a stockbroker who will require a signed sponsorship agreement.

Holding statements are issued to shareholders within five business days after the end of any month in which transactions occur that alter the balance of their holding. Shareholders can also access details of their shareholdings and dividends paid on their holdings by visiting **www.wesdirect.com.au**

Information on Wesfarmers

Wesfarmers website

Up-to-date information on the company can be obtained from the company's website **www.wesfarmers.com.au**

Securities Exchange listing

Wesfarmers shares are listed on the Australian Securities Exchange under the code WES.

Share prices can be accessed from major Australian newspapers, on the Wesfarmers website or at **www.asx.com.au**

Dividend investment plan

The company's dividend investment plan was reinstated with effect from 27 February 2007. Details of the plan can be obtained from Computershare or the Wesfarmers website.

Privacy

A copy of the Wesfarmers Privacy Policy is available on the Wesfarmers website.

Wesfarmers Corporate Affairs department

Further information and publications about the company's operations are available from the Corporate Affairs department on (08) 9327 4428 (within Australia) or (+61 8) 9327 4428 (international) or from the Wesfarmers website.

Corporate directory

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Website **www.wesfarmers.com.au**
Email **info@wesfarmers.com.au**

Executive director

Rob Scott
Group Managing Director and Chief Executive Officer

Non-executive directors

Michael Chaney AO
Chairman

Alan Cransberg

The Right Honourable Sir Bill English KNZM

Mike Roche

Anil Sabharwal

Vanessa Wallace

Sharon Warburton

Alison Watkins AM

Jennifer Westacott AO

Chief Financial Officer

Anthony Gianotti

Company Secretary

Vicki Robinson

Share registry

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Yarra Falls, 452 Johnston Street
Abbotsford, Victoria 3067

Telephone Australia 1300 558 062
Telephone International (+61 3) 9415 4631
Facsimile Australia (03) 9473 2500
Facsimile International (+61 3) 9473 2500
Website **www.investorcentre.com/wes**

Financial calendar+

Record date for final dividend	31 August 2023
Final dividend paid	5 October 2023
Annual general meeting	26 October 2023
Half-year end	31 December 2023
Half-year profit announcement	February 2024
Record date for interim dividend	February 2024
Interim dividend payable	March 2024
Year-end	30 June 2024

+ Timing of events is subject to change.

Annual General Meeting

The 42nd Annual General Meeting of Wesfarmers Limited will be held on Thursday 26 October 2023 at 1:00pm (Perth time) at the Perth Exhibition and Convention Centre and shareholders will also be able to participate in the meeting through an online platform. Further details will be provided in the 2023 Notice of Meeting.

Website

To view the 2023 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**

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