2020 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 in this year's review cover: home improvement, outdoor living and building materials; general merchandise and apparel; office and technology products; manufacturing and distribution of chemicals and fertilisers; industrial and safety product distribution; and gas processing and distribution. Wesfarmers is one of Australia's largest private sector employers with approximately 107,000 team members and is owned by more than 487,000 shareholders.

ABOUT THIS REPORT

This annual report is a summary of Wesfarmers and its subsidiary companies' operations, activities and financial performance and position as at 30 June 2020. 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' are to the financial year ended 30 June 2020 unless otherwise stated. All dollar figures are expressed in 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 (such as pre-AASB 16 financial information). 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.

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.

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Group structure

Wesfarmers

Bunnings	Kmart Group	Officeworks	Chemicals, Energy and Fertilisers	Industrial and Safety	Other activities	Corporate
Bunnings Warehouse	Kmart	Officeworks	CSBP	Blackwoods	Coles (4.9%)	
Bunnings	Target	Geeks2U	Covalent Lithium (50%)	NZ Safety Blackwoods	Flybuys (50%)	
Bunnings Trade	Catch		QNP (50%)	Workwear Group	bwp Trust (24.8%)	
Adelaide Tools			AGA (75%)	Coregas	Gresham (50%)	
			Australian Vinyls	Greencap	Wespine (50%)	
			Modwood			
			Kleenheat			
			EVOL LNG			
			Decipher			

Our primary objective

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

The year in review

Revenue

$30.8b

↑ 10.5%

From continuing operations

Net profit after tax

$1.6b

From continuing operations, down 16.4%

$2.1b

From continuing operations, excluding significant items, up 8.2%

Dividends per share

$1.70

Including $0.18 special Coles selldown dividend

Fully franked

Salaries and wages

$4.8b

Government taxes and other charges

$1.0b

Includes discontinued operations

Community contributions

$68m

Direct and indirect community contributions

Safety

↓ 23%

reduction in total recordable injury frequency rate

TRIFR 10.4 on continuing operations

Indigenous team members

1,858

↑ 11.5%

Waste

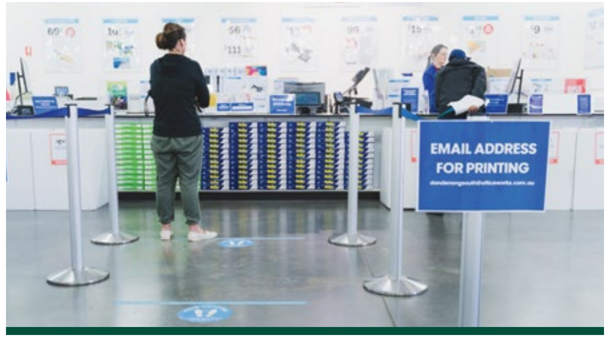
↑ 12%

increase in recycling

↓ 5%

reduction in landfill

COVID-19 and the Australian bushfires had a significant impact on our customers, team members and the communities in which we operate.



Group
The financial result is a testament to the dedication of team members and leaders across all businesses in responding to the challenges presented by COVID-19 and the Australian bushfires.

Bunnings
Strong sales and earnings growth demonstrated the resilience of the operating model and ability to adapt to customers' changing needs.

Kmart Group
Actions taken to accelerate the growth of Kmart and address Target's performance, with a pleasing performance from Catch since acquisition.

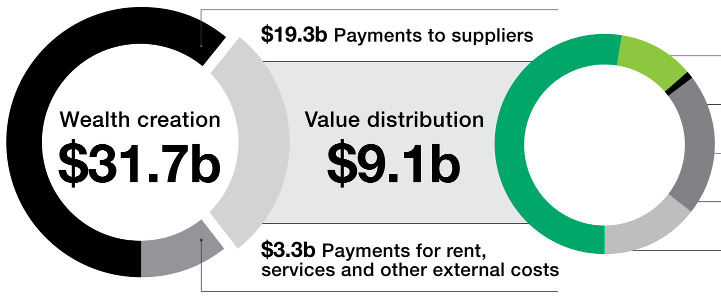
Officeworks
Strong sales growth both in stores and online, and solid earnings growth, supported by a focus on price, range and service across every channel.

Chemicals, Energy and Fertilisers
Solid operating performance with increased plant availability and continued improvements in safety.

Industrial and Safety
Earnings impacted by continued investment in customer service and digital systems at Blackwoods, and lower revenue at Workwear Group.

Performance overview

Wealth creation and value distribution[1]



1 Numbers are presented on a post-AASB 16 *Leases* (AASB 16) basis and include discontinued operations.

Group performance

Key financial data		Post-AASB 16 2020	Pre-AASB 16 2020	Reported 2019
Results from continuing operations				
Revenue	$m	**30,846**	30,846	27,920
Earnings before interest and tax	$m	**2,744**	2,530	2,974
Earnings before interest and tax (after interest on lease liabilities)	$m	**2,507**	2,529	2,974
Earnings before interest and tax (after interest on lease liabilities) (excluding significant items)[1]	$m	**2,942**	2,964	2,974
Net profit after tax	$m	**1,622**	1,638	1,940
Net profit after tax (excluding significant items)[1]	$m	**2,083**	2,099	1,940
Basic earnings per share (excluding significant items)[1]	cents	**184.2**	185.6	171.5
Results including discontinued operations[2]				
Net profit after tax from discontinued operations	$m	**75**	75	3,570
Net profit after tax	$m	**1,697**	1,713	5,510
Net profit after tax (excluding significant items)[1,3]	$m	**2,075**	2,091	2,339
Return on average shareholders' equity (R12) (excluding significant items)[1,3]	%	**22.1**	21.1	19.2
Cash flow and dividends including discontinued operations				
Operating cash flows	$m	**4,546**	3,597	2,718
Operating cash flows (after lease cash flows)	$m	**3,597**	3,597	2,718
Net capital expenditure	$m	**568**	568	827
Acquisitions	$m	**988**	988	17
Free cash flows	$m	**5,188**	4,239	2,963
Free cash flows (after lease cash flows)	$m	**4,239**	4,239	2,963
Equity dividends paid	$m	**1,734**	1,734	3,628
Operating cash flow per share	cents	**401.9**	318.0	240.3
Free cash flow per share	cents	**458.7**	374.8	262.0
Dividends per share	cents	**170.0**	170.0	278.0
Balance sheet and gearing				
Total assets	$m	**25,425**	19,068	18,333
Net debt[4]	$m	**(85)**	(85)	2,500
Shareholders' equity	$m	**9,344**	9,877	9,971
Gearing (net debt to equity)	%	**(0.9)**	(0.9)	25.1

1 2020 excludes the following significant items pre-tax (post-tax) from continuing operations, $525 million ($437 million) non-cash impairment in Kmart Group, $110 million ($83 million) restructuring costs and provisions in Kmart Group, $310 million ($298 million) non-cash impairment in 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 and a gain of $220 million ($154 million) on the revaluation of the remaining 4.9 per cent interest in Coles. Discontinued operations includes significant items of $83 million from the finalisation of tax positions on prior year disposals.

2 Discontinued operations relate to Curragh Coal Mine, BUKI, Bengalla, KTAS, Quadrant Energy and Coles.

3 2019 excludes the following significant items pre-tax (post-tax), $2,319 million ($2,264 million) gain on demerger of Coles, $679 million ($645 million) gain on disposal of Bengalla, $267 million ($244 million) gain on disposal of KTAS, $138 million ($120 million) gain on disposal of Quadrant Energy and $146 million ($102 million) provision for Coles supply chain automation.

4 Excludes lease liabilities.

The Group delivered a solid trading performance while supporting customers, team members and the community through a year that was significantly disrupted by COVID-19 and the Australian bushfires.

Each of the Group's businesses remained focused on long-term value creation despite the uncertain operating environment during the year.

Divisional performance

Bunnings		Post-AASB 16 2020	Pre-AASB 16 2020	Reported 2019
Revenue	$m	**14,999**	14,999	13,166
Earnings before tax	$m	**1,826**	1,852	1,626
Segment assets	$m	**8,163**	4,958	5,118
Segment liabilities	$m	**6,062**	2,510	1,983
Capital employed R12[1]	$m	**3,146**	2,997	3,220
Return on capital employed R12[1]	%	**58.0**	61.8	50.5
Cash capital expenditure	$m	**511**	511	470

Kmart Group		Post-AASB 16 2020[2]	Pre-AASB 16 2020[2]	Reported 2019[3]
Revenue	$m	**9,217**	9,217	8,713
Earnings before tax	$m	**410**	413	550
Segment assets	$m	**5,725**	3,275	3,755
Segment liabilities	$m	**4,518**	1,750	1,476
Capital employed R12[1]	$m	**2,011**	1,978	1,872
Return on capital employed R12[1]	%	**20.4**	20.9	29.4
Cash capital expenditure	$m	**142**	142	207

Officeworks		Post-AASB 16 2020	Pre-AASB 16 2020	Reported 2019
Revenue	$m	**2,787**	2,787	2,314
Earnings before tax	$m	**197**	190	167
Segment assets	$m	**1,819**	1,538	1,531
Segment liabilities	$m	**1,028**	683	559
Capital employed R12[1]	$m	**976**	969	980
Return on capital employed R12[1]	%	**20.2**	19.6	17.0
Cash capital expenditure	$m	**40**	40	42

Chemicals, Energy and Fertilisers		Post-AASB 16 2020	Pre-AASB 16 2020	Reported 2019[4]
Revenue	$m	**2,085**	2,085	2,078
Earnings before tax	$m	**394**	393	438
Segment assets	$m	**2,450**	2,429	1,563
Segment liabilities	$m	**458**	432	392
Capital employed R12[1]	$m	**1,942**	1,941	1,358
Return on capital employed R12[1]	%	**20.3**	20.2	32.6
Cash capital expenditure	$m	**110**	110	58

Industrial and Safety		Post-AASB 16 2020[5]	Pre-AASB 16 2020[5]	Reported 2019
Revenue	$m	**1,745**	1,745	1,752
Earnings before tax	$m	**39**	40	86
Segment assets	$m	**1,585**	1,445	1,752
Segment liabilities	$m	**543**	376	348
Capital employed R12[1]	$m	**1,448**	1,447	1,475
Return on capital employed R12[1]	%	**2.7**	2.8	5.8
Cash capital expenditure	$m	**59**	59	83

1 Capital employed excludes right-of-use assets and lease liabilities.

2 The 2020 earnings before tax for Kmart Group exclude pre-tax impairments of the Target brand name and other assets of $525 million and restructuring costs and provisions of $110 million.

3 Includes KTAS.

4 Includes Quadrant.

5 The 2020 earnings before tax for Industrial and Safety excludes pre-tax impairments of $310 million.

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BACK

Chairman's message

The 2020 financial year will be remembered as one of the most challenging of the last half century, with bushfires ravaging large parts of Australia's eastern states over summer and the COVID-19 pandemic resulting in widespread shutdowns of community activities around the world from March.

In the circumstances, Wesfarmers performed very well. Some of our businesses recorded reduced profits as a result of restricted trading but others, specifically Bunnings and Officeworks, were able to remain open in Australia and, despite incurring higher costs dealing with the pandemic, increased their profitability; and the Chemicals, Energy and Fertilisers business continued its record of returning solid profits.

Net profit after tax (NPAT) fell from $5.5 billion to $1.7 billion but pleasingly, profit from continuing operations excluding significant items rose eight per cent from $1.9 billion to $2.1 billion. The NPAT results in FY2019 and FY2020 were both affected by substantial significant items – in FY2019 by large accounting gains on the demerger of the Coles business and the sale of some businesses; and in FY2020 by profits on the sale of 10.1 per cent of Coles Group Limited (Coles), impairments of Target, and the Industrial and Safety assets and provisions for the restructuring of Target, including the conversion of many Target stores to Kmart.

The directors determined to pay a final, fully-franked dividend of 77 cents per share plus a special, fully-franked dividend of 18 cents per share, the latter reflecting the after-tax profit on the sale of a 10.1 per cent interest in Coles, with resulting total dividend payments over the full year of $1.70 per share.

These dividends resulted, as usual, in the paying out of a high proportion of profit, consistent with the company's ongoing policy of distributing its available franking credits to its shareholders. We do that on the basis that these credits are of no value to the company but of real value to our shareholders. At times like the present where we are effectively debt-free, this is easily accommodated from a cash flow perspective; but even when debt levels are higher, the policy is readily accommodated through the application of our dividend investment plan. Given the minimal discount required to achieve significant reinvestment, any share price dilution from that process is negligible and overall, our shareholders are better off than they would be with lower dividends.

Over recent years much has been said and written about the need for companies to consider the interests of all stakeholders, not just their shareholders. As we have made very clear, that has always been Wesfarmers' philosophy. While we are very clear that providing satisfactory returns to our shareholders is our primary purpose, we have always qualified that by pointing out that we could never achieve that objective over the long term if we did not protect and enhance the interests of our other stakeholders – our team members, customers and suppliers – and if we did not take care of the environment or support the communities in which we operate. The bushfires and the COVID-19 pandemic gave us the opportunity to put those words into action.

Responding to the bushfires, we supported team members with volunteering leave, including to work with the Rural Fire Service (RFS), Country Fire Service (CFS), Country Fire Authority (CFA), State Emergency Service and Army Reserve. Across the Group, Wesfarmers committed $1.5 million to support fire-affected communities including through the Business Council of Australia's Community Rebuilding Initiative. In local communities, as fires burned, our businesses supported the RFS, CFS and CFA with donations of protective clothing, hoses, buckets, and the like, and then as the recovery commenced, we supported community organisations such as the Red Cross, The Smith Family and The Salvation Army with critical supplies like toiletries, nappies, air mattresses, clothing and water.

With regard to the COVID-19 pandemic, we demonstrated our commitment to live up to those principles. Our management team played a very significant role developing COVID-safe work practices to protect the health and safety of team members and customers. They also provided practical advice to governments on how to reduce the potential damage of imposing too-drastic shutdowns on our businesses – damage arising from the resulting lack of availability of essential products and from the effects of widespread unemployment and the economic downturn.

When trading restrictions were imposed, we incurred substantial extra costs to keep our team members and customers safe; we continued to pay our rent and to pay our suppliers on time; and we extended additional financial support to our community not-for-profit partners which found their revenues drying up. Because of our strong balance sheet and the support of our customers, we were able to do this in our Australian operations without recourse to the Federal Government's JobKeeper program. In New Zealand, where the shutdowns were severe and our stores were closed, any government support was passed straight through to our affected employees. Finally, after the close of the 2020 financial year, we announced that during the six-week lockdown of our businesses in Victoria, we would continue to pay team members in full, who are permanent, or who work more than 12 hours a week as casuals, if there is no meaningful work for them.

One concerning issue that arose during the last year, that went to the heart of our reputation was the discovery of wage and salary underpayments, initially in the Industrial and Safety division and subsequently, on investigation, in some of our other businesses. This issue has affected numerous small, medium and large employers nationally this year and illustrates the challenges all companies face under Australia's extremely complex industrial relations system. As an example, in our Industrial and Safety division, we were dealing with over 50 separate awards and agreements in trying to identify where errors might have occurred.

I believe we acted swiftly and in accordance with the principles espoused above to identify the errors, resolved to compensate affected current and former team members extending over 10 years rather than the required six, added interest to payments or superannuation shortfalls and we are implementing fixes to overcome any systems shortcomings to prevent any continuation of the problem.

While the bushfire and COVID-19 initiatives involved substantial costs, we consider them more as investments – investments in our people and other stakeholders which will enhance the reputation and welfare of the company over the long term. Importantly, we were able to bear them because of our conservative approach to balance sheet management. The COVID-19 pandemic has illustrated once again how essential that is, if a company is to continue to operate successfully during downturns.

It is fair to say that at the time of writing this report, we are faced with a more uncertain outlook than at any time within the Board or management's experience. Within Australasia, where our principal businesses operate, many borders are closed, varying trading restrictions have been imposed, the economy is in recession and unemployment has risen substantially. It is clear that in the absence of an effective vaccine for the coronavirus, random infection outbreaks will continue to occur and governments will respond by imposing restrictions of some sort.

Amongst all of the challenges facing our societies at the present time, our greatest concern should be about unemployment. Losing a job and remaining out of the workforce for a lengthy period can be personally devastating, resulting in mental and physical health issues, family breakdown and descent into poverty and it is becoming apparent that this burden is falling disproportionately on young people and women. That is what has motivated us to provide team members with support and continued income, including during the Victorian lockdown.

The financial assistance provided by the Australian and state governments in cases where employers did not have the capacity to do so has been vital, but this can only be a short-term measure. In the longer term, we have to make sure jobs are created by developing a more productive, competitive economy. Governments and opposition parties have to put politics aside and work together to remove the impediments to higher productivity – impediments like our overly complex industrial relations system, our inefficient taxation system and burdensome regulations. In the absence of that, we will be faced with a future of high unemployment, high government deficits and, in due course, the very damaging effect of higher interest rates.

As far as your company is concerned, more productive economic settings would allow us to make more investments, employ more people and make an even larger contribution to the Australian and New Zealand economies. In the meantime, we are comforted by the fact that our balance sheet is in good shape and that we have a management team well equipped to handle whatever challenge is thrown up. Our business heads continue to look for ways to enhance and expand their activities and at a group level we are as busy as ever looking for opportunities to explore new directions for the company.

I take this opportunity, on behalf of my fellow directors, to thank our outgoing director, Diane Smith-Gander AO, for her outstanding contribution to the Board and the company over the last eleven years. Diane has had a wealth of experience over the course of her career – from her banking and management consulting days to her numerous board and chair roles in for-profit and not-for-profit organisations – and that experience showed in the way she conducted herself on our Board: ready and able to provide wise counsel to management, independent minded and focused at all times on the company and our stakeholders' interests. Diane has been recognised nationally for her constant advocacy for the engagement of women in executive roles and for gender equality. We shall greatly miss her contribution around the board table.

The Board is currently in the process of identifying potential new directors – one to replace Diane and a second to fill a skills gap in the digital space which we identified in our latest board evaluation process; and we hope to be in a position to conclude that over the next few months.

The Board started the 2020 financial year with a new Company Secretary in Aleks Spaseska but an opportunity and need in the Kmart Group resulted in her taking on the role of Chief Financial Officer of that division later in the year. We wish Aleks well in that critical role and were very pleased to be able to appoint Vicki Robinson as her replacement in March. Vicki has had extensive experience as a senior lawyer in the Corporate Solicitors' Office over her 17 years with the Wesfarmers Group.

In closing I pay tribute to our dedicated team members, led by Chief Executive Officer Rob Scott. The last year has thrown up enormous and unique challenges to all of them and they have responded in a truly outstanding way, with great dedication and effort. They are a wonderful team.

MICHAEL CHANEY AO
Chairman

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Managing Director's report

It is my pleasure to provide this update on the performance of Wesfarmers in 2020.

Without doubt, FY2020 was an extraordinary and challenging year for the Group, our team members and the community.

More than ever, all that we have achieved, including our strong financial results, is testament to the dedication of our talented and committed team members and leaders, working across our businesses in Australia and internationally.

Particularly in the second half of FY2020, our world and all our lives changed profoundly. Much of Australia was heavily affected by the summer's catastrophic bushfires. I was extremely proud of the many ways our businesses provided support – when communities were in danger and then in the aftermath as the recovery commenced. In many locations, that recovery is only just beginning.

Shortly after the bushfires, we faced the complex and evolving challenges of COVID-19. The impact on lives, wellbeing, jobs and the economy is well known and is continuing to unfold. Our businesses and their teams have responded to these challenges in the most remarkable way, with empathy, professionalism and determination. If there was a positive to take out of this terrible time, it is our capacity to respond rapidly to changes in our environment and to demonstrate the value we provide to the communities in which we operate.

Most importantly, our businesses have developed and implemented COVID-safe ways of operating – which has enabled them to remain trading in most regions, keeping our team employed and supporting our customers and suppliers. Our businesses provided leadership and developed fact-based strategies, especially for the retail sector, around COVID-safe operations. From the standpoint of managing the spread of COVID-19, we made a valuable contribution to the public health effort. We introduced paid pandemic leave which enabled team members to isolate at home if unwell or pending test results, without loss of pay, and we provided support to our more vulnerable team members to stay at home.

The efforts in recent years to invest in and improve our digital offer to customers has started to pay off and in FY2020, Wesfarmers' businesses generated e-commerce sales of over $2 billion. This is another example of how the Wesfarmers model enables our businesses to adapt and evolve to changes in markets and customer demand.

Our performance

The Group's continuing businesses generated NPAT growth of 8.2 per cent (excluding significant items in the prior year), to $2.1 billion. Bunnings, Kmart, Officeworks and Catch delivered strong sales growth for the year. Earnings in Bunnings and Officeworks were particularly strong and demonstrated the ability of these businesses to rapidly adapt to the changing needs of their customers.

Bunnings achieved strong sales and earnings growth as customers spent more time at home and undertaking projects at home. Throughout the year, Bunnings continued to execute its strategic agenda and to accelerate the development of its digital offer. During the COVID-19 period, the Australian rollout of Click and Deliver was completed, the New Zealand e-commerce platform was launched and the innovative Drive and Collect offering was developed.

Kmart Group's revenue from continuing operations increased 7.2 per cent over the year, however earnings were impacted by significant items (largely associated with the restructure of Target) and payroll remediation costs.

Pleasingly, Kmart recorded solid revenue and earnings growth, reflecting a consistently strong performance for most of the year and a more volatile fourth quarter, impacted by COVID-19. Earnings were affected by additional costs associated with online fulfilment and COVID-19 and adverse exchange rate movements. In Kmart, technology is playing an increasingly important role, improving our customer proposition and delivering operational efficiencies.

The financial performance of Target has been unsatisfactory and the business was loss-making in FY2020. In May 2020, we announced a number of actions to address structural challenges, simplify Target's operating model and deliver more value from the store network. These actions will also accelerate the growth of Kmart. Target remains a much-loved brand and will continue to operate as a standalone business, prioritising online growth and improving the product offer in the destination categories of soft home and apparel.

Officeworks performed strongly in FY2020, with earnings increasing by 13.8 per cent, driven by strong sales growth in stores and online. In the second half, we saw significant demand for technology, office furniture and learning and education products, as people spent more time working and learning from home.

Wesfarmers Chemicals, Energy and Fertilisers (WesCEF) delivered another pleasing result, with revenue in line with the prior year. The Chemicals and Fertilisers businesses benefited from strong demand from key customers, while the Energy business recorded a decline in revenue due to lower prices and lower sales volumes.

The performance of Industrial and Safety was below expectations, with the division also reporting an impairment to its carrying value. The result reflects a weaker performance of Blackwoods in the first half and lower customer demand in Workwear Group in the second half, due to COVID-19. To address these issues, we are investing in customer service, digital capabilities and a new enterprise resourcing planning system in Blackwoods.

Investment and portfolio actions

During the year, we invested around $1.9 billion in existing and new businesses.

In August 2019, we completed the acquisition of Catch Group Holdings Limited (Catch) which brought highly complementary skills in digital retail and fulfilment and a growing e-commerce marketplace to our Group. During the year, Catch made good progress, with gross transaction value increasing almost 50 per cent since acquisition. Importantly, our digital capabilities have been accelerated and continue to complement our store network as most online customers also enjoy our in-store experience.

In September 2019, we acquired Kidman Resources Limited (Kidman) which will allow us to leverage our chemical processing capabilities within WesCEF into the growing market for high-quality lithium hydroxide. With this acquisition, Wesfarmers is a 50 per cent joint venture partner in the Mt Holland lithium project which includes the construction of a mine and concentrator at Mt Holland and a lithium hydroxide refinery in Kwinana. The Mt Holland lithium project presents a world-class opportunity to develop an integrated large-scale, long-life and high-grade operation in Western Australia.

While relatively small in the context of the broader Group, Catch and Kidman are good examples of our disciplined approach to capital allocation and consistent with our objective of deploying capital where we expect to generate attractive returns to shareholders over time.

In addition to our acquisitions, the Group invested around $900 million in our existing divisions, largely to support the continued expansion of the Bunnings store network.

In the second half of FY2020, the Group also sold a 10.1 per cent interest in Coles through two separate transactions, delivering a pre-tax gain on sale of $290 million. The partial sale of the Group's interest in Coles crystallised an attractive return for shareholders and provided increased balance sheet strength during a time of significant uncertainty.

Our people

Wesfarmers is one of the largest private sector employers in Australia with around 107,000 team members across our businesses, in Australia and overseas.

It was pleasing to see a significant improvement in the Group's safety performance with the total recordable injury frequency rate across the Group's continuing operations 23 per cent lower than last year. However, whenever there are injuries in the workplace, we still have work to do.

In March 2020, we announced changes to the leadership structure of our industrial businesses, with WesCEF and Industrial and Safety becoming standalone businesses. As part of this change, David Baxby stepped down as Managing Director of Wesfarmers' Industrials division. Over three years, David played an important role supporting a number of growth initiatives across the group.

Tim Bult was appointed Managing Director of Industrial and Safety, bringing significant operational and commercial experience to this role. Tim has served in various leadership positions throughout the Group over the last 20 years. Tim and Ian Hansen, the CEO of WesCEF, have both joined the Wesfarmers Leadership Team and are making a valuable contribution.

During FY2020, while Sarah Hunter was on parental leave, Officeworks' Chief Financial Officer Michael Howard served as Acting Managing Director of that division. Michael's tenure included the summer during which our businesses responded to the Australian bushfires and the initial months of our COVID-19 response. He led Officeworks with great distinction in challenging times. We are fortunate to be able to draw upon talented executives like Michael.

As the Chairman noted, Vicki Robinson was appointed Executive General Manager, Company Secretariat during the year, and is also making a valuable contribution to the Wesfarmers Leadership Team.

Outlook

Throughout FY2020, we have been guided by our corporate objective – to deliver a satisfactory return to shareholders over the long term. We recognise we can only achieve this if we continue to anticipate the needs of our customers, look after our team members, treat suppliers fairly, contribute positively to the communities in which we operate, take care of the environment and act with integrity and honesty in all of our dealings.

Our objective and values, including our focus on the long term, will continue to guide the decisions in the period ahead including our ongoing response to the challenges presented by COVID-19.

Without doubt, COVID-19 and its economic impact will continue to be felt for a long time including in customer demand, our operations and across the broader economy. For the first time in almost 30 years, Australia is in recession. Without question, the income and fiscal support provided by federal and state governments to individuals and businesses, including through JobKeeper, have played a critical role in supporting jobs and households.

The Group's retail businesses will maintain their focus on meeting changing customer needs and delivering even greater value, quality and convenience. Recent investments in digital capabilities will continue and are expected to improve our customer value proposition, expand our addressable markets and deliver operating efficiencies. Consumers spending more time at home may support demand in some of the Group's businesses, although retail sales will also be affected by any trading restrictions and the gradual removal of stimulus, particularly if unemployment remains elevated.

The performance of the Group's industrial businesses will continue to be subject to international commodity prices, foreign exchange rates, competitive factors and seasonal outcomes.

Importantly, our portfolio includes diverse, cash-generative businesses with leading market positions. The Group's strong balance sheet means we remain well-positioned to deal with a range of economic conditions.

The Group will also continue to develop and enhance its portfolio, building on its unique capabilities and platforms to take advantage of growth opportunities within existing businesses, recently acquired investments and to pursue transactions that create value for shareholders over the long term.

Finally, I would like to again acknowledge the efforts of each and every one of our team members for their contribution during an exceptionally difficult year. We know that the future will continue to present challenges, but I am confident that we will rise to these and that Wesfarmers' best years lie ahead.

ROB SCOTT
Managing Director

Supporting our community

COVID-19 response

Wesfarmers' response to the challenges presented by COVID-19 reflects the hard work and dedication of our 107,000 team members and leaders to support our customers, suppliers and local communities.

Across the Group, our response to COVID-19 was motivated by Wesfarmers' core values and focus on the long term. This motivation helped our businesses adapt quickly to the diverse challenges of evolving customer needs, deep business uncertainty and rapidly changing state and federal government restrictions.

As we continue to respond to COVID-19, Wesfarmers will prioritise the safety of its customers and team members. Our retail divisions will remain focused on meeting changing customer needs and delivering even greater value, quality and convenience, including with additional online and contactless Click and Collect options. Recent investments in our digital capabilities are expected to support further enhancements to the customer value proposition, expansion of addressable markets and deliver operating efficiencies.

A focus on team member safety and support

Our focus during COVID-19, has been to protect the health, safety and wellbeing of our team members and customers, while supporting government efforts to limit the spread of the virus.

Among our retail businesses, these included measures to support physical distancing, the introduction of Perspex 'sneeze screens', increased cleaning in addition to 'deep cleans', limiting customer numbers in-store and restricting in-store activities like fitting rooms, cafes and playgrounds. Across all our businesses and distribution centres, new processes were put in place including workforce planning to prevent overlap of team rosters and greater use of personal protective equipment.

The Group provided two weeks of paid pandemic leave to permanent and casual team members required to self-isolate or care for others. In August 2020, with growing evidence of anxiety among team members in Victoria, we committed to pay full-time, part-time and casual team members (working more than 12 hours a week), during the Victorian lockdown. These and other measures give income and job security to team members at highly uncertain times, easing the impact of COVID-19 on them and their families, while ensuring a safe operating environment for other team members and customers.

Importantly, we are increasing our focus on team member wellbeing and mental health. We have expanded access to our employee assistance programs to include the families of team members and we introduced additional protections for our most vulnerable workers including team members over the age of 70.

Responding to changes in customer shopping and demand

Anticipating the needs of our customers and delivering competitive goods and services has been a critical challenge.

As stay-at-home restrictions were introduced, our customers spent more time working, learning and relaxing at home. This change saw increased demand in some product categories, particularly for Bunnings and Officeworks. Bunnings focused on products to allow work around the house and garden, providing valuable physical and wellbeing benefits to people required to stay at home. In some categories, Officeworks experienced significant increased demand for technology and home office furniture, as people set up home offices, and for education ranges, especially during school closures. All of our businesses saw unprecedented demand across safety, cleaning and hygiene product ranges. In some categories, including apparel, we also saw declines in customer demand.

Our teams worked hard to minimise any temporary availability issues, caused by significant variation in demand across certain product categories. In-store retail sales were affected by significant volatility in foot traffic, driven by government restrictions and physical distancing requirements. As customers shopped online, our e-commerce sales grew by 60 per cent during FY2020, excluding Catch. In-store processes were changed to support the implementation and uptake of Click and Collect across our networks. Our businesses led the design and launch of contactless Drive and Collect, and our investment in digital capabilities helped to keep shopping environments safe for team members and customers.

Supporting vulnerable communities

Recognising the challenge that COVID-19 presents to the more vulnerable members of our community, our retail divisions introduced new ways to shop. Dedicated phone-shopping services were established for Australians who could not shop online. The phone lines provided assistance to customers shopping online for the first time, guiding them through the online shopping experience – a service predominantly used by older Australians.

Working with our suppliers

Throughout the year, Wesfarmers continued to engage fairly with our suppliers, sourcing ethically and sustainably despite the challenges of COVID-19.

The Group maintained business continuity and payment terms with suppliers. In cases of hardship we supported suppliers through accelerated payment, acknowledging the critical role that our suppliers play in helping us meet the needs of customers.

Supporting the communities in which we operate

Throughout the year, we continued to support our community partners. Across the Group, in FY2020 we made around $68 million in contributions to community partners, both directly and indirectly.

This year, our Wesfarmers Arts partners have cancelled seasons, closed their doors to the public and drawn upon often limited reserves, to keep paying the staff and artists critical to their future. Through the crisis, we stood alongside many of our arts partners, helping them remain viable by providing additional COVID-19 funding, including Western Australian Symphony Orchestra, West Australian Ballet, West Australian Opera and Musica Viva Australia. All were significantly impacted by COVID-19 restrictions, as usual cash flows stopped when stages went dark and galleries closed.

While sausage sizzles planned for the first weeks of COVID-19 were cancelled, Bunnings donated more than 3,000 gifts cards worth $500 each to help community groups with their fundraising. As restrictions ease, community sausage sizzles are resuming, initially in the Northern Territory, Western Australia and New Zealand.

Supporting the government response

Wherever possible, Wesfarmers worked closely with the federal and state governments to support their response to COVID-19. We shared our COVID-safe operating procedures to help other businesses adopt best practice COVID-safe measures and we worked collaboratively to progress the COVID-safe re-opening of the economy.

Wesfarmers did not receive material government support payments and is not currently part of the Federal Government's JobKeeper program. The Group received approximately $40 million in wage subsidies outside of Australia, almost exclusively in New Zealand, where the government mandated temporary store closures and trading restrictions. These payments were passed on to team members and represented less than one per cent of total team member payments made during the year.

Without doubt, government stimulus designed to provide income support to households and businesses has positively supported the economy, and our retail sales. These measures have been essential to the Australian economy, providing job security for millions of Australians and income support for hundreds of thousands impacted by COVID-19.

COVID-19 continues to present significant uncertainty for the broader economy, affecting both customer demand and the way we operate our businesses. As we move forward, Wesfarmers will continue to respond to the challenges of an evolving economic and social landscape.

Bushfire response

Wesfarmers team members were shocked and saddened by the devastating bushfires that gripped Australia with extreme intensity, from early November until February. The bushfires impacted our businesses, teams and local communities where we operate, initially in Queensland and northern New South Wales and then across New South Wales, Victoria, the Australian Capital Territory and South Australia.

Perhaps most importantly for fire-affected areas, our businesses performed a critical service making goods available in very difficult circumstances, ensuring supply of essential products, when and where needed. This timely, local support to fire-affected communities distinguishes the contribution made by Wesfarmers businesses, and was achieved by working closely with suppliers and logistics partners.

Over the summer, Blackwoods supplied respirators, meeting demand from customers like the Rural Fire Service (RFS), the Army and local councils, often in unlikely locations like Canberra, when air quality was among the worst in the world. Bunnings donated and sold firefighting and recovery-related equipment to the RFS and the Country Fire Service – equipment like protective clothing, hoses, buckets, rakes, marquees and torches, both as fires burned and supporting the recovery. Kmart, Target and Officeworks donated and made critical supplies available to support the relief effort – things like toiletries, nappies, air mattresses, blankets, clothing, water, boxes and power cords.

Throughout the crisis, team member safety has been a primary focus. Around 20 stores closed for a period including in Batemans Bay, Ulladulla, Nowra, Bega, Merimbula, Cooma, Tumut, Port Macquarie, Bairnsdale and Canberra – with Bunnings Batemans Bay closed for six days. Stores were closed for many reasons including approaching fire (like Bunnings Batemans Bay, pictured below, on New Year's Eve), on account of dangerous conditions (such as embers in carparks), poor air quality and to enable team members to return home before road closures. When air quality was poorest, some of our businesses provided team members with masks at work and for their commute, and team members with respiratory illnesses were encouraged to stay home.

With the fires extinguished, focus turned to the wellbeing of team members. Senior executives visited stores and teams in fire-affected areas to thank and support our teams. Counselling has been offered in some stores and team members have been reminded about our Employee Assistance Program services. Where an individual's annual leave was impacted by the fires, we have reversed that leave. Across the Group, team members took volunteering leave to support organisations including the RFS, the State Emergency Service and the Army Reserve. To support the relief and recovery task, Wesfarmers also committed $1.5 million across the Group, supporting a range of community partners and organisations in fire-affected communities.

Leadership Team

Rob Scott

MANAGING DIRECTOR
WESFARMERS

Rob was appointed Managing Director of Wesfarmers 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 holds a Master of Applied Finance degree from Macquarie University and a Bachelor of Commerce degree from the Australian National University. He has a Graduate Diploma in Applied Finance and Investments, is a qualified Chartered Accountant and has completed the Advanced Management Program at Harvard Business School.

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.

Anthony holds a Bachelor of Commerce from Curtin University and a Graduate Diploma in Applied Finance and Investments. He is a qualified Chartered Accountant and has completed the Advanced Management Program at Harvard Business School.

Maya vanden Driesen

GROUP GENERAL COUNSEL
WESFARMERS

Maya was appointed Group General Counsel of Wesfarmers 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.

Maya holds Bachelor of Jurisprudence and Bachelor of Laws degrees from The University of Western Australia (UWA) and was admitted to practise as a barrister and solicitor in 1990. Prior to 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 within the Association of Corporate Counsel (Australia). She is also a member of the UWA Law School's Advisory Board and has been a Director for the Committee for Perth since January 2016.

Michael Schneider

MANAGING DIRECTOR
BUNNINGS GROUP

Michael was appointed Managing Director, Bunnings Australia and New Zealand in March 2016 and Managing Director, Bunnings Group in May 2017. Michael joined Bunnings in 2005, and prior to this he held a range of senior operational, commercial and human resource roles across regional and national markets, both in retail and financial services.

Michael holds a Bachelor of Arts degree from the University of New South Wales and has completed the Advanced Management Programme at INSEAD, and the Advanced Strategic Management Program at IMD.

Ian Bailey

MANAGING DIRECTOR
KMART GROUP

Ian was appointed Managing Director, Kmart in February 2016 and assumed the responsibility for leading the Kmart Group division (encompassing the Kmart, Target and Catch businesses) in November 2018. Prior to this, Ian was Kmart's Chief Operating Officer where he was instrumental in Kmart's turnaround.

Ian's experience, both national and international, 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.

Ian holds a Bachelor of Science degree in Civil Engineering and has completed the Advanced Management Program at Harvard Business School.

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, and was Executive General Manager, Business Development from 2009 to 2015. Tim was appointed Director, Associate Businesses and International Development of Wesfarmers in 2015 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.

Tim has a Bachelor of Engineering (Mech, Hons) and a Master of Business Administration from The University of Western Australia and has completed the Advanced Management Program at Harvard Business School.

Sarah Hunter

MANAGING DIRECTOR
OFFICEWORKS

Sarah was appointed Managing Director, Officeworks in January 2019. Prior to this, Sarah was Demerger Program Director at Coles, overseeing the demerger from Wesfarmers in November 2018. Sarah joined Coles in 2010, and held various senior positions across finance, strategy, convenience, liquor and supermarket operations.

Before joining Coles, Sarah worked in the United Kingdom for more than 10 years, holding a number of senior commercial positions in banking and airports.

Sarah holds a Bachelor of Commerce from Bond University, a Graduate Diploma in Applied Finance and Investment from the Financial Services Institute of Australasia and a Masters of Commerce from the University of New South Wales. She is also a Fellow of the Association of Chartered Certified Accountants, a Fellow of the Financial Services Institute of Australasia, a member of the Australian Institute of Company Directors and a member of Chief Executive Women.

Ed Bostock

MANAGING DIRECTOR
BUSINESS DEVELOPMENT
WESFARMERS

Ed joined Wesfarmers as Managing Director, Business Development in October 2017.

Before joining Wesfarmers, Ed worked in the private equity industry for more than 16 years, including the last 10 years with global investment firm Kohlberg, Kravis & Roberts. Ed has managed investments across a broad range of industries including healthcare, financial services, technology and media.

Ed holds a Bachelor of Science from the University of Melbourne and a Graduate Diploma in Applied Finance and Investment.

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) and has played a key role in many of Wesfarmers' key mergers and acquisitions over the years. 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 holds Bachelor of Laws (Honours) and Bachelor of Commerce degrees from The University of Western Australia and was admitted to practise as a barrister and solicitor in 1999. Vicki chairs the Advisory Board of Curtin University Law School and is a member of the Advisory Council of the Curtin Faculty of Business and Law.

Naomi Flutter

EXECUTIVE GENERAL MANAGER
CORPORATE AFFAIRS
WESFARMERS

Naomi joined Wesfarmers as Executive General Manager, Corporate Affairs in August 2018. Prior to that she 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 has honours degrees in Economic History and Law from the Australian National University and a Masters of Public Policy from Harvard University's John F Kennedy School of Government. Naomi currently serves on the Council of the Australian National University where she is the Pro Chancellor.

Jenny Bryant

CHIEF HUMAN RESOURCES OFFICER
WESFARMERS

Jenny was appointed as Chief Human Resources Officer of Wesfarmers in October 2016 and in addition to her human resources responsibilities leads the Wesfarmers Advanced Analytics team. Jenny joined Wesfarmers in 2011 as the Human Resources Director for Coles and held this role until 2015 when she took on the role of Business Development Director, Coles.

Her previous work experience encompasses Mars, Vodafone and EMI Music in a number of global roles in operations, sales and marketing and human resources.

Jenny holds a Masters of Arts (MA) with honours from Cambridge University. In March 2020, Jenny was appointed as a Director of the flybuys joint venture with Coles Group Limited.

Ian Hansen

CHIEF EXECUTIVE OFFICER
WESFARMERS CHEMICALS,
ENERGY & FERTILISERS

Ian was appointed as Chief Executive Officer of Wesfarmers Chemicals, Energy & Fertilisers in July 2017. 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 30 years with Wesfarmers, he has held a wide range of operational and commercial management roles in both the chemicals and fertilisers area of Wesfarmers, having responsibility for the activities of ammonia, ammonium nitrate, sodium cyanide and industrial chemicals businesses, as well as fertiliser sales, distribution, supply chain and manufacturing.

Ian has a Bachelor of Science (double chemistry major) and has undertaken postgraduate business studies. He is also a graduate of the INSEAD Advanced Management Programme.

BACK

Operating and financial review

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

This operating and financial review sets out the Group's objective, strategies and values. It also outlines a review of our operational performance for the 2020 financial year, as well as summarising the Group's risks and prospects. The 2020 financial performance is also outlined for each division, together with a summary of its competitive environment, strategies, risks and prospects.

The Group's statutory results for the year reflect the adoption of AASB 16 *Leases* (AASB 16) for the first time. Wesfarmers has applied AASB 16 since 1 July 2019 under the 'modified retrospective approach', which does not require historical periods to be restated. To facilitate a comparison to the prior corresponding period, pre-AASB 16 financial information, a non-IFRS measure, has also been presented in this operating and financial review and is the focus of performance commentary.

This year, I am pleased to report that our retail businesses are accelerating plans to reduce their Scope 1 and 2 emissions, targeting net zero emissions by 2030. Emissions in WesCEF, and Industrial and Safety present a greater challenge to abate and our aspiration is to achieve net zero Scope 1 and 2 emissions in these businesses by 2050. There is further information in our climate-related financial disclosure section on page 68.

The review should be read in conjunction with the financial statements, which are presented on pages 117 to 164 of this annual report.

ANTHONY GIANOTTI
Chief Financial Officer

The Wesfarmers Way

From our origins in 1914 as a Western Australian farmers' cooperative, Wesfarmers has grown into one of Australia's largest listed companies and private sector employers, with approximately 107,000 team members and more than 487,000 shareholders.

Wesfarmers' diverse businesses in this year's review cover: home improvement; apparel and general merchandise; office supplies; chemicals, energy and fertilisers; and industrial and safety products and services. Wesfarmers' businesses predominantly operate in Australia and New Zealand with the portfolio including some of these countries' leading brands.

The Wesfarmers Way is the framework for the company's business model and sets out our core values and value-creating strategies, which are directed at achieving the Group's primary objective of providing a satisfactory return to shareholders.

OUR 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 initiatives**	**Renew the portfolio through value-adding transactions**	**Ensure sustainability through responsible long-term management**

CORE VALUES

Integrity	**Openness**	**Accountability**	**Entrepreneurial spirit**

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Our objective

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

Performance measures

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

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

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

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

[1] Pre-AASB 16 RoC is calculated as EBIT / capital employed. Post-AASB 16 RoC is calculated as EBT / capital employed, where capital employed excludes right-of-use assets and lease liabilities.

Approach to delivering satisfactory returns to shareholders

The Group seeks to:

- continue to invest in Group businesses where capital investment opportunities exceed return requirements;
- acquire or divest businesses where doing so is estimated to increase long-term shareholder value; and
- manage the Group's balance sheet to achieve an appropriate risk profile, an optimised cost of capital and flexibility to take advantage of opportunities as they arise.

Cash flow generation

- Drive long-term earnings growth
- Manage working capital effectively
- Strong capital expenditure processes
- Invest above the cost of capital
- Maintain financial discipline

In generating cash flow and earnings, the Group seeks to employ excellent management teams who are empowered to drive long-term earnings growth. This is achieved through deploying best practice principles in operational execution and maintaining a long-term focus in regards to strategy and growth.

The Group continuously looks to improve the working capital efficiency of all of its businesses. In addition, the Group ensures strong discipline in relation to capital expenditure investment decisions.

Balance sheet strength

- Diversity of funding sources
- Optimise funding costs
- Maintain strong credit metrics
- Risk management of maturities

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

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.

Risk is managed by smoothing debt maturities over time, limiting total repayments in any given year.

Delivery of long-term shareholder returns

- Improve returns on invested capital
- Efficient distribution of franking credits to shareholders
- Effective capital management

With a focus on generating strong cash flows and maintaining balance sheet strength, the Group aims to deliver satisfactory returns to shareholders through improving returns on invested capital. Recognising the value of franking credits to shareholders, Wesfarmers also seeks to distribute these to shareholders. Depending upon circumstances, capital management decisions may also be taken from time to time where this activity is in shareholders' interests.

Approach to capital allocation

The Group evaluates a broad range of investment opportunities, including:

Existing portfolio

- deploying capital in its existing portfolio to build businesses with unique capabilities and platforms in expanding markets

Adjacent opportunities

- leveraging existing assets and capabilities to take advantage of adjacent opportunities

Value-accretive transactions

- disciplined investments in opportunistic and value-accretive transactions through various ownership models (e.g. minority interest, full control, partnerships)

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

BACK

Our value-creating strategies

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

Operating excellence - strengthening existing businesses through operating excellence and satisfying customer needs;

Entrepreneurial initiative - securing growth opportunities through entrepreneurial initiative;

Renewing the portfolio - renewing the portfolio through value-adding transactions; and

Operating sustainably - ensuring sustainability through responsible long-term management.

OPERATING EXCELLENCE

Our achievements

- Continued improvements in our customer offers, including reinvesting in value to drive business growth and improving merchandise ranges
- Provided even greater value for customers by lowering prices following productivity gains
- Further investment in our digital offer across all divisions and significant expansion of the Group's online transaction capabilities
- Focused on production plant efficiency and maintaining and growing customer relationships in our industrial businesses
- Made further operational productivity improvements and reduced costs across our businesses

Our focus for the coming years

- **Bunnings** will maintain its focus on driving long-term value creation by strengthening the customer offer, creating better experiences for customers and the wider community, expanding digital capabilities, growing the store network, and broadening commercial markets while maintaining cost discipline
- **Kmart** will focus on investing for future growth through the ongoing development of technology capabilities and investing in store network changes, including the conversion of Target stores and the new K Hub small format, to unlock further scale efficiencies to underpin Kmart's future growth
- **Target** will continue to improve its offer and digital capabilities while managing its remaining lease portfolio to achieve optimal commercial outcomes for the Kmart Group
- **Catch** will continue to focus on growth and improving its customer value proposition through broadening its range, and leveraging assets across the Wesfarmers Group
- **Officeworks** will continue to drive growth and improve productivity. Key focus areas include continuing to grow its every-channel offer, leveraging the data and analytics platform and increasing awareness of the Geeks2U offer
- **WesCEF** will focus on maintaining strong operational performance across existing businesses, considering investments in adjacent projects such as the Mt Holland lithium project, and investing in innovative products
- **Industrial and Safety** will continue to work on improving business performance through enhancing the customer value proposition as well as continued investment in data, digital and its core systems

ENTREPRENEURIAL INITIATIVE

Our achievements

- Innovation and extension of retail channels including Drive and Collect at Officeworks and Bunnings, and Catch Click and Collect at selected Target stores
- Investment in the Group's digital capabilities including the accelerated development of the digital agenda at Bunnings and upgrades to online functionality in Officeworks and Kmart Group
- Optimisation and investment in retail store networks including the launch of the K Hub small format stores in Kmart through the conversion of selected Target Country stores
- Expanded use of data analytics to optimise chemical plant performance
- Continued to better leverage Group data, supported by ongoing investment in the Advanced Analytics Centre
- Continued format innovation across the retail businesses, including the acquisition of Adelaide Tools to provide a specialised offer for trade customers

Our focus for the coming years

- Continue to reinforce entrepreneurial initiative
- Leverage assets and digital expertise across the Wesfarmers Group to broaden multi-channel offerings across the retail businesses
- Continue to invest in data capabilities to embed the use of advanced analytics in everyday decision-making
- Further optimisation and investment in retail store networks, including applying the learnings from the Anko trials in the United States to the new K Hub stores
- Align future growth opportunities with our target of net zero for Scope 1 and 2 emissions for our retail businesses by 2030

RENEWING THE PORTFOLIO

Our achievements

- Acquired Catch, an exciting adjacent opportunity for Wesfarmers and the Kmart Group, which will support the development of Kmart and Target's omni-channel and fulfilment capabilities
- Acquired Kidman, and with it a 50 per cent interest in the Mt Holland lithium project, a globally significant lithium deposit. With its joint venture partner, Wesfarmers plans to construct a mine, concentrator and lithium hydroxide refinery, drawing on WesCEF's deep expertise in chemicals processing
- Acquired Adelaide Tools, delivering more choice and convenience for Bunnings' specialist trade customers
- Sold a 10.1 per cent interest in Coles, enhancing the Group's balance sheet and crystallising an attractive return for shareholders

Our focus for the coming years

- Maintain a strong focus and capability to evaluate growth opportunities where long-term shareholder value can be created
- Consider innovative investment approaches to complement traditional growth models and provide future optionality
- Maintain a patient, disciplined and broad scanning approach to investment opportunities
- Apply rigorous due diligence and post-acquisition integration processes
- Maintain a strong balance sheet to enable the Group to act opportunistically
- Consider opportunities to divest assets either in full or in part, where long-term shareholder value can be created

OPERATING SUSTAINABLY

Our achievements

- Further strengthened the Group's balance sheet
- Continued to improve our safety performance, with a 23 per cent reduction in Group TRIFR
- Maintained a strong focus on the development of leaders and the broader team
- Continued to promote diversity in our workplaces, with 11.5 per cent more self-identified Indigenous team members compared to the prior year
- Managed talent development and succession in collaboration with our businesses to identify and develop succession options, focusing on critical roles and talent
- Continued to support the communities in which we operate, with indirect and direct contributions of more than $68 million made in the 2020 financial year
- Continued focus on delivering progress against the Group's Climate Change Policy and the development of net zero targets and aspirations
- Maintained strong focus on our divisional ethical sourcing programs to increase supply chain transparency and identify, report, and remediate instances of unethical behaviour in our supply chain

Our focus for the coming years

- Maintaining balance sheet flexibility to allow the Group to withstand a range of economic conditions while continuing to support its operating activities and pursuit of investment opportunities
- Continue to provide appropriate governance structures to safeguard future value creation
- Continue to foster a more inclusive work environment, reflecting all facets of diversity including gender, ethnicity, indigeneity, thought, experience, religious beliefs, education, age, disability, family responsibilities, sexual orientation and gender identity
- Seek to achieve greater gender balance of all teams throughout the Group. Gender balance is defined as a minimum of 40 per cent of either gender
- Continue to look after the physical and mental health, safety and development of our people
- Continue to focus on minimising our environmental footprint, implementing our climate change strategy and progressing towards meeting our net zero emission reduction targets and aspirations
- Contribute positively to the communities in which we operate
- Continue to focus on ethical sourcing and modern slavery risk in supply chains, striving to eradicate the exploitation of vulnerable people
- Build further awareness of the circular economy into all businesses
- Increase focus on reconciliation and engagement with Indigenous people

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Each strategy is underpinned by the Group's well established strategic planning framework. A key attribute of this approach is the maintenance of a long-term focus and acting sustainably in the creation of value and the management of businesses.

At a divisional level, detailed strategies are developed specific to the opportunities to improve each of our individual businesses. Divisional strategies are discussed within their respective summaries, starting on page 28.

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

Outstanding people

Wesfarmers seeks to be an employer of choice. Striving to attract a diverse group of outstanding people and utilising their individual talents is one of the most essential elements in achieving sustainable success. Wesfarmers recognises that while great assets and strategies are important, it is people who drive outcomes.

Empowering culture

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

Social responsibility

Respect for team members, customers and suppliers and a relentless focus on providing safe workplaces are fundamental to the way that Wesfarmers operates. Wesfarmers' social and environmental responsibility extends to maintaining high standards of ethical conduct, human rights, reducing our impact on the environment and community contribution.

Commercial excellence

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

Innovation

Wesfarmers strives to develop a culture that encourages innovation, and rewards entrepreneurial initiative and creativity.

Robust financial capacity

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

Core values

Underpinning 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 to divisions
- Accountability for performance
- Protecting and enhancing our reputation

Entrepreneurial Spirit

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

BACK

Year in review

Overview

The Group reported a statutory net profit after tax (NPAT) of $1,697 million for the full-year ended 30 June 2020, on a post-AASB 16 basis[1]. NPAT from continuing operations, excluding significant items, increased 8.2 per cent to $2,099 million. The Group's result included a loss from significant items and discontinued operations of $386 million ($435 million pre-tax) primarily relating to restructuring actions in Kmart Group, non-cash impairments in Target, and Industrial and Safety, partially offset by gains on sale and revaluation of the Group's investment in Coles. Statutory NPAT of $5,510 million in the prior year included $3,570 million relating to gains on the demerger of Coles and divestments of other businesses, as well as earnings from these discontinued businesses.

It was pleasing to have reported a solid trading performance while supporting customers, team members and the community through a year that was significantly disrupted by COVID-19 and the Australian bushfires.

During the year, Wesfarmers completed the acquisition of Kidman and Catch. The Group also took actions to maintain significant balance sheet flexibility in response to the high level of uncertainty associated with COVID-19, including the sale on 30 March 2020 of a 5.2 per cent interest in Coles for pre-tax proceeds of $1,062 million, net of transaction costs. This followed the sale on 18 February 2020 of a 4.9 per cent interest in Coles for pre-tax proceeds of $1,047 million, net of transaction costs. The total full-year dividend of 170 cents per share includes a fully-franked special dividend of 18 cents per share, reflecting the after-tax distribution of profits on the partial sale of the Group's interest in Coles.

In May 2020, the Group outlined plans to accelerate the growth of Kmart and address the unsustainable financial performance of Target. The Kmart Group result includes pre-tax significant items of $635 million, relating to the conversion of Target stores to Kmart stores and associated actions to simplify the Target business.

Further detail on divisional financial performances are outlined in pages 28 to 59.

Operating cash flow

Operating cash flows of $3,597 million were 32.3 per cent higher than the prior year. The result was driven by a strong increase in divisional cash flow, reflecting favourable but temporary working capital movements across the retail businesses. The Group recorded a working capital inflow of $723 million for the year as a result of unusually high customer demand associated with COVID-19 at the end of the period, resulting in lower than usual inventory balances and higher payables balances. Operating cash flows in the prior period included operating cash flows from Coles and other discontinued operations.

Capital expenditure

Gross capital expenditure from continuing operations of $867 million was in line with the prior period. Proceeds from property disposals of $299 million were $198 million below the prior year, reflecting lower property recycling activity in Bunnings. The resulting net capital expenditure of $568 million was $205 million, or 56.5 per cent, higher than the prior year.

Free cash flow

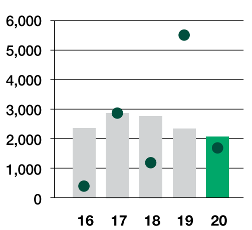
Free cash flows of $4,239 million were 43.1 per cent higher than the prior year, reflecting the increase in operating cash flows, and $2,109 million in net proceeds from the partial sale of the Group's investment in Coles, offset by $1.0 billion in acquisition consideration associated with Kidman and Catch. Free cash flows in the prior period included proceeds from the divestment of Bengalla, Quadrant, and Tyre and Auto Pty Ltd (KTAS), as well as the operating cash flows from the divested businesses and Coles.

1 All other commentary in the operating financial review section of the annual report is focused on results excluding the impact from the adoption of AASB 16 in order to facilitate comparison to the prior period.

Net profit after tax

(excluding significant items)

$2,075m

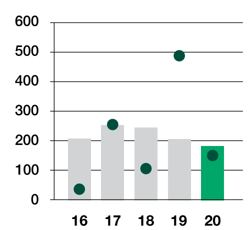


Post-AASB 16	
FY20	**2,075**
Pre-AASB 16	
FY20	2,091
FY19	2,339
FY18	2,772
FY17	2,873
FY16	2,353

Earnings per share

(excluding significant items)

183.4 cents

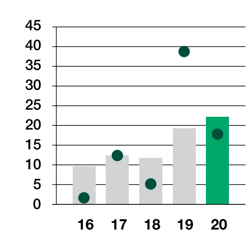


Post-AASB 16	
FY20	**183.4**
Pre-AASB 16	
FY20	184.9
FY19	206.8
FY18	245.1
FY17	254.7
FY16	209.5

Return on equity

(excluding significant items)

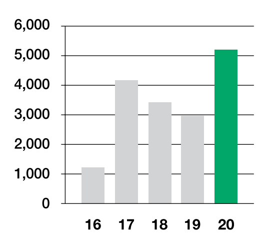
22.1%



Post-AASB 16	
FY20	**22.1**
Pre-AASB 16	
FY20	21.1
FY19	19.2
FY18	11.7
FY17	12.4
FY16	9.6

Free cash flow

$5,188m



Post-AASB 16	
FY20	**5,188**
Pre-AASB 16	
FY20	4,239
FY19	2,963
FY18	3,422
FY17	4,173
FY16	1,233

FY20 EXCLUDING SIGNIFICANT ITEMS
EXCLUDING SIGNIFICANT ITEMS
REPORTED

- 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 WIS, $203 million gain on sale of the 10.1 per cent interest in Coles and $154 million revaluation of the retained interest, and includes 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 KTAS, $120 million gain on sale of Quadrant Energy and $102 million provision for Coles supply chain automation.
- 2018 excludes post-tax significant items including: $300 million non-cash impairment of Target, $1,275 million relating to discontinued operations which includes the $953 million (£544 million) non-cash impairment of BUKI, $70 million (£40 million) store closure provision in BUKI, $375 mllion (£210 million) loss on sale relating to BUKI and $123 million gain on sale of the Curragh Coal Mine.
- 2016 excludes post-tax significant items including: $1,249 million non-cash impairment of Target; $595 million non-cash impairment of Curragh Coal Mine; and $102 million of restructuring costs and provisions to reset Target.

Balance sheet

The Group recorded a net cash position of $471 million as at 30 June 2020, comprising interest-bearing liabilities, excluding lease liabilities, net of cross-currency swap assets and cash at bank and on deposit, compared to a net financial debt position of $2,116 million as at 30 June 2019. The net cash position reflects the strong operating cash flow performance during the year, as well as the proceeds from the sale of the Group's 10.1 per cent interest in Coles.

Debt management and financing

The Group's financing strategy is to diversify its funding sources, pre-fund upcoming maturities and maintain a presence in key markets.

In response to the high level of uncertainty associated with COVID-19, Wesfarmers took various actions to further strengthen the Group's balance sheet, including extending its available committed debt facilities by $1.95 billion to $5.3 billion. The extension of debt facilities was secured at acceptable terms, with pricing well below the Group's current overall cost of debt.

Other finance costs decreased by $42 million to $133 million, reflecting a decrease in the effective cost of debt and lower average debt balances.

The Group's 'all-in' effective borrowing cost decreased 0.2 percentage points to 4.93 per cent and its strong credit ratings remained unchanged, with a rating from Moody's Investors Services of A3 (stable) and rating of A- (stable) from Standard & Poor's.

Impact of AASB 16 leasing standard

Wesfarmers has applied AASB 16 from 1 July 2019, using the 'modified retrospective approach', which does not require historical periods to be restated. On application of the standard, the Group recorded on its balance sheet right-of-use assets of $6,352 million and lease liabilities of $7,275 million, deferred tax assets of $222 million, and derecognised $183 million of lease-related provisions, with a net impact of $518 million recognised as a leasing reserve and resulting in a reduction in total equity.

Broadly, the adoption of AASB 16 results in a reduction of occupancy expenses which is offset by an increase in depreciation on the right-of-use asset, and an increase in interest on lease liabilities. The adoption of AASB 16 also results in a reclassification of cash flows from operating cash flows (rental payments) to financing cash flows (repayment of lease liabilities). There is no net impact on reported total net cash flows from the adoption of AASB 16.

Further information on the impact of AASB 16 is provided with the financial statements, which are presented on pages 117 to 164 of this annual report.

Group capital employed

Year ended 30 June[1]	Post-AASB 16 2020 $m	Reported 2019 $m
Inventory	**3,844**	4,246
Receivables and prepayments	**1,261**	1,203
Trade and other payables	**(4,008)**	(3,620)
Other	**172**	266
Net working capital	**1,269**	2,095
Property, plant and equipment	**3,623**	3,877
Mineral rights	**813**	-
Goodwill and intangibles	**3,814**	4,076
Other assets	**1,804**	3,550
Provisions and other liabilities	**(1,698)**	(1,484)
Total capital employed	**9,625**	12,114
Net financial debt[2]	**471**	(2,116)
Net tax balances	**278**	(27)
Net right-of-use asset/(lease liability)	**(1,030)**	-
Total net assets	**9,344**	9,971

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

2 Net financial debt is net of cross-currency interest swaps and interest rate swap contracts. Excludes lease liabilities. Net cash position expressed as a positive.

Cash capital expenditure

(From continuing operations)

Year ended 30 June	2020 $m	2019 $m
Bunnings	511	470
Kmart Group	142	205
Officeworks	40	42
WesCEF	110	58
Industrial and Safety	59	83
Other	5	2
Gross capital expenditure	**867**	**860**
Sale of PP&E	(299)	(497)
Net capital expenditure	**568**	**363**
Net capital expenditure in discontinued operations	-	464
Group (including discontinued)		
Gross capital expenditure	**867**	**1,356**
Sale of PP&E	(299)	(529)
Net capital expenditure	**568**	**827**

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Year in review

Dividends

A key component of TSR is the 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 final ordinary dividend of 77 cents per share, taking the full-year ordinary dividend to 152 cents per share. The directors also determined to pay a fully-franked special dividend of 18 cents per share, reflecting the distribution of after-tax profits on the sale of the Group's 10.1 per cent interest in Coles during the period, bringing the total full-year dividend to 170 cents per share. The final dividend and special dividend will be paid on 1 October 2020 to shareholders on the company's register on 26 August 2020, the record date for both dividends.

Given the preference of many shareholders to receive dividends in the form of equity, the directors have decided to continue the operation of the Dividend Investment Plan (the 'Plan'). The allocation price for shares issued under the Plan will be calculated as the average of the daily volume weighted average price of Wesfarmers shares on each of the 15 consecutive trading days from and including the third trading day after the record date, being 31 August 2020 to 18 September 2020.

The last date for receipt of applications to participate in, or to cease or vary participation in the Plan, was 27 August 2020. 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 1 October 2020. Given the Group's strong credit metrics, any shares to be issued under the Plan will be acquired on-market and transferred to participants.

Significant balance sheet flexibility with net cash of $471 million

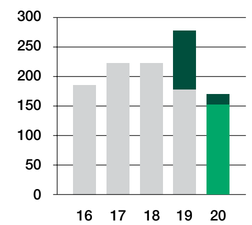
Fixed financial obligations

Operating leases[1]	$8.5b
Bank facilities & bonds	$2.3b

Dividends per share

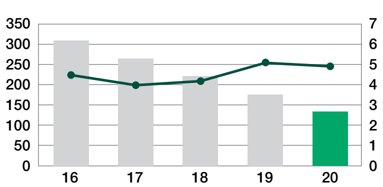
(includes special dividends)

170 cents

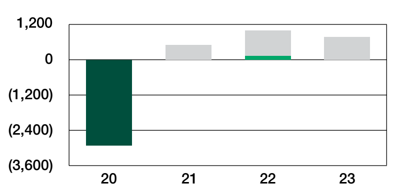


FY20[2]	152
FY19[3]	178
FY18	223
FY17	223
FY16	186

Other finance costs ($m) and weighted average cost of debt (%)

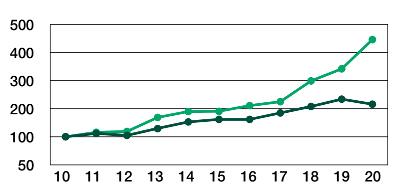


Debt maturity profile ($m)



TSR[4]: Wesfarmers and ASX100

(last 10 years)



1 Represents future undiscounted minimum rentals payable under non-cancellable operating leases. Post-AASB 16 undiscounted lease liability totals $8.2 billion.

2 Excludes a fully-franked special dividend of 18 cents per share, relating to the distribution of the after-tax profit on the sale of the Group's 10.1 per cent interest in Coles during the period.

3 Excludes a fully-franked special dividend of 100 cents per share, paid on 10 April 2019.

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

RISK

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

The following information sets out the major Group-wide risks. These are not in any particular order and do not include generic risks such as changes to macro-economic conditions affecting business and households in Australia, which would affect all companies with a large domestic presence and which could have a material effect on the future performance of the Group. During the 2020 financial year, the world was confronted with the impacts of COVID-19. The Wesfarmers Group is actively managing the continued impact and uncertainty of COVID-19 by understanding and managing the effects it has on the key risks set out below. COVID-19 is therefore not included as a separate risk.

In line with the prior year, increased information on climate-related risks is provided on pages 68 to 78 of this annual report.

Further information on risk management, including policies, responsibility and certification, can be found on page 86 of this annual report and in the corporate governance section of the company's website at **www.wesfarmers.com.au/cg**

Strategic

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

Operational

- Loss of critical supply inputs or infrastructure, including IT systems
- Loss of privacy or data breaches
- Business interruption arising from industrial disputes, work stoppages and accidents
- Risks inherent in distribution and sale of products
- Breaches of the Group's Code of Conduct
- Failure to source goods or services in an ethical and responsible manner
- Serious injury, safety or environmental incident

Regulatory

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

Financial

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

PROSPECTS

The continued impact of COVID-19 on customer demand, operations and the broader economy present significant uncertainty for the Group's businesses. While consumers spending more time at home is likely to support higher demand in some of the Group's businesses, retail sales will be impacted by any further trading restrictions and the gradual removal of government stimulus measures, including early superannuation access, should unemployment remain elevated. Retail sales may also be impacted by some customer purchases in the 2020 financial year being brought forward from the 2021 financial year.

The Group's businesses expect to continue to incur additional operating costs as they prioritise the safety of customers and team members in a COVID-19 environment.

Despite this uncertainty, the Group's portfolio of cash-generative businesses with leading market positions is well-placed to deliver satisfactory shareholder returns over the long term. Given Wesfarmers' strong balance sheet, and the diversity and resilience of the Group's portfolio, it remains well-positioned for a range of economic conditions.

The Group's retail businesses will maintain their focus on meeting changing customer needs and delivering even greater value, quality and convenience for customers. Recent investments into Group and divisional digital capabilities will continue and are expected to support enhancements to the customer value proposition, expansion of addressable markets and delivery of operating efficiencies.

Subsequent to the end of the financial year, Wesfarmers concluded the strategic review of Target. The review determined that the best commercial outcome is for Target to continue to operate as a stand-alone business within the Kmart Group. The strategy for Target will continue to prioritise online growth, with a focus on improving the product offer in the destination categories of soft home and apparel. In addition, a disciplined approach to capital allocation will result in a progressive reduction in the size of the store network over time.

The performance of the Group's industrial businesses will continue to be subject to international commodity prices, foreign exchange rates, competitive factors and seasonal outcomes. While demand from key end-markets is expected to remain robust, earnings in the WesCEF business are expected to be impacted by weaker energy prices and lower margins in explosive grade ammonium nitrate.

Actions have been taken to address the unsatisfactory performance in Target, and Industrial and Safety, and the Group will remain focused on the successful implementation of these actions.

The Group will continue to develop and enhance its portfolio, building on its unique capabilities and platforms to take advantage of growth opportunities within existing businesses, recently acquired investments and to pursue transactions that create value for shareholders over the long term.

Bunnings

Founded in 1886 in Western Australia, Bunnings opened its first warehouse in Sunshine, Melbourne in 1994. 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.

> "Throughout COVID-19, Bunnings continued to service the needs of its customers in the rapidly changing environment, ensuring a reliable supply of key products for both DIY and trade customers."

YEAR IN REVIEW

Revenue

$14,999m

2020	**14,999**
2019	13,166
2018	12,544
2017	11,514
2016	10,575

EBT

$1,826m

2020	**1,826**
2019	1,626
2018	1,504
2017	1,334
2016	1,213

Key financial indicators

For the year ended 30 June	Post AASB 16 2020	Pre AASB 16 2020	2019	2018	2017	2016
Revenue ($m)	**14,999**	14,999	13,166	12,544	11,514	10,575
Earnings before tax ($m)	**1,826**	1,852	1,626	1,504	1,334	1,213
Capital employed (R12) ($m)	**3,146**	2,997	3,220	3,045	3,192	3,312
Return on capital employed (R12) (%)	**58.0**	61.8	50.5	49.4	41.8	36.6
Cash capital expenditure ($m)	**511**	511	470	497	367	533

PERFORMANCE DRIVERS

Revenue for Bunnings increased 13.9 per cent to $14,999 million. Total store sales growth of 14.7 per cent was achieved during the year, and store-on-store sales also increased 14.7 per cent. Bunnings recorded earnings of $1,852 million, an increase of 13.9 per cent on last year.

The Australian bushfires and COVID-19 had a significant impact on Bunnings' operations and the communities it serves. The strength of the full year earnings result reflects the continued execution of the strategic agenda as well as increased demand for Bunnings products in Australia, and in New Zealand following the reopening of temporarily closed stores due to government-mandated trading restrictions. Bunnings responded to this changing environment by adapting its operations and accelerating its digital innovation to ensure that customers could safely get access to the products they need.

While disciplined cost control remained a focus throughout the year, approximately $20 million was invested in additional cleaning, security and protective equipment to operate safely in response to COVID-19. In addition, costs of approximately $70 million were incurred in the second half as a result of trading restrictions in New Zealand, the permanent closure of seven New Zealand stores and the accelerated rollout of the online offer.

A number of initiatives were introduced to enhance the customer experience both in store and online, and increase convenience for customers, including a fully-transactional website across Australia and New Zealand, the rollout of Click and Deliver, a contactless Drive and Collect service and the release of a Product Finder App.

For commercial customers, Bunnings introduced a digital self-checkout option via mobile for PowerPass customers, and completed the acquisition of Adelaide Tools, which will enable Bunnings to deliver even more choice and convenience for trade customers.

Return on capital increased from 50.5 per cent to 61.8 per cent, reflecting earnings growth as well as the continuation of the property recycling program, disciplined capital management and favourable but temporary working capital movements prior to the end of the year.

At the end of the year, there were 274 warehouses, 68 smaller format stores, 30 trade centres, as well as six Adelaide Tools stores in the Bunnings network.

PROSPECTS

Across Australia and New Zealand, Bunnings remains focused on driving growth through our strategic pillars of price, range and service.

We are continuing to create better experiences for customers and bringing them more value and convenience.

A broader addressable market across home and lifestyle and commercial offers many opportunities for further growth in both consumer and commercial markets, with new category opportunities and tailored product ranges to suit the needs of customers.

While the outlook remains uncertain, Bunnings' trading performance in the 2021 financial year is expected to moderate following the extraordinary growth in the second half of 2020, which in part reflects customer purchases brought forward from the 2021 financial year.

Bunnings will continue to accelerate the development of its digital offer, working hard to make sure our customers continue to have a great experience both in-store and online. With a fully-transactional offer now available across Australia and New Zealand, more digital initiatives will be rolled out to engage both retail consumers and commercial customers.

We will also maintain our strong commitment to cost control, strengthening the core of the Bunnings business and continuing to invest in service, value and growth initiatives.

As always, the community remains at the heart of who we are and what we do, and Bunnings will continue to support the communities where our stores operate.

I would like to thank our team and our suppliers for their hard work and commitment to meet the needs of our customers during a challenging year.

Michael Schneider
MANAGING DIRECTOR
BUNNINGS GROUP

Bunnings

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 is focused on creating value for its customers over the long term, based on four interlinked principles: a winning offer to customers; an engaged, focused and committed workforce; business behaviour that builds trust; and sustainable satisfactory shareholder returns.

Bunnings employs more than 48,000 team members across Australia and New Zealand and its stores stock more than 45,000 products, with an expanded offer available through a special-order range both online and in-store, as well as through trusted sellers as part of Bunnings' online marketplace, Bunnings MarketLink.

OUR MARKET

Bunnings caters for retail and commercial customers across the home and lifestyle market in Australia and New Zealand, operating from a network of large warehouse stores, smaller format stores, trade centres, and frame and truss sites, as well as online.

Bunnings is expanding its brand reach across its market through the opening of new stores, flexible formats, digital innovation and commercial relationships. The focus is on creating value for customers and delivering the best offer everywhere, be that digital, in-home, in-store or on-site.

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SUSTAINABILITY

People

Team members are the most important part of the Bunnings business and their safety and wellness remains the highest priority. During the year, there was a four per cent reduction in the number of injuries recorded and an eight per cent reduction in the Total Recordable Injury Frequency Rate (TRIFR).

Key safety initiatives included leveraging the Bunnings internal social media platform, Workplace, to consult and engage with the team and share learnings across the business, as well as improving the performance of safety reporting for sites.

Throughout the year, cross-functional learning teams were introduced to review serious incidents and a critical risk program began, with assessment, analysis and verification across each critical risk commencing.

Wellness was a key focus during the year with trials conducted on a wellbeing app and on-site wellbeing champions. Best care for the team was strengthened with the release of 12 new 'mind matters' cards focusing on mental health and wellbeing.

COVID-19 presented new challenges requiring rapid changes to ensure the safety and wellbeing of the Bunnings team and customers. Changes were made to operational activities, layouts of stores, and systems and processes to ensure the business could continue to safely trade during the pandemic.

A dedicated 'Stronger Together' online Workplace group was created to provide additional mental health resources to support team members during the challenges of COVID-19.

The next financial year will see a focus on harnessing the knowledge and feedback of the Bunnings team, implementing controls to reduce critical risks, and broadening wellbeing support for the team.

Bunnings revised its Inclusive Leadership Awareness training program to focus on practical solutions, the benefits of diverse and inclusive teams, unconscious biases and benefits of workplace flexibility. The program has been run with over 350 complex managers, operations managers and store support leaders.

Community

During the year, Bunnings stores helped raise and contribute almost $43 million through more than 72,000 community activities.

In November 2019, Bunnings team members in Australia hosted a national sausage sizzle to raise funds for those impacted by recent bushfires and the continued drought. More than $600,000 was raised and contributed to GIVIT, which facilitate donations of items for people in need.

Team members across Australia and New Zealand also hosted sausage sizzles in January 2020, to raise funds for those affected by the Australian bushfires. More than $850,000 was raised and donated to the Australian Red Cross Disaster Relief and Recovery Fund.

Bunnings supported FightMND (a fundraising organisation to find a cure for Motor Neurone Disease) with Big Freeze beanies sold in all Australian stores and online. The business also hosted the Bunnings Warehouse Big Freeze Facebook event contributing $500,000. In total, $1.3 million was raised and contributed to FightMND.

While traditional areas of community support were temporarily unavailable due to COVID-19 restrictions, Bunnings adapted quickly to find innovative ways of connecting with the community. To ensure groups who had sausage sizzles planned during the first weeks of lockdown could find new ways to fundraise, donations of a $500 gift card were made to more than 3,000 community groups representing an investment of over $1.7 million.

As local community activities were paused, Bunnings instead made the unprecedented move to provide an additional $1.3 million in direct community contributions to charities including The Good Friday Children's Hospital Appeal, The Sydney Children's Hospital Gold Telethon Appeal, Hummingbird House, The Salvation Army Red Shield Appeal, as well as Lions groups across Australia and New Zealand.

Bunnings team members were also keen to maintain their support of local community groups and an internal competition was launched, with engaging team-based challenges. Winning teams received a donation to contribute to a local charity of the team's choice, resulting in more than 180 community groups who will receive contributions of over $1.0 million to assist vulnerable communities.

In total, over $4.0 million will be contributed for COVID-19 support for the community. Once government restrictions are eased, Bunnings looks forward to resuming its grassroots approach to community involvement and fundraising in a safe and measured way.

Safety performance

(from continuing operations)

TOTAL RECORDABLE INJURY FREQUENCY RATE (TRIFR)[1]

10.3

2020	**10.3**
2019	11.2
2018	11.6
2017	18.9[2]
2016	22.6[2]

[1] TRIFR is the number of lost time and medical treatment injuries per million hours worked.
[2] Prior to 2018, Bunnings reported an all injury frequency rate (AIFR) which is the number of 'all' injuries per million hours worked.

Community contributions

(from continuing operations)

DIRECT INDIRECT

$42.9m

	Direct	Indirect
2020	**9.4**	**33.5**
2019	5.4	44.6
2018	5.0	41.7
2017	4.4	38.8
2016	3.7	34.2

Waste

(from continuing operations)

RECYCLED DISPOSED

61.8kt

	Recycled	Disposed
2020	**32.8**	**29.0**
2019	31.0	27.8
2018	25.7	34.1
2017	27.9	28.4
2016	42.0	31.1

Energy efficiency

Bunnings continued to work towards its target of reducing emissions by 10 per cent by 30 June 2025, based on a 2018 baseline that factors in continuing growth of the store network.

Since the end of the 2020 financial year, Bunnings accelerated its plans to reduce emissions, targeting net zero Scope 1 and 2 emissions by 2030. Bunnings continued to increase the generation of renewable power via solar photovoltaic (PV) installations across the network. During the year, 35 sites had solar PV systems installed with 67 sites in total completed at 30 June 2020. A further 25 systems are scheduled for completion in the next financial year, as well as expanding solar capability to 10 pre-2018 installed smaller systems.

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

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

Responsible sourcing

Bunnings' robust ethical sourcing and modern slavery framework continued to underpin its operations. Bunnings reported 168 critical breaches across 39 suppliers in FY2020. Although Bunnings reported more breaches than the prior year, its risk profile remains the same and is supported by continuous improvement in reporting.

Bunnings strengthens its long-term commitment to sourcing

For almost two decades, Bunnings has committed to ensuring all timber and wood products are sourced from legal and well-managed forests.

In line with this commitment, it has had a zero-tolerance approach to illegally-logged timber since 2001, and has supported numerous sustainable timber initiatives, including the World Wildlife Fund (WWF) Global Forest Trade Network. With support from WWF in 2017, Bunnings delivered the first Forest Stewardship Council (FSC) certified range of Merbau decking and screening products to customers across Australia and New Zealand.

Established in 2003, the Bunnings Responsible Timber Sourcing Policy was revised in August 2018, to include a commitment that all timber in products originating from natural forests will originate from third-party certified forests (e.g. FSC or PEFC) by December 2020.

Bunnings continued to work with suppliers to assist in the transition from demonstrated progress to full certification to ensure the long-term efforts and commitment to responsibly sourced timber is maintained.

Bunnings also collaborated with the Australian and New Zealand timber industries in a trans-Tasman sustainable forest management standard reference committee, which will support sustainable forest management in both countries. As part of this collaboration, Bunnings is supporting the review of the Responsible Wood Sustainable Forest Management Standard (AS 4708) for wood and wood products sourced from sustainably managed forests in both countries.

Greenhouse gas emissions

(from continuing operations)

SCOPE 1 & 2[1]

262.6 ktCO$_2$e

2020	262.6
2019	269.5
2018	259.7
2017	250.1
2016	251.1

[1] Scope 1 and 2 data includes emissions for businesses where we have operational control under the NGER Act, and our emissions in New Zealand.

Ethical sourcing audit program findings

196

NUMBER OF SUPPLIERS COVERED BY THE AUDIT PROGRAM[1]

Suppliers part of the audit program but not audited during the financial year[2]	106
Suppliers audited during the financial year with no critical breaches	51
Suppliers audited during the financial year with critical breaches identified[3]	39

[1] There were 196 active suppliers in the audit program as at 30 June 2020.
[2] The supplier may be audited every two years if it had no previous findings.
[3] In FY2020, there were 168 critical breaches across 39 suppliers.

STRATEGY

Bunnings provides its customers with the widest range of home improvement and lifestyle products and is committed to delivering the best service supported by our policy of lowest prices every day. Bunnings sets out to attract high-quality team members and to provide them with a safe and rewarding working environment.

Growth strategies	Achievements	Focus for the coming years
More customer value	– New 'Lower Price' action drove more unit sales – Strong investment in price – More products at lower price 365 days – not just as promotional buys – Launch of the 'Do More Spend Less' campaign	– Re-invest in price by simplifying processes and lowering costs – Bring lowest prices to life – Create more value for customers on products that matter most to them – Deliver low prices through lowering the cost of goods
Better customer experiences	– Accelerated digital offer – Consistency in service basics lifted – Improved stock availability – Greater product and project knowledge – Further enhancements to PowerPass trade accounts – More team member experts to provide specialist advice	– Better customer experiences and deeper engagement: digital, in-store, in-home and on-site – Build on our range of services, both in-store and online – Make it easier for customers – Create great experiences for customers
Greater brand reach	– Opened 17 new trading locations, including six Adelaide Tools stores and one replacement store – Significantly expanded digital ecosystem – Online and digital strategy – Existing store reinvestment	– Network expansion opportunities – Targeted store reinvestment – Adelaide Tools growth opportunities
Deeper commercial engagement	– Created more value and deeper relationships – Leveraged the network for customer convenience – stores and trade centres – Improved service with more localised engagement – Over 500 dedicated trade-focused team members – Adelaide Tools acquisition – Expanded range for trade customers	– Continue to leverage core strengths of a total market capability: stores, trade centres, in-field and digital – Wider market focus to expand selling opportunities
More merchandise innovation	– Expanded ranges across many product categories – Further product and project innovation with wider ranges, new products and more in-store displays – Launched online marketplace, Bunnings Market Link – Products merchandised by product type not brand for ease of shop	– Creating, leveraging and responding to lifestyle trends, technology trends and environmental and economic changes – Development and implementation of services that complement the core DIY offer – Provide more inspiration, innovation and information – Expand online offer – Rework space to make way for new categories and ranges

RISK

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 negative impact on the business.

The level of controls implemented is commensurate with the impact (likelihood and consequence) on the business from the risk occurring.

Bunnings is actively managing the impact of COVID-19 by understanding the effect it has across all key risk areas as well as by managing the direct implications identified below.

Risk	Mitigation
COVID-19	– Continued focus on providing a COVID-safe environment for team members, customers and suppliers – Active monitoring of changing consumer behaviour to ensure that customer expectations continue to be met – Proactive management of inventory position to accommodate increased volatility in demand
Safety	– Continued focus on safety including targeted in-store awareness campaigns
Talent recruitment and retention	– Strategies directed at creating and maintaining status as an employer of choice – Succession planning, retention and development plans
New and existing competitors	– Relentless focus on strategic pillars of 'lowest price, widest range and best service' – Ongoing strategies to increase customer centricity and deepen customer engagement
Reputation	– Strong culture of 'doing the right thing' – Focus on ethical sourcing and product standards – Ongoing regulatory compliance training
Data and IT security	– Strategy built around protection, detection and responding to threats – Market leading technology to protect against cyber incidents – Strong internal processes to protect and control data access

Kmart Group

The Kmart Group comprises Kmart, Target and Catch and operates 522 stores across Australia and New Zealand and employs more than 45,000 team members. The Group is committed to providing a satisfying shopping experience for its customers both in stores and online.

> "In a volatile year, which included the challenges of COVID-19, Kmart Group remained focused on continuing to serve our customers when they needed us most, keeping our team and customers safe, and putting our business in a strong position for the future."

YEAR IN REVIEW

Revenue

$9,217m

2020	**9,217**
2019	8,713
2018	8,837
2017	8,528
2016	8,646

EBT

$410m

2020	**410**
2019	550
2018	660
2017	543
2016	275

Key financial indicators

For the year ended 30 June	Post AASB 16 2020[1]	Pre AASB 16 2020[1]	2019	2018[2]	2017	2016[3]
Revenue ($m)	**9,217**	9,217	8,713	8,837	8,528	8,646
Earnings before tax ($m)	**410**	413	550	660	543	275
Capital employed (R12) ($m)	**2,011**	1,978	1,872	2,013	2,253	3,629
Return on capital employed (R12) (%)	**20.4**	20.9	29.4	32.8	24.1	7.6
Cash capital expenditure ($m)	**142**	142	207	293	225	292

1 The 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.

2 The 2018 earnings before tax for Kmart Group excludes the pre-tax non-cash impairment of $306 million for Target.

3 The 2016 earnings before tax for Kmart Group includes $145 million of cash restructuring and provision costs to reset the Target business, but excludes the non-cash Target impairment of $1,266 million.

PERFORMANCE DRIVERS

Kmart Group's revenue from continuing operations increased 7.2 per cent to $9,217 million for the year. Excluding significant items and payroll remediation costs, earnings from continuing operations of $422 million were 21.9 per cent below the prior year. Significant items incurred during the year related to actions taken to accelerate the growth of Kmart and address the unsatisfactory performance of Target, and included $525 million of pre-tax, non-cash impairments and $110 million of restructuring costs and provisions. Target also incurred $9 million in payroll remediation costs.

Kmart's total sales increased 5.4 per cent for the year and comparable sales increased by 4.3 per cent. Kmart recorded solid earnings for the year despite challenging retail conditions, cost inflation due to the implementation of the new enterprise agreement, higher shrinkage and unfavourable foreign exchange movements impacting the result relative to the prior year. Kmart's earnings for the year also reflected investment of approximately $30 million associated with the development of its retail technology and digital capabilities, including investment in Anko.

Target's total sales decreased 2.6 per cent for the year and comparable sales decreased by 0.8 per cent. Target recorded a loss for the year, with earnings impacted by lower sales as well as higher levels of clearance activity due to COVID-19. These impacts more than offset the continued focus on cost control in the business.

A strategic review of Target was undertaken during the year, resulting in a significant restructure to simplify its operating model and reduce its cost base. The review determined that Target should continue to operate as a largely stand-alone business within the Kmart Group, while executing the previously announced network reductions.

Physical distancing measures and an increased preference for customers to shop online resulted in significant growth in online sales of 136 per cent for Kmart and 116 per cent for Target in the second half.

During the year, Kmart opened nine new stores, closed one store and completed 14 store refurbishments, while Target closed six stores.

Catch generated revenue of $364 million in the period since acquisition. Gross transaction value increased 49.2 per cent in the period since acquisition with strong growth in both in-stock and marketplace offerings, and ongoing growth in Club Catch subscriptions. Since acquisition, Catch has invested in marketing and capabilities, and implemented a number of customer-driven initiatives to leverage the Wesfarmers Group.

PROSPECTS

In an uncertain and volatile environment, Kmart Group is well-positioned for the future. While anticipating customer demand will continue to be difficult in the near term, the business will remain focused on the customer value proposition and delivering sustainable long-term returns.

Kmart will focus on investing for future growth, including developing technology capabilities and re-platforming the website, as well as the successful conversion of Target stores, including the new K Hub small format.

Implementing the Target restructuring will continue next year with a focus on improving the commercial viability of the smaller and more simplified business. Following the completion of the announced network changes, the scale of the Target business will be significantly reduced, thereby decreasing its impact on the overall results for Kmart Group. Kmart Group expects to convert up to 40 large format Target stores to Kmart stores and additional 50 Target Country stores to K Hub stores. Upon successful conversion, the much larger network will unlock an additional scale efficiencies to underpin Kmart's future growth.

Target will continue to improve the offer in destination categories and manage its remaining lease portfolio to achieve optimal commercial outcomes for the Kmart Group.

Catch will focus on growing gross transaction value by accelerating the expansion and improvement of its customer value proposition. This will require significant investment in technology, marketing and capabilities, impacting earnings in the 2021 financial year. Catch will continue to broaden the range of categories and brands available in both its in-stock and marketplace offerings, and leverage assets across the Wesfarmers Group.

Ian Bailey

MANAGING DIRECTOR
KMART GROUP

Kmart

OUR BUSINESS

Kmart was established in 1969, with the opening of its first store in Burwood, Victoria. Kmart operates 239 stores throughout Australia and New Zealand, offering customers a wide range of everyday low-priced products in categories such as apparel and general merchandise.

Kmart employs more than 31,000 team members, who are focused on the Kmart vision of delivering the lowest prices on everyday items for Australian and New Zealand families.

OUR MARKET

Kmart operates in the clothing, homewares and general merchandise retail sector. This sector is competitive and comprises department stores, specialty retailers and a growing online channel. It is also characterised by an expanding presence of international retailers, an increasing level of direct sourcing and online growth. Kmart sources from both local and international suppliers, with product sourcing offices in Hong Kong, China, Bangladesh, India and Indonesia.

Kmart's total sales increased 5.4 per cent for the year and comparable sales increased by 4.3 per cent. Kmart recorded solid earnings for the year despite challenging retail conditions.

Target

OUR BUSINESS

Target began as a drapery store in 1926 in Geelong, Victoria, and has since grown to become a national apparel and general merchandise retailer with stores right across Australia. Its objective is to provide quality and style at affordable prices. Target employs more than 13,000 team members across its stores, support offices and direct sourcing operations – all focused on delivering high-quality products with contemporary style.

OUR MARKET

Like Kmart, Target participates in the Australian clothing, homewares and general merchandise retail sector. Target's strategy is focused around delivering elevated style and quality through an optimised store network and an engaging online proposition. This is supported by a strong brand heritage.

Catch

OUR BUSINESS

Catch is an e-commerce marketplace which commenced operations in 2006 and was acquired by Wesfarmers in August 2019, bringing highly complementary skills in digital retail and fulfilment to both Wesfarmers and the Kmart Group.

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 a leading technology platform and data capabilities and three fulfilment centres located in Victoria.

OUR MARKET

Catch operates in the online retail market in Australia and New Zealand, with the focus of delivering great value and savings to customers. The online retail sector is highly competitive and comprises large multi-national businesses and domestic specialty online retailers.

Catch's team of buyers and marketplace sellers search the world for the best products from the biggest brands to bring our customers anything they want and everything they need. From fashion to beauty, homewares, sports, technology, groceries, health and lifestyle, Catch has millions of products at low prices.

SUSTAINABILITY

Human rights and ethical sourcing

Kmart Group acknowledges its responsibility to respect human rights and promote environmental sustainability within its supply chain.

During the 2020 financial year, Kmart and Target continued their efforts to strengthen the Kmart Group Ethical Sourcing Program with a focus on improving modern slavery risk mitigation controls and expanding the program beyond the retail merchandise supply chain to capture goods not for resale and service providers.

Major achievements included, among others, the rollout of the new Kmart Group Ethical Sourcing Code and accompanying audit program, which incorporates new minimum standards to mitigate the risk of modern slavery.

Kmart and Target also endorsed the Call to Action COVID-19: Action in the Global Garment Industry, which aims to generate action across the global garment industry to protect workers' income, health and employment, and support employers during the COVID-19 crisis.

The complexity and depth of the Kmart and Target supply chains remains a key challenge. Accordingly, the focus will be on increasing traceability beyond the tier one supply chain in the future.

Health, safety and wellbeing

Kmart Group is committed to improving the health, safety and wellbeing of team members and providing a safe shopping experience for its customers.

Kmart finished the 2020 financial year with a 35 per cent reduction in its Total Recordable Injury Frequency Rate (TRIFR) to 13.6, while Target achieved a seventh consecutive year of improved safety performance with a 26 per cent TRIFR reduction to 12.3. Kmart Group recorded a combined TRIFR of 12.8.

Earlier this year, Kmart Group implemented a comprehensive COVID-19 risk control strategy in response to COVID-19 that enabled all Kmart Group sites to provide a safe working and shopping environment and comply with government restrictions. The strategy consists of a range of measures in relation to reporting, hygiene measures, indoor capacity limits, social distancing compliance and consumables supply.

Diversity and inclusion

Kmart Group recognises that a diverse and inclusive place to work and shop will enable its businesses to build strong connections with team members and customers, while promoting innovation and better business decisions.

A key strategic priority of Kmart Group is to achieve gender balance with a target of 40 per cent women, 40 per cent men and 20 per cent of either gender or gender diverse in leadership roles. In the 2020 financial year, Kmart experienced growth of women in leadership roles from 44 per cent to 45 per cent. Target also improved its gender balance, with women in leadership roles representing 51 per cent, increasing from 50 per cent last year.

During this year, Kmart Group also employed four Indigenous Employment Advisors across Queensland, New South Wales, Western Australia and Victoria to support the meaningful employment of Indigenous people. By the end of the 2020 financial year, there were a total of 530 Aboriginal and Torres Strait Islander team members engaged in active employment at Kmart and 178 at Target.

Community

Throughout the 2020 financial year, Kmart Group continued to work with local communities to meet a diverse range of needs with a focus on supporting the physical and mental wellbeing of young people and their families. Kmart Group recognises the importance of its community work, particularly this year, with the impacts of the Australian bushfires on local communities and the challenging economic conditions the community sector face due to COVID-19.

This financial year, Kmart contributed directly and indirectly more than $7.2 million, Target almost $1.1 million and Catch more than $100,000 to charities and community groups.

A significant component of these donations went towards the Australian bushfire relief, totalling over $1.0 million, including donations by Kmart, Target and Catch and customer donations.

Kmart Group thanks its customers for their generous support of communities affected by bushfires and the contributions they made to both the Kmart and Target Bushfire Relief Appeals.

Environment

As a large retailer of products that consume natural resources in many steps of the production process, Kmart Group has a responsibility to use natural resources responsibly and source materials in a way that minimises environmental impact.

In the 2020 financial year, major achievements included:

- Waste diversion from stores and distribution centres across Kmart Group improved from 79 per cent last financial year to 81 per cent this financial year.
- Electricity use in Kmart Group stores (per square metre) was reduced by six per cent year-on-year.
- Kmart Group's membership of TechCollect funded the collection and recycling of 303,893 kilograms of complying e-waste, including televisions, computers and peripheral devices.
- Development of new sustainable packaging principles and standards that align with the Australian Packaging Covenant Organisation's Sustainable Packaging Guidelines and the Australian Government's 2025 goals and national waste policy.

Since the end of the 2020 financial year, Kmart Group accelerated its plan to reduce emissions, targeting net zero Scope 1 and 2 emissions by 2030.

Kmart Group also publicly committed to a number of time-bound environmental commitments under the Kmart and Target 'Better Together' sustainability program relating to energy and climate, sustainable materials, waste and the circular economy.

Meeting these commitments will be a key focus for the Kmart Group in the coming years.

Kmart trials a Quiet Space for customers

In February 2020, Kmart commenced a pilot of an accessibility initiative called Quiet Space. This offers customers the opportunity to shop in a low-sensory environment with reduced noise, lighting and limited distractions. The introduction of Quiet Space has assisted several customers to access Kmart stores who may react differently to sensory information, including people on the autism spectrum or with varying mental health conditions. Sensory information refers to information that an individual's brain collects from the surrounding environment, including taste, smell, sound, sight and touch.

Kmart is currently offering the Quiet Space trial in 26 stores across Australia and New Zealand operating from 2 pm to 3 pm and 6 pm to 7 pm every Wednesday, providing an accessible option for customers to shop both in and outside core business hours.

Some of the environmental changes that occur during a Quiet Space session include: dimmed store lighting; lower-volume store music; registers and phones; minimal use of equipment on the shop floor; and store signage indicating high-sensory areas.

To support Quiet Space, Kmart has partnered with the peak autism bodies across Australia and New Zealand and Kmart's disability employment service partners. Quiet Space partners have supported Kmart with a range of educational resources for leaders and team members within participating stores.

Kmart is currently conducting a post-implementation review of the pilot and is connecting with each partner and their networks to better understand the positive impacts and opportunities to improve the initiative.

Safety performance

(from continuing operations)

TOTAL RECORDABLE INJURY FREQUENCY RATE (TRIFR)[1]

12.8[2]

2020	**12.8**[2]
2019	19.4
2018	19.1

[1] TRIFR is the number of lost time and medical treatment injuries per million hours worked.
[2] Includes Catch injuries and hours.

Waste

(from continuing operations)

RECYCLED DISPOSED

76.1 kt

	Recycled	Disposed
2020	**61.3**	**14.8**
2019	58.6	16.0
2018	70.9	24.0
2017	63.6	25.3
2016	68.6	21.6

Community contributions

(from continuing operations)

DIRECT INDIRECT

$8.4m[2]

	Direct	Indirect
2020	**1.9**	**6.5**
2019	1.4	6.0
2018[1]	1.5	8.4
2017[1]	2.2	10.5
2016[1]	2.2	9.9

[1] Includes discontinued operations.
[2] Includes Catch contributions (Direct: $50,000 and Indirect: $50,036).

Greenhouse gas emissions

(from continuing operations)

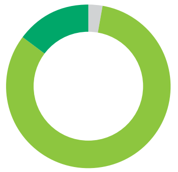
SCOPE 1 & 2[1]

303.7 $ktCO_2e$

2020	**303.7**
2019	318.6
2018	330.8
2017	360.2
2016	414.2

[1] Scope 1 and 2 data includes emissions for businesses where we have operational control under the NGER Act, other known non-reportable Australian-based emissions over which we have control, and our emissions in New Zealand and Asia.

Ethical sourcing audit program findings



1,241

NUMBER OF SUPPLIERS COVERED BY THE AUDIT PROGRAM[1]

Suppliers part of the audit program but not audited during the financial year[2]	186
Suppliers audited during the financial year with no critical breaches	1,021
Suppliers audited during the financial year with critical breaches identified[3]	34

[1] There were 1,241 active suppliers in the audit program as at 30 June 2020.
[2] The supplier may be audited every two years if it had no previous findings.
[3] In FY2020, there were 44 critical breaches across 34 suppliers.

BACK

KMART - STRATEGY

Kmart's vision is to provide families with everyday products at the lowest prices. Kmart will continue 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 lower prices. The business is focused on leveraging the store network and evolving digital capability to ensure Kmart provides customers with a shopping experience that is seamless between channels. The business is focused on improving availability of its products while reducing inventory and is committed to maintaining its price leadership position in the market.

Growth strategies	Achievements	Focus for the coming years
A great place to shop that is simple to run	– Continued strong growth of the online channel through the expansion of the Click and Collect service – Opened nine new stores (including two replacements) and completed 14 store refurbishments during the year – Completed a strategic review of Target which identified opportunities to accelerate the growth of Kmart Group by converting suitable Target stores to Kmart stores – Implementation of productivity and cost improvement initiatives	– A rewarding customer shopping experience through all channels – Continued development of the online offer while leveraging store network infrastructure – Simplifying ways of working in stores and supply chain despite the rapid growth of store network – Creating value for Kmart Group by converting up to 90 Target stores to Kmart stores in the 2021 financial year, including the new K Hub small format – Ongoing investment in the store network through new store openings and refurbishment
Better products at even lower prices	– Continued market leadership in perception of lowest price – Increased proportion of products sourced through strategic relationships with the right factories	– Leading the lowest price in a highly competitive market – Elevating product desirability in the apparel category – Profitable growth through increased volumes and improved product offering – Maintaining strong brand perception for on-trend everyday items – Leveraging data insights to drive better decisions

TARGET - STRATEGY

Target is focused on its vision of inspiring families to live better by making it easy for families to afford quality and style.

Target has accelerated its strategy to deliver a more focused product offering, operate a simplified store network, make the end-to-end customer journey easy and personalised, irrespective of channel, and ensure the customer experience leverages Target and the Kmart Group's assets to lift digital engagement.

Target is continuing to reduce complexity and above-store costs to transform its operating model to reflect the smaller store network.

Growth strategies	Achievements	Focus for the coming years
Stabilise performance following the restructure	– Continued improvement of processes and disciplines across merchandise and sourcing functions – Stock levels and inventory health well managed – Stock keeping unit rationalisation continued – Quality and style standards reset – Increased focus on fabric mix and sustainability	– Further simplification of end-to-end operating model and business processes – More focused offer progressively re-weighted towards apparel, soft home and toys – Stronger elevation of quality and style to provide a clearly differentiated offer
Optimise and leverage store network	– Following a strategic review, announced a number of actions to simplify the business, optimise the store network and reduce the cost base – Reduced average lease tenure and overall lease commitments, improving capital structure and flexibility of the store network	– Acceleration of store network plan, focused on creating value for Kmart Group with approximately 70 store closures and up to 90 store conversions to Kmart stores in the 2021 financial year – Focus on leveraging the store network to support increased customer convenience across all channels (e.g. Click and Collect enhancement)
Expand and enable online	– Improved availability in store ranges and expansion of exclusive ranges – Increased store fulfilment – Foundational app improvements – Order management system commissioning	– Online fulfilment and leverage distribution centre capacity, including automation – Enhanced user digital and in-store experience – Improved website including content and site personalisation – Improved in-store collection experience to drive store traffic – Continued app advancement

CATCH - STRATEGY

Catch's vision is to be the trusted destination where Australians start their online shopping journey. The business leverages its unique Australian brand identity to engage and reward its customers with an emphasis on range, value and the shopping experience. Catch will continue to invest in accelerating the expansion and improvement of its customer value proposition. Catch will continue to broaden the range of categories and brands available in both its in-stock and marketplace offerings, and leverage assets across the Wesfarmers Group.

Growth strategies	Achievements	Focus for the coming years
Invest in technology platform and fulfilment capability	– Continued focus on providing a market-leading, trusted and secure online shopping experience – Expanded Catch's fulfilment centre network with significant investments in additional warehouse facilities and warehouse automation equipment – Improved Catch's fulfilment capabilities to meet evolving customer preferences including the launch of Click and Collect via the Target store network	– Maintain customer-centric focus with an emphasis on providing an engaging and rewarding shopping experience – Ongoing investment in marketing the Catch website, mobile apps and customer loyalty programs – Continued development of Catch's data capabilities to provide better customer insights – Continued enhancement of customer fulfilment capabilities by leveraging the Kmart Group store network infrastructure
Expand product range	– Growth in the in-stock product range including onboarding an exciting range of market-leading brands – Growth in the third-party seller network including onboarding Target to the Catch marketplace	– Continued expansion of product offer – Leveraging data insights to drive merchandising and marketing activities

KMART AND TARGET - RISK

Kmart and Target's risks include foreign exchange rate fluctuations, new market entrants and the expansion of existing competitors, and ensuring that its products are sustainably and ethically sourced. Also, implementing the announced actions of the Target strategic review is being undertaken in an uncertain and competitive market.

Kmart and Target are actively managing the impact of COVID-19 by understanding the effect it has across all key risk areas as well as by managing the direct implications identified below.

Risk	Mitigation
COVID-19	– Continued focus on providing a COVID-safe environment for team members, customers and suppliers – Increased use of digital technologies to reduce supply chain length and increase flexibility – Increased stock weights in some product categories to accommodate volatility in customer demand
Competitor activity	– Monitoring of competitor activity and consumer trends – Maintaining price leadership position in the market by making use of extensive overseas sourced ranges, in-house design capabilities and volume-driven efficiencies – Continuing to innovate the store format to improve the customer experience through new layouts and leveraging technology – Continuing to improve consistency of product quality – Analysis of business performance to identify future opportunity and clarify business proposition and purpose – Online proposition advancement to enhance customer experience, support in-store traffic and leverage the store network
Exchange rate volatility	– Hedging and product and pricing frameworks will be used to effectively manage foreign exchange movements
Sustainability and ethical sourcing	– Ongoing improvements to environmental compliance across all factories – Updates to Ethical Sourcing Code including integration of strategies to prevent instances of modern slavery – Further expansion of 'Better Together' program focused on making a positive difference to our people and our planet – Conducted product life cycle assessment for all merchandise as part of development of circular economy strategy
Execution of Target review outcomes	– Clarity of strategy with operational plans and governance related to key strategic initiatives – Effective communication (internal and external) of related action plans – Clear accountabilities, objectives and performance indicators – Business simplification
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 oversight provided to executive management to govern cyber security

CATCH - RISK

Catch's key risks include new market entrants and the expansion of existing competitors and scaling at a sustainable pace to meet growing demand. The sector that Catch operates in is becoming more competitive as traditional bricks and mortar retailers increase e-commerce investment and existing online competitors invest in growth.

Catch is actively managing the impact of COVID-19 by understanding the effect it has across all key risk areas as well as by managing the direct implications identified below.

Risk	Mitigation
COVID-19	– Continued focus on providing a COVID-safe environment for team members – Increased capacity to accommodate significant growth in demand
Competitor activity	– Monitoring of competitor activity and consumer trends – Expanding in-stock and marketplace offerings by utilising Catch's extensive domestic and international supply chains – Accelerating advertising investment leveraging Catch's extensive in-house digital marketing expertise – Continuing to innovate Catch's technology platform to enhance customer engagement and promote repeat purchasing behaviour – Continuing to maintain high standards of product quality and safety
Scaling the Catch team to service a rapidly growing customer base	– Investing in the development of Catch's people capability to deliver on its strategic objectives while maintaining high standards of customer care and service – Recruiting top-tier talent across a range of functions including product sourcing, marketing and technology
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 oversight provided to executive management to govern cyber security

Officeworks

Officeworks is committed to making bigger things happen for its customers, team, the community and stakeholders. It operates 167 stores across Australia, a website that is home to more than 40,000 products, a national call centre, and a business team that helps businesses start, run and grow.

> "Playing an important role in supplying essential products and services to enable Australians to work, learn and school from home, and keeping thousands of small and medium-size businesses operating, Officeworks did everything it could to support customers stay safe during COVID-19."

YEAR IN REVIEW

Revenue

$2,787m

2020	**2,787**
2019	2,314
2018	2,142
2017	1,964
2016	1,851

EBT

$197m

2020	**197**
2019	167
2018	156
2017	144
2016	134

Key financial indicators

For the year ended 30 June	Post AASB 16 2020	Pre AASB 16 2020	2019	2018	2017	2016
Revenue ($m)	**2,787**	2,787	2,314	2,142	1,964	1,851
Earnings before tax ($m)	**197**	190	167	156	144	134
Capital employed (R12) ($m)	**976**	969	980	939	980	994
Return on capital employed (R12) (%)	**20.2**	19.6	17.0	16.6	14.7	13.5
Cash capital expenditure ($m)	**40**	40	42	45	36	40

PERFORMANCE DRIVERS

Officeworks delivered revenue of $2,787 million for the year, an increase of 20.4 per cent on the prior year. Earnings increased 13.8 per cent to $190 million.

The safety, health and wellbeing of team members and customers remains a priority for Officeworks, and during the year Officeworks implemented a range of additional cleaning and safety measures in response to COVID-19. In the 2020 financial year, TRIFR decreased from 8.5 to 7.9, the safest year for its team members under Wesfarmers' ownership.

Providing an easy and engaging customer experience remained a strong focus throughout the year. This was evidenced through Officeworks' most successful back-to-school trading period to date, which launched in October 2019, to attract a new customer group and included a redefined offer.

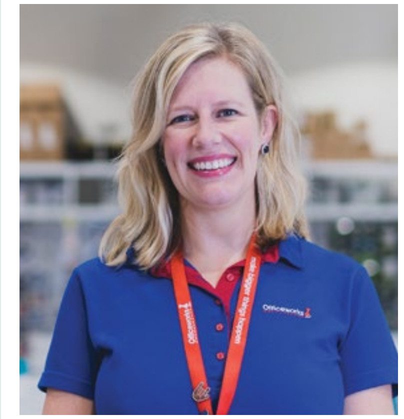
Customers continue to respond favourably to Officeworks' every-channel strategy, with growth achieved in both stores and online. New and expanded product ranges, enhancements to the Click and Collect offer, as well as a continued focus on price, range and service was also well received by customers.

Earnings growth was underpinned by increased demand for products to support the needs of Australians working and schooling from home, as well as the disciplined management of the cost of doing business.

The Geeks2U offer continued to grow, with enhancements to the offer including remote access and a subscription service launched across its national store network in the year.

Strong earnings growth, combined with working capital benefits from unprecedented consumer demand, resulted in an increase in return on capital of 2.6 percentage points to 19.6 per cent.

During the year, investment was made in Officeworks' every-channel offer, including upgrades to online functionality and features, and the renewal of 72 stores. The Townsville store was expanded in October and is now the second biggest Officeworks store. At 30 June 2020, there were 167 stores operating across Australia.



PROSPECTS

Officeworks will continue to build on the positive progress achieved over the past 12 months, during which we improved team member safety, updated nearly half our stores, embedded our new store Enterprise Agreement, grew the Geeks2U offer and recycled 86 per cent of our operational waste.

It is expected that Officeworks will continue to play a pivotal role in providing essential products and important services to Australians as they adjust to new ways of working, learning and running their businesses in response to COVID-19 safety measures and restrictions.

Now more than ever we need to listen to our customers and continue to be agile in our approach to meet their evolving needs. We remain focused on delivering our strategy and investing in the initiatives that will deliver satisfactory returns for shareholders over the long term.

Officeworks built strong momentum in the 2020 financial year. The near-term outlook is uncertain, with changing customer shopping patterns and any future COVID-19 measures expected to impact trading conditions. Despite an uncertain environment, Officeworks is focused on remaining agile and adaptable to manage changes as they eventuate.

There are many opportunities, as well as challenges, in front of us as we accelerate our strategy in the year ahead. Our team is passionate about helping our customers and our local communities to make bigger things happen in the 2021 financial year and beyond.

Sarah Hunter
MANAGING DIRECTOR
OFFICEWORKS

Officeworks

OUR BUSINESS

For more than 26 years, Officeworks has been passionate about making bigger things happen for its customers, team, the community and stakeholders. As part of Wesfarmers, Officeworks is focused on continuing to deliver satisfactory returns to shareholders over the long term.

It operates 167 stores across Australia, a website that is home to more than 40,000 products, a national call centre, and a business team that helps businesses start, run and grow. Officeworks offers customers a wide range of office supplies, technology, furniture, art supplies, education resources and helpful services like Print, Copy & Create and tech support through Geeks2U – delivering an experience that is easy and engaging, no matter how customers choose to shop.

Officeworks is focused on the safety, mental health, wellbeing and career progression of the more than 8,000 team members it employs. It is also dedicated to operating in a sustainable manner, including building and maintaining meaningful connections with the communities in which it operates, fundraising for its national partners and local community groups, continuing to reduce its impact on the environment and source products responsibly.

OUR MARKET

Officeworks' current addressable market in Australia is approximately $20 billion, which incorporates core office products such as paper, pens, ink and toner and filing, as well as categories such as technology, print and copy, furniture, kitchen and cleaning products and packaging. Over the past decade, Officeworks has expanded its market share through range and category expansion, and also by introducing new solutions for customers.

Officeworks will continue to expand its addressable market in line with customer needs and grow its presence in areas such as education, its offer for business customers and connected home solutions for consumers. In total, it is estimated that these opportunities could more than double Officeworks' potential total addressable market to more than $40 billion.

Officeworks will continue to expand its addressable market in line with customer needs. It plans to grow its presence in the education market as well as evolve its proposition for business customers and enhance its connected home solutions offer for consumers.

SUSTAINABILITY

People

Officeworks is committed to keeping its team and customers safe by creating an environment free from harm, which includes physical safety as well as individual health and wellbeing.

Improvement in Officeworks' safety performance continued during the period, with the Total Recordable Injury Frequency Rate (TRIFR) reducing to 7.9 for the 2020 financial year. In real terms, this means that over the past 12 months, 66 team members have reported an injury. While one injury is one too many, a TRIFR of 7.9 represents a seven per cent reduction when compared to last year.

The strategic focus for safety and wellbeing was rapidly transformed in the second half of the year, as the business responded to risks presented by COVID-19. Recognising the urgency and severity of the risks, Officeworks introduced an agile approach in relation to protocols for managing exposure to COVID-19 that enabled the business to adapt as the situation changed to prioritise the safety of team members and customers.

In addition to monitoring and adapting to the ongoing risks of COVID-19, Officeworks will launch 'Your Best Life', a health and wellbeing strategy, in the 2021 financial year. The strategy aims to encourage team members to take time to focus on both their mental and physical wellbeing, with programs that support the mind, body and soul.

Officeworks values diversity and inclusion, including the value it brings to the business and the sense of belonging team members feel when they are accepted and valued at their place of work. During the year, Officeworks maintained its balanced leadership position of 45 per cent.

Connecting with our communities

Officeworks is committed to increasing connections with communities at a local, regional and national level and being a part of where we live and work. During times of adversity, customers and team members have shown that the best outcomes can be achieved by working together to create meaningful relationships and provide support to those who need it most.

During the 2020 financial year, Officeworks, along with its team members and customers, contributed a record of $5.5 million directly and indirectly to local community groups and national partners. By continuing to build a closer connection with national causes, Officeworks team members and customers contributed $2.3 million through appeals which have provided 2,290 students with a Learning for Life scholarship from The Smith Family. Officeworks also provided 1,500 literacy packs and supported 3,780 Indigenous students through the Australian Literacy & Numeracy Foundation.

The 2020 financial year was a particularly challenging time for many people and organisations around Australia. During the devastating bushfires and COVID-19, Officeworks was challenged to adapt the ways it supported communities, including the way fundraising appeals were executed.

In the year ahead, when the community will continue to need our support more than ever, Officeworks will focus on embedding localised engagement initiatives to connect with the communities where its team live and work, while continuing to grow the support of national partnerships.

Reducing carbon emissions

Since the end of the 2020 financial year, Officeworks accelerated its plans to reduce emissions, targeting net zero Scope 1 and 2 emissions by 2030. Officeworks also has a target to reduce carbon emissions by 25 per cent by 2025, on 2018 financial year levels. During the period, Officeworks' progress continued, reducing emissions by six per cent on the prior year, which resulted in a 12 per cent reduction on 2018 financial year levels. These reductions have primarily been achieved through energy efficiency initiatives that have the added benefit of reducing electricity costs or mitigating price increases.

Officeworks is committed to taking meaningful climate action, which includes reducing carbon emissions to limit the worst impacts of climate change.

Sourcing products and services ethically

Global goods and services supply chains are complex, often with products or components manufactured in countries where laws designed to protect workers' rights are inadequate or not enforced. Officeworks' Ethical Sourcing Program, underpinned by the Ethical Sourcing & Modern Slavery Policy, is designed to protect and uphold workers' rights and provide customers with comfort that goods and services are sourced ethically.

Safety performance

(from continuing operations)

TOTAL RECORDABLE INJURY FREQUENCY RATE (TRIFR)[1]

7.9

2020	**7.9**
2019	8.5
2018	10.2
2017	11.9
2016	15.9

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

Community contributions

(from continuing operations)

$5.5m

	DIRECT	INDIRECT
2020	**2.4**	**3.1**
2019	2.6	1.5
2018	2.4	1.3
2017	1.7	0.8
2016	0.3	0.9

Greenhouse gas emissions

(from continuing operations)

SCOPE 1 & 2[1]

43.2 $ktCO_2e$

2020	**43.2**
2019	45.8
2018	49.1
2017	51.2
2016	56.6

[1] Scope 1 and 2 data includes emissions from continuing operations for businesses where we have operational control under the NGER Act.

Overview
Operating and financial review
Governance
Directors' report
Financial statements
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Shareholder and ASX information

During the 2020 financial year, 450 independent factory audits were reviewed with performance rating and approval periods assigned based on the number and severity of non-conformances identified. A total of 39 critical breaches were identified across nine suppliers, the most common of which related to excessive overtime and poor record keeping. In these instances, suppliers were required to remediate the issue within three months and provide supporting evidence. Reflecting remediation of previously identified critical non-conformances, Officeworks identified a relative decrease in the number of critical breaches from the prior year.

Throughout COVID-19, Officeworks maintained communication with suppliers and developed a COVID-19 Ethical Sourcing Supplier Guide to support suppliers in understanding key risks caused from the pandemic and considerations to mitigate these risks. This included guidance relating to health, safety and hygiene standards. With increased production demand caused by increased sales, Officeworks is continuing to monitor risks associated with excessive working hours in addition to health and safety standards.

During the period, Officeworks engaged a consultancy firm to review the effectiveness of its Ethical Sourcing program, with outcomes used to inform its 2025 Ethical Sourcing and Human Rights targets. From next year, Officeworks will work more closely with direct suppliers to create positive outcomes for workers and increase the representation of worker voice.

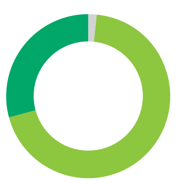
Officeworks makes progress on recycling operational waste

Embedding a culture of waste avoidance and resource recovery reduces environmental impacts from waste disposal and makes better use of the resources available. At the same time, this reduces operating expenses associated with waste management.

During the year, Officeworks continued to make progress, with total waste generation down seven per cent and waste sent to landfill down 26 per cent on the prior financial year. The inclusion of non-financial key performance indicators into the store teams' balanced scorecards, such as store recycling rates, contributed to greater accountability that resulted in 86 per cent of all waste recycled during the 2020 financial year.

As Officeworks continues to work towards becoming a zero-waste business, the focus next year will be to embed a winning formula for best practice waste management. This formula is best articulated as the Four Steps to Less approach, which empowers all team members to become zero-waste champions.

Ethical sourcing audit program findings



590
NUMBER OF SUPPLIERS COVERED BY THE AUDIT PROGRAM[1]

Suppliers part of the audit program but not audited during the financial year[2]	173
Suppliers audited during the financial year with no critical breaches	408
Suppliers audited during the financial year with critical breaches identified[3]	9

1 There were 590 active suppliers in the audit program as at 30 June 2020.
2 The supplier may be audited every two years if it had no previous findings.
3 In FY2020, there were 39 critical breaches across 9 suppliers.

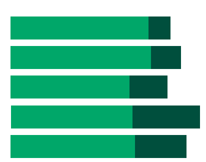
Waste

(from continuing operations)

RECYCLED DISPOSED

5.9kt

	Recycled	Disposed
2020	**5.1**	**0.8**
2019	5.2	1.1
2018	4.4	1.4
2017	4.5	2.5
2016	4.6	1.9



STRATEGY

Officeworks is committed to helping make bigger things happen for its customers, team members, the community and stakeholders in order to continue to deliver satisfactory returns to shareholders over the long term.

Officeworks will continue to drive growth and productivity by executing its strategy centred around five key areas.

Growth strategies	Achievements	Focus for the coming years
Our team We are skilled, committed and healthy	– Approval and implementation of new store Enterprise Agreement – Safest year under Wesfarmers ownership with a TRIFR of 7.9	– Launch Diversity and Belonging program – Accelerate investment in health and wellbeing – Grow participation of Aboriginal and Torres Strait Islander team members in the workforce
Customer experience We make things easy and engaging	– Introduced new convenient back-to-school solutions – Commenced building data and analytics platform	– Enhance and accelerate the development of data analytics capability and usage – Evolve customer delivery choices
Connecting with our communities We are a part of where we live	– Recycled 86 per cent of all operational waste – Contributed $5.5 million directly and indirectly to local community groups and national partners	– Invest in renewable energy including installing solar panels on selected stores – Launch the 2025 Positive Difference Plan – Increase support for micro, small and medium businesses for challenging operating conditions
Operational excellence We strive to do things better	– Invested in technology (new people management system) – Other systems accelerated by COVID-19	– Execute cost of doing business productivity initiatives to reduce costs – Invest in key technology platforms to improve efficiency and reduce risk
Growing our business We are ambitious in driving growth	– Expansion of core ranges into new categories – Launch of Geeks2U remote access service and subscription offer	– Evolve business-to-business strategy in line with customer needs – Complete Print, Copy & Create platform upgrade – Drive awareness of the expanded Geeks2U offer – Continue store renewal program

RISK

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

Officeworks is actively managing the impact of COVID-19 by understanding the effect it has across all key risk areas as well as by managing the direct implications identified below.

Risk	Mitigation
COVID-19	– Continued focus on providing a COVID-safe environment for team members, customers and suppliers – Initiatives for team members to support their financial and mental wellbeing – Enhanced communication with customers and proactive management of inventory position to accommodate increased volatility in demand
Changing customer behaviours	– Regular reviews of range to ensure it meets the evolving demands and preferences of Officeworks' customers – Innovation within existing categories and expansion into new service areas – Continue development of data analytics to better understand customer needs – Continue focus on improving every-channel model for customers that is easy and engaging – Proactive focus on innovative range, service and marketing formats – Strong customer-centric culture that is well embedded throughout the business
Data and IT security	– Dedicated internal capability focused on IT systems and security – Cyber risk controls embedded and regularly tested – Security awareness training program to keep all team members educated and informed – Established risk governance framework
Ethical sourcing and sustainability	– Five-year sustainability strategy (Positive Difference Plan 2025) to identify and mitigate sustainability risks and opportunities – Responsible sourcing policies supported by investment in detailed compliance programs

Chemicals, Energy and Fertilisers

WesCEF grows 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 1,330 diverse and talented team members who are committed to meeting customer needs.

> "CSBP is woven into Western Australia's history, proudly supporting customers for more than 110 years. A focus on diversification and growth has seen CSBP become a leading provider of agricultural, chemical and mining solutions to the agriculture and resources sectors."

YEAR IN REVIEW

Revenue

$2,085m

2020	**2,085**
2019	2,078
2018	1,830
2017	1,639
2016	1,820

EBT

$394m

2020	**394**
2019	438
2018	390
2017	395
2016	294

Key financial indicators

For the year ended 30 June	Post AASB 16 2020	Pre AASB 16 2020	2019	2018	2017[1]	2016[2]
Revenue ($m)	**2,085**	2,085	2,078	1,830	1,639	1,820
Earnings before tax ($m)	**394**	393	438	390	395	294
Capital employed (R12) ($m)	**1,942**	1,941	1,358	1,407	1,443	1,554
Return on capital employed (R12) (%)	**20.3**	20.2	32.6	27.7	27.4	18.9
Cash capital expenditure ($m)	**110**	110	58	60	44	60

[1] 2017 includes $33 million relating to WesCEF's share of revaluation gains in Quadrant Energy and profit on sale of land of $22 million.

[2] 2016 includes $32 million of one-off restructuring costs associated with the decision to cease PVC manufacturing.

PERFORMANCE DRIVERS

Revenue of $2,085 million was in line with last year, with the Chemicals and Fertilisers businesses delivering revenue growth, partly offset by a decline in Energy revenue. The Energy business recorded a 9.4 per cent decrease in revenue due to a lower Saudi Contract Price (the international benchmark indicator for LPG price) and decreased sales volumes.

WesCEF generated earnings of $393 million, 9.2 per cent below the prior year on a continuing operations basis driven by lower sales in Energy as well as competitive pressures in the Western Australian explosive grade ammonium nitrate and fertiliser markets. This result included $18 million of insurance proceeds, and expenses associated with the ongoing management of the lithium assets following the acquisition of Kidman in September 2019.

WesCEF's earnings were influenced by a range of different factors across each of the individual businesses.

The Chemicals business was impacted by the annualised impact of some ammonium nitrate (AN) customers rolling onto new pricing under long-term contracts, additional costs to refine the emulsion product offering and increased input costs. The Energy business was impacted by the lower Saudi CP which was down 17.3 per cent on average compared to the prior year due to volatility in the oil market and disrupted global demand due to COVID-19. The Energy business also recorded lower LPG export volumes and experienced increased competition in the natural gas retailing market impacting volumes and pricing. While the Fertilisers business achieved sales volume growth for the period and ensured customer needs were met during a difficult period in which global supply chains were interrupted, earnings were impacted by higher operational and logistics costs.

These factors were partially offset by sound results in the ammonia and sodium cyanide businesses with the ammonia plant achieving record production and sales volume growth. The sodium cyanide plant produced strong volumes and was supported by robust demand in the gold mining sector, as well as lower input costs. All chemical plants benefited from investment in prior years and a continued focus on improving plant availability and yield.

PROSPECTS

Market conditions in WesCEF's key customer segments in the Chemicals business remain strong with favourable commodity prices in the iron ore and gold mining sectors in particular.

Earnings are likely to be impacted by increased AN sales to fertiliser and export markets with lower explosive sales domestically now that the competing Burrup plant is operational. The sodium cyanide business is expecting strong demand.

The Energy business is expected to be impacted by weakness in the Saudi CP and subdued margins in the natural gas retailing market.

Fertilisers volumes and margins remain dependent on seasonal outcomes and grower sentiment. It is expected that increased logistics and input costs will remain in the first half of the 2021 financial year.

WesCEF is working closely with joint venture partner, SQM, and Covalent Lithium to finalise project studies to deliver a definitive feasibility study on the integrated lithium project in Western Australia. A final investment decision to proceed with the project will be considered in the first quarter of calendar year 2021.

WesCEF is continually working on opportunities to better utilise or expand its existing operations with targeted investments and the use of data and analytics. WesCEF is also actively working on additional services and products to grow with its customers and contribute to their success.

Ian Hansen

CHIEF EXECUTIVE OFFICER, WESFARMERS CHEMICALS, ENERGY & FERTILISERS

WesCEF

OUR BUSINESS

WesCEF operates nine businesses in Australia across the chemicals, energy and fertiliser sectors and employs over 1,330 team members across its production and distribution facilities and support offices. During the financial year, Wesfarmers completed the acquisition of Kidman, demonstrating WesCEF's commitment to grow a portfolio of leading, sustainable businesses.

OUR MARKET

Chemicals includes:

- CSBP, which manufactures and supplies ammonia, AN and industrial chemicals primarily to the Western Australian resources and industrial sectors;
- Queensland Nitrates (QNP), CSBP's 50 per cent joint venture with Dyno Nobel Asia Pacific which manufactures and supplies AN to the resources sector in the Bowen Basin coal fields;
- Australian Gold Reagents (AGR), CSBP's 75 per cent owned joint venture with Coogee Chemicals which manufactures and supplies sodium cyanide to the Western Australian and international gold mining sectors;
- 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 and is a retailer of natural gas to residential and commercial markets, and electricity to businesses in Western Australia; and
- EVOL LNG, distributes bulk LNG primarily to the remote power generation market in Western Australia.

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

WesCEF continues to invest in emerging technology business Decipher, which is a technology solution offering services to both the agricultural and mining sectors. The launch of the integrated modules on mine rehabilitation and tailings storage management broaden its market.

Covalent Lithium, Wesfarmers' 50 per cent joint venture with SQM, is currently developing the Mt Holland lithium project with a final investment decision to be considered in the first quarter of calendar year 2021.

SUSTAINABILITY

People

WesCEF recognises that its success as a organisation is closely aligned to the success of its people and strives to create an inclusive culture that permits employees to achieve their best. During the year, work continued to improve gender balance and Indigenous employment through various strategies.

WesCEF team members operate within a high-risk environment and, as a result, managing the safety and wellbeing of its people within the workplace is a priority. WesCEF's total number of recordable injuries this year was 11 compared to 13 last year and 16 in the 2018 financial year, continuing the downward trend.

During the year, WesCEF continued to improve its High Potential Risk Management Program aimed at preventing incidents that could cause serious harm or permanent injury. Checklists were developed to support in-field safety discussions and ensure critical controls are in place before work commenced. The program will be expanded next year to include process safety risks.

WesCEF also refreshed its safety brand, 'Safe Person, Safe Process, Safe Place', to align safety themes and messages with key safety competencies and business requirements. Communication channels to enhance safety messages were reviewed, with new initiatives developed, such as Leader Conversation Guides and safety champions. Safety communications will continue to be a key focus in the 2021 financial year.

Supporting communities

WesCEF continues to invest in the communities in which it operates to support the long-term sustainability of its businesses and build its reputation as a good corporate citizen. This is achieved by supporting activities that build community trust and advocacy and position WesCEF as an employer of choice.

In the wake of the Australian bushfires, WesCEF employees donated $16,423 to the Red Cross Bushfire Disaster Appeal. This amount was matched by the business, taking the total donation to $32,846.

During the year, WesCEF formed two new partnerships focusing on education and the environment. Preparation for both partnerships began in the 2020 financial year, but unfortunately COVID-19 delayed the start to the 2021 financial year.

WesCEF and two of its businesses, Kleenheat and CSBP, redirected some of their community investment funding to support the community in other ways during the COVID-19 pandemic.

WesCEF committed $10,000 to help Indigenous community members in Kwinana and Rockingham have access to COVID-19 support services, food and medical supplies through its partnership with the local Indigenous Community Health Centre, Moorditj Koort.

WesCEF also made donations to Western Australian food assistance charities, Feed the Frontline and Foodbank WA.

CSBP Fertilisers continued to support Lifeline WA, and Kleenheat revised its customer rewards program, Kleenheat Treats, making it available to everyone living in Western Australia and the Northern Territory. Over 10,000 people were nominated and 2,000 winners received a $100 gift card.

Operating ethically and responsibly

WesCEF is committed to the highest standards of conduct and ethics in its supply chain. WesCEF has developed an Ethical Sourcing and Modern Slavery Policy which establishes its minimum expectations from suppliers in relation to labour rights issues. As a result, new suppliers are required to complete a questionnaire based upon compliance with this policy. All new contracts have a clause requiring suppliers to agree with and adhere to the policy.

WesCEF's approach to evaluation of ethical sourcing and modern slavery across its supply chain is risk-based and assessed using an internal risk evaluation framework. Where a supplier is categorised by WesCEF as high risk, additional requirements such as audits will occur going forward.

WesCEF commenced the delivery of ethical sourcing and modern slavery training. To date, 47 WesCEF senior managers have completed this training with further rollout intended for next year.

Safety performance

(from continuing operations)

TOTAL RECORDABLE INJURY FREQUENCY RATE (TRIFR)[1]

3.3

2020	3.3
2019	4.2
2018	5.4
2017	2.2
2016	7.8

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

Community contributions

(from continuing operations)

DIRECT

$0.6m

2020	0.6
2019	0.4
2018	0.4
2017	0.4[1]
2016	0.3

[1] This number has been restated due to a review conducted in 2018.

Waste

(from continuing operations)

RECYCLED DISPOSED

20.0kt

	Recycled	Disposed
2020	17.9[1]	2.1
2019	8.2	2.8
2018	8.0	4.4
2017	4.6	2.0
2016	3.3	3.2

[1] FY2020 increase in recycling was due to one-off excavation and concrete disposal projects undertaken at CSBP Kwinana.

Environmental stewardship

WesCEF is committed to reducing its environmental impact and ensuring the sustainability of its operations. Since the end of the 2020 financial year, WesCEF developed its aspiration to achieve net zero Scope 1 and 2 emissions in its operations by 2050.

Water security is a business-critical risk at its CSBP Kwinana site, with current and future threats to availability, reliability and cost of traditional water supply options. CSBP Kwinana's water consumption increased by 20 per cent this year, corresponding with higher production in water-intensive processes.

During the year, WesCEF developed a long-term water sustainability strategy for the CSBP Kwinana site. Available water sources and options to improve wastewater treatment were assessed, including the revitalisation of the site's purpose-built wetlands. The wetlands are an important part of CSBP's wastewater management, naturally treating approximately 2.5 million litres of nutrient-rich wastewater each day. The strategy will ensure the site's long-term water supply, plant reliability and effluent discharge security, and allow CSBP the opportunity to use climate-independent water sources.

A focus area for next year includes the potential construction of a wastewater recycling plant.

Legacy waste represents an ongoing environmental risk due to potential impacts on the environment and/or neighbours. WesCEF's contaminated sites strategy advanced during the year, with investigations completed at CSBP's Dalwallinu, Albany, Geraldton and Esperance sites, and progress was made at the Bunbury and Kwinana sites. A key performance measure for WesCEF is waste diversion from landfill, with 90 per cent of waste recycled or reused during the year.

CSBP's wetlands rejuvenation improves wastewater management

The wetlands at CSBP Kwinana are being revitalised as part of a strategy to improve the business' wastewater management.

The three hectares of purpose-built wetlands are an important part of CSBP's wastewater management, treating approximately 2.5 million litres of nutrient-rich wastewater each day.

WesCEF's Environmental Superintendent Stephanie Felstead said that the wetlands naturally treat the wastewater.

"Naturally occurring bacteria live around the plant stems and remove metals and nutrients before the clean water is pumped to the Sepia Depression Ocean Outlet via the Water Corporation's discharge line, four kilometres offshore," she said.

The wetlands have been operating for 15 years, and over this time the treatment of high volumes of wastewater has resulted in waterlogging and plant degradation.

CSBP's wetlands rejuvenation is a two-stage project. The first part was completed in early 2020 and involved upgrading the drainage system and replanting 50,000 plants.

The second part of the project, a wastewater recycling plant, is being considered in 2021. The plant will remove metals from the wastewater before directing the clean water back to CSBP's processing plants.

"This will reduce the amount of water CSBP uses in its manufacturing process, as well as the eventual amount of treated wastewater discharged off-site," Stephanie said.

Greenhouse gas emissions

(from continuing operations)

SCOPE 1 & 2[1]

964.7 $ktCO_2e$

2020	964.7
2019	897.3
2018	769.8
2017	798.2
2016	808.8

[1] Scope 1 and 2 data includes emissions from continuing operations for businesses where we have operational control under the NGER Act and other known non-reportable Australian-based emissions over which we have control.

STRATEGY

WesCEF's vision is to grow a portfolio of leading, sustainable businesses. WesCEF has a high-quality portfolio of assets and seeks to leverage these assets and grow 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 manufacturing and processing expertise and the capabilities of its people.

Growth strategies	Achievements	Focus for the coming years
Safe person, safe process, safe place	– Continued multi-year trend of reduction in total recordable frequency injury rate – Business-wide safety intervention to empower employees to identify hazards and develop action plans to mitigate risks	– Ongoing commitment to improve safety performance and employee safety capability – Continue to track and close out actions from the safety intervention – Refine maintenance planning and corrosion control across production assets – Enhanced cyber security protection
Investing for growth	– Achieved record production rates in the ammonia plant which is benefiting from investment and debottlenecking initiatives – Record sodium cyanide production – Further investment in storage and logistics assets to support fertilisers customers – Continued expansion of fleet and storage assets to support LNG business – Debottlenecking of LNG plant to expand production – Completed the acquisition and integration of Kidman Resources – Successful initial drilling campaign with domestic gas explorer in Western Australia with support from CSBP funding and offtake agreement	– Evaluate and implement expansion and debottlenecks of existing capacity across chemicals portfolio – Investigate developing production capacity in new geographies or new products – Opportunity to develop the Mt Holland lithium project and consider other chemical processing opportunities in the growing electric vehicle supply chain
Evolve through innovation	– Utilised data and analytics to increase plant availability – Continued investment in Decipher to develop new solutions for a broader customer base – Advanced manufacturing technology – Identification of WesCEF innovation pillars – industry 4.0, circular economy and carbon impact	– Implement a business wide system to enable data-informed prioritisation of strategic portfolio objectives – Explore opportunities in climate change related technologies
Enhance our reputation	– Implementation of modern slavery and ethical sourcing policy – Ongoing community partnerships and grants that focus on Indigenous, youth and environmental initiatives	– Ongoing focus on regulatory compliance – Continued investment in cyber security – Continue to deliver on local community investment strategies with a focus on science, technology, engineering and mathematics (STEM) education and environmental responsibility

RISK

The business units manage risk as an intrinsic part of their daily operations and are committed to conducting activities in a way that generates growth sustainably and enhances the reputation of WesCEF. Risks deemed unacceptable are transferred (through contractual arrangements or insurance), mitigated or avoided.

WesCEF is actively managing the impact of COVID-19 by understanding the effect it has across all key risk areas as well as by managing the direct implications identified below.

Risk	Mitigation
COVID-19	– Continued focus on providing a COVID-safe environment for team members – Active monitoring of impact on international supply chains
Serious injury, safety or environmental incident	– Continue to invest in improving safety culture and performance for the safe operation of facilities and distributing products in a way that minimises any adverse effect on employees, contractors, local communities or the environment – Maintain a strong focus on operating facilities and distribution systems in a manner which minimises the effect on the environment – Deliver High Potential Risk Management Program – by implementing critical control identification and verification, to maintain the core safety vision 'Safe Person, Safe Process, Safe Place' – Continue to invest in the wellbeing of our people through the 'Wellness at WesCEF' program, including the training of supervisors in Mental Health Awareness
Sustained intense competition	– Leveraging data and analytics to improve production efficiency and availability to meet customer requirements – Focus on consistently satisfying the needs of customers and continued investment in initiatives that further improve the customer experience – Continue to review and expand product and service offering to ensure we can contribute to customers' ongoing success – Positive contributions to the communities in which we operate
Meeting community expectations	– Minimise the risk of modern slavery occurring in our businesses or supply chains – Grow workplace diversity with focus on improving gender balance and growing the number of Indigenous employees to reflect the communities in which we operate – Continue to build partnerships that develop youth in our communities with a focus on STEM education and environmental stewardship – Continue to invest in systems and processes to ensure responsible use of data and security of information

Industrial and Safety

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

"During the year, the Industrial and Safety businesses were focused on supporting customers to respond to the Australian bushfires and COVID-19, including sourcing critical products in global shortage, ensuring critical oxygen supply to hospital groups and providing additional risk consulting services."

YEAR IN REVIEW

Revenue

$1,745m

2020	**1,745**
2019	1,752
2018	1,750
2017	1,776
2016	1,844

EBT

$39m

2020	**39**
2019	86
2018	118
2017	115
2016	63

Key financial indicators

For the year ended 30 June	Post AASB 16 2020[1]	Pre AASB 16 2020[1]	2019	2018	2017	2016[2]
Revenue ($m)	**1,745**	1,745	1,752	1,750	1,776	1,844
Earnings before tax ($m)	**39**	40	86	118	115	63
Capital employed (R12) ($m)	**1,448**	1,447	1,475	1,409	1,363	1,339
Return on capital employed (R12) (%)	**2.7**	2.8	5.8	8.4	8.4	4.7
Cash capital expenditure ($m)	**59**	59	83	50	34	52

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

[2] 2016 includes $35 million of restructuring costs associated with the 'Fit for Growth' transformation.

PERFORMANCE DRIVERS

Revenue of $1,745 million was in line with the prior year. Blackwoods' revenue increased on the prior year due to continued growth from strategic customers and the Western Australian region, as well as strong demand for critical products in the second half, including personal protective equipment (PPE), cleaning and hygiene products. This was partly offset by sales declines in other segments and weakness in New Zealand due to disruption to customers' normal operations from government measures to contain the impact of COVID-19. Workwear Group's revenue declined on prior year, primarily due to lower revenues from corporate uniforms in Australia and the United Kingdom as a result of the impact of COVID-19 on some customer segments including airlines, retail and hospitality. Coregas' revenue increased due to continued demand in the medical segment.

Excluding significant items and payroll remediation costs, earnings of $55 million were 36.0 per cent below the prior year. Blackwoods' earnings were impacted by continued investment in customer service, as well as investment in digital capabilities including the enterprise resource planning (ERP) system. Workwear Group's earnings declined on prior year, primarily due to lower revenues and the prior period benefiting from one-off insurance proceeds. Coregas' earnings declined primarily due to higher raw material and freight costs.

During the year, Industrial and Safety recorded a pre-tax, non-cash impairment of $310 million in the carrying value of the division, primarily relating to goodwill. The impairment charge reflects the deterioration in economic conditions resulting in lower customer demand in Workwear Group and Greencap, along with uncertainty as to future economic conditions, which impacted the Group's assessment of the carrying value of the overall Industrial and Safety division. As disclosed at the first-half results, payroll remediation costs of $15 million were also incurred during the year.

PROSPECTS

Market conditions in Australia and New Zealand are expected to be uncertain and remain challenging in the near term.

The Blackwoods business will continue to focus on improving the customer value proposition, building on the new regional sales structure implemented in the 2020 financial year which supports an improved customer experience. Blackwoods will also continue investment in data and digital and implementation of the ERP system.

It is expected that customer demand in Workwear Group will continue to be subdued in the near term as a result of COVID-19. The business is focused on new business opportunities, growth from key brands, cost improvement initiatives and continued investment in its digital offering and operating efficiencies.

Coregas' earnings are expected to be impacted by lower demand, along with continued competitive pressures. The business will continue to focus on growth opportunities in healthcare, renewables and other specialist gas adjacencies.

The improvement initiatives and investments underway across the division are expected to enhance our businesses' competitive positions as they seek to increase share in their respective markets.

Tim Bult

MANAGING DIRECTOR,
WESFARMERS INDUSTRIAL
AND SAFETY

Industrial and Safety

OUR BUSINESS

Industrial and Safety operates four main businesses: Blackwoods, Workwear Group, Coregas and Greencap.

Blackwoods is the largest business in terms of revenue and is a distributor of tools, safety gear, workwear 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.

Workwear Group is Australia's largest provider of industrial and corporate workwear, featuring iconic Australian brands Hard Yakka and King Gee. Workwear Group also supplies bespoke and catalogue uniforms to leading airlines, financial services providers, retailers and other large corporates through NNT and Incorporatewear (UK), as well as specialised garments to defence and emergency services customers in Australia and New Zealand.

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.

Greencap is a management consulting business which has a market leading contractor induction digital platform called Cm3.

OUR MARKET

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

SUSTAINABILITY

Safety and wellbeing

The Industrial and Safety division continued to drive initiatives to mitigate fatal risk, prevent injuries, support operational excellence and target team members' physical and psychological wellbeing.

The division's Total Recordable Injury Frequency Rate (TRIFR) of 4.8 was a 30 per cent decrease from last year's rate of 6.9. The critical risk review program progressed, including developing 'bow tie' analyses, performance standards and verification checklists, which will continue into the next financial year.

To better understand psychological health needs, Blackwoods piloted a survey. Results have been shared with participants and a prioritised action plan rolled out. Workwear Group completed a psychological harm assessment and a gap analysis to assist with benchmarking and future program development. Coregas rolled out phase two of its Safety Refresh and continued to implement site operational safety review recommendations.

The safety and wellbeing of team members is an ongoing priority for the division.

Product safety and service quality

The Industrial and Safety businesses are committed to providing safe and quality products. Due to stringent risk reviews, there were no own-brand recalls across the division. Blackwoods has been developing a cloud-based assessment for national brand suppliers to further verify compliance and risk management protocols. NZ Safety Blackwoods is employing a dedicated role to ensure quality and compliance is well-managed and governed.

Workwear Group implemented a training program for offshore suppliers, covering compliance to and governance of its policies and procedures. Coregas team members participated in product stewardship training via the Australian and New Zealand Industrial Gas Association.

As a technical services business, Greencap focuses on service quality and its independent accreditation program is a key driver in managing risks. The annual reaudit program was successfully delivered with accreditation continuing for Quality Management ISO 9001 and Environment Management System ISO 14001.

The division will focus on core priorities in the 2021 financial year in line with strategic business objectives.

Community contributions

Each business makes positive contributions to its local community, forming strong partnerships spanning a range of causes. As a division, over $1.0 million was contributed via donated stock, financial contributions, corporate sponsorships, mentoring and volunteer hours and team member donations.

Blackwoods reached a significant milestone of $2.0 million raised for the Fred Hollows Foundation over the past 10 years. Donations are generated from customers, with a proportion of sales from Prosafe-branded products passed on to the Foundation.

Coregas donated over $24,000 during the year, supporting the Steve Waugh Foundation, Cancer Council and the Royal Melbourne Hospital Intensive Care Unit. Greencap contributed over $31,000 via direct and indirect donations to the Skyline Education Foundation, "the Bernie Banton Foundation, the Numeralla-Countegany Rural Fire Brigade and other organisations.

NZ Safety Blackwoods donated NZ$100,000 to KidsCan and participated in volunteer events throughout New Zealand. Workwear Group and its team members have contributed over $98,000 to various organisations, including $20,000 to 'Buy A Bale'.

Ethical sourcing and human rights

The Industrial and Safety businesses maintain strong and respectful supplier relationships with products sourced in a responsible manner. Each business manages its own risk-based ethical sourcing strategy.

Blackwoods made progress re-engaging existing high-risk suppliers to the Sedex Members Ethical Trade Audit four-pillar audit framework. Suppliers to Blackwoods that are classified as high risk and make up more than 90 per cent of its total procurement spend are managed under the framework and internal reaudit program.

Workwear Group conducted ethical sourcing awareness sessions with its international suppliers. The business also appointed Ethical Sourcing Champions within its Australian, New Zealand and United Kingdom businesses. All own-brand Greencap suppliers of goods not for resale are on the Sedex platform. Coregas developed a suppliers web portal with policies, general purchase conditions, and completed purchase orders.

Safety performance

(from continuing operations)

TOTAL RECORDABLE INJURY FREQUENCY RATE (TRIFR)[1]

4.8

2020	**4.8**
2019	6.9
2018	6.6
2017	8.1
2016	9.2

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

Community contributions

(from continuing operations)

DIRECT / INDIRECT

$1.0m

	Direct	Indirect
2020	**1.0**	**0.0**
2019	1.2	0.0
2018	0.6	0.1
2017	0.0	0.0
2016	0.1	0.0

Waste

(from continuing operations)

RECYCLED / DISPOSED

12.2kt

	Recycled	Disposed
2020	**3.5**	**8.8**
2019[1]	4.4	10.4

[1] Waste not previously reported prior to 2019 because it was not material to the Group.

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A divisional catalogue was also developed, listing approved suppliers for branded goods not for resale. All Australian businesses completed a human rights risk gap analysis of external cleaning service providers, aligning contract, statement of work and due diligence processes.

Balance and inclusion

The Industrial and Safety businesses strive to create inclusive work environments, achieve gender balance and promote the inclusion, engagement and employment of Indigenous Australians. In the division, 44 per cent of team members are female, including 33 per cent in management roles. Indigenous team members make up 2.4 per cent of our Australian workforce and Indigenous supplier spend totalled more than $1.6 million in the 2020 financial year.

During the year Blackwoods released its Aboriginal and Torres Strait Islander Strategy and Plan 2019-2021, providing guidance and allocation of responsibilities. Over 100 Blackwoods team members attended cultural awareness training, with 381 additional team members completing online Reconciliation Action Plan training.

Blackwoods and Coregas again hosted CareerTrackers interns. Greencap conducted a team member survey to better understand the diversity of its people and inform its Workplace Diversity Plan. Workwear Group improved its Workplace Flexibility and Parental Leave policies.

With changes to recruitment in place, each business is creating more diverse and welcoming workplaces and reviewing procurement practices to increase Indigenous supplier spend.

Blackwoods collaboration delivers more than products

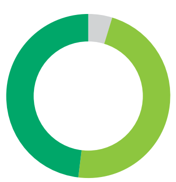
Blackwoods and New Start Australia have partnered to pilot a same-day delivery service for construction and infrastructure customers in the Sydney region. New Start is our Indigenous employment and labour hire partner and has been an integral part in Blackwoods' Indigenous employment program.

The Blackwoods delivery van has been repainted featuring a colourful Indigenous design and an Acknowledgement of Country for all the Indigenous nations where we operate across the Sydney regions. New Start has provided an enthusiastic, experienced, and site-inducted Indigenous driver to be the face of this innovative program.

The introduction of a same-day delivery service supports our customers in the time-critical major project sector, provides an employment opportunity, and proudly showcases Blackwoods' support for Indigenous culture and communities. Feedback from large construction customers working on several high-profile projects has been very positive.

Blackwoods is hoping to continue the pilot and eventually expand and tailor the service offering.

Ethical sourcing audit program findings



492

NUMBER OF SUPPLIERS COVERED BY THE AUDIT PROGRAM[1]

Suppliers part of the audit program but not audited during the financial year[2]	237
Suppliers audited during the financial year with no critical breaches	232
Suppliers audited during the financial year with critical breaches identified[3]	23

[1] There were 492 active suppliers in the audit program as at 30 June 2020.
[2] The supplier may be audited every two years if it had no previous findings.
[3] In FY2020, there were 89 critical breaches across 23 suppliers.

Greenhouse gas emissions

(from continuing operations)

SCOPE 1 & 2[1]

27.1 $ktCO_2e$

2020	**27.1**
2019	25.9
2018	26.0
2017	29.2
2016	30.0

[1] Scope 1 and 2 data includes emissions from continuing operations for businesses where we have operational control under the NGER Act and some of our emissions in New Zealand.

STRATEGY

Industrial and Safety continues to focus on performance improvement activities and investment in digital capability. Across Blackwoods, Workwear Group and Greencap this includes focusing on data, ERP, product and service capabilities, and cost improvement initiatives aimed at deepening customer relationships while improving operating efficiencies. Coregas is focused on expanding its product offer and renewable opportunities.

Growth strategies	Achievements	Focus for the coming years
Implementation of a market-leading offer across Blackwoods in the Australian and New Zealand industrial distribution market	– Implemented new regional sales structure and local customer service improving customer net promotor scores – Commenced integrated supply program with major customer – Improved operating efficiency while maintaining supply and service levels – Strengthened technical specialist capability	– Deepening customer relationships and building sales force effectiveness – Product range enhancement – Leveraging scale from operations – Expansion of technical capabilities and service solutions – Implementing a new ERP system and streamlining operating processes through data and digital
Digital transformation of Workwear Group and targeting growth from uniforms and key brands	– Supply chain optimisation progressed – Sourcing rationalisation progressed	– Investment in digital transformation – Targeted uniform growth and new business opportunities – Growth from key brands – Cost improvement initiatives – Further refinement of the operating model to improve efficiencies
Grow Coregas market share	– Continued revenue growth, including medical gas offer, Blackwoods and Bunnings distribution channels – Geographic expansion within Australia and New Zealand	– Further expanding product offers such as specialty gases – Adjusting to COVID-19 impacts – Renewable opportunities
Expand the online capabilities of Greencap	– Greencap completed the Cm3 acquisition in July 2019 and significantly grew its user base	– Position Cm3 as the leading contractor management platform in Australia and New Zealand

RISK

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, as well as macro-economic factors such as capital investment, employment, foreign exchange rates and interest rates.

Industrial and Safety is actively managing the impact of COVID-19 by understanding the effect it has across all key risk areas as well as by managing the direct implications identified below.

Risk	Mitigation
COVID-19	– Continued focus on providing a COVID-safe environment for team members, customers and suppliers – Implementation of strategies to provide increased cost structure flexibility to respond to changes in customer demand
Subdued growth and margin pressure	– Build sales force effectiveness in Blackwoods and improve product range enhancement – Target new growth opportunities, strengthen brand positioning and execute cost control initiatives in Workwear Group – Continue to develop new distribution channels for Coregas and expand speciality gas capabilities – Grow Greencap's digital offer
Growth of new and existing competitors, including digital market entrants	– Build data and digital capabilities that deepens customer relationships – Continue to optimise range, price and supply chains – Further refinement to improve operating efficiencies
Safety or environmental incident	– Continue to focus on quality systems and ensuring compliance with standards – Fully operational safety program including regular monitoring and the continuation of the safety culture – Active safety engagement by senior management

Other activities

Wesfarmers is an investor in Coles Group Limited, flybuys, the BWP Trust, Gresham Partners and Wespine Industries.

COLES

Coles is a leading Australian retailer which sells everyday products including fresh food, groceries, household goods, liquor, fuel and financial services via its national store networks and online platforms.

In November 2018, the Coles division was demerged from the Wesfarmers Group, and Coles Group Limited was subsequently listed on the Australian Securities Exchange. Following the listing of Coles, Wesfarmers retained 15 per cent of Coles' total shares on issue. During the 2020 financial year, the Group sold 10.1 per cent of its investment in Coles through two separate transactions, recording a pre-tax gain on sale of $290 million and a further pre-tax gain of $220 million on revaluation of the Group's interest in Coles.

As at 30 June 2020, the Group held a 4.9 per cent (2019: 15.0 per cent) interest in Coles through a wholly-owned subsidiary, Wesfarmers' Retail Holdings Pty Ltd.

For more information on Coles' performance during the year, please visit **www.colesgroup.com.au**

FLYBUYS

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

As at 30 June 2020, there were 6.8 million active households in the flybuys loyalty scheme. For more information on flybuys, please visit **www.flybuys.com.au**

BWP TRUST

Wesfarmers' investment in the BWP Trust (the Trust) contributed earnings of $52 million, compared to $42 million last year.

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 2020.

The Trust's portfolio as at 30 June 2020 consisted of a total of 75 properties. For more information on the Trust, please visit **www.bwptrust.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 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**

WESPINE INDUSTRIES

The 50 per cent-owned Wespine Industries (Wespine) operates a plantation softwood sawmill in Dardanup, Western Australia. Wespine manufactures structural timber used in the construction industry along with landscaping, packaging and other timber products.

Despite Western Australian housing approvals remaining at near 20-year lows, Wespine recorded timber sales of $95.7 million for the 2020 financial year, in line with the prior year. Performance was driven by the supply of additional volumes to customers in the eastern states on a lower overall contribution margin.

Wespine's recordable injuries declined slightly during the period reflecting the high level of focus which continues to be a priority for management.

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

Group sustainability performance

Wesfarmers has a long track record of reporting on our sustainability performance. We believe sustainability is about understanding and responsibly managing the ways we impact the communities and environments in which we operate.

We recognise that we can only achieve our objective of providing a satisfactory return to shareholders over the long term, if we take a holistic approach to looking after the interests of our stakeholders - our team members, our customers, our suppliers - acting honestly and ethically in everything we do, looking after the environment and contributing to the communities where we work and operate.

This section of the annual report provides summarised information about nine of our ten material sustainability issues with our climate-related financial disclosures in the following section. Our report is prepared in accordance with the Global Reporting Initiative. If you would like more information including, our 2020 Modern Slavery Statement, additional case studies and data on our sustainability performance, please visit our website **www.wesfarmers.com.au/sustainability**

SAFETY AND WELLBEING

We maintain a relentless focus on providing safe workplaces.

Every team member is entitled to work in a safe environment and go home safely at the end of their working day. This year, we drew on our experience of managing our workplaces with a relentless focus on the safety of our team members, customers and others to support the government and community efforts to limit the spread of COVID-19.

We have seen encouraging improvements in safety performance this year. To monitor safety performance, we use TRIFR (or Total Recordable Injury Frequency Rate) which shows injuries per million hours worked by team members and long-term contractors. This year, our continuing operations TRIFR decreased by 23 per cent from 13.5 to 10.4, with improvements across all divisions. Workers' compensation claims decreased from 1,750 to 1,632 on a continuing operations basis.

Peak performance

Our objective for our team is peak performance, with a focus on having fit, healthy and engaged teams across all businesses. The key peak performance strategy during the year included responding to the risks of COVID-19. While good progress has been made, peak performance initiatives, remain key priorities for further development over the coming year.

Safety performance

(from continuing operations)
Total Recordable Injury Frequency Rate[1]

10.4

2020	**10.4**
2019	13.5
2018	24.1[2]
2017	28.7[2]
2016	33.6[2]

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

[2] Includes discontinued operations, including Coles.

Bunnings rolls out new counterbalance forklifts

During the year, Bunnings made its biggest financial investment in safety to date, with the rollout of more than 430 counterbalance forklifts, representing an investment of over $32 million.

The forklifts have been customised specifically for the Bunnings operating environment and have a number of world-class safety features made possible by new technology.

These features include an electronic safety brake which automatically engages when the forklift is turned off, or automatically applies after a slight delay, if the driver exits the vehicle while it is turned on.

Special features prevent overloading of the forklift, ensures the safe load limit cannot be exceeded and provides a safer braking system when a forklift is on a gradient. Operators can adjust the forklift tines via controls in the cabin, reducing the need to manually move them for non-standard pallet loads, while the comfort cabin helps reduce operator fatigue.

The forklifts were trialled in a number of Bunnings stores prior to the rollout. Every store team will receive training on operating the forklifts as they are introduced across the network.

Group sustainability performance

PEOPLE – DEVELOPMENT, DIVERSITY AND INCLUSION

We strive to create an inclusive work environment, with particular attention to gender balance and the inclusion of Indigenous people. We provide opportunities for our team members to enhance their job performance and develop their careers.

Our greatest competitive advantage is our people and we are committed to providing opportunities to enhance their performance and experiences at work and to advance their careers.

Training and development

Wesfarmers' businesses provide job specific and career development training to full-time, part-time and casual team members. Training programs available include developing team members' technical skills, product knowledge, customer service, teamwork and leadership capabilities.

Inclusion and diversity

Wesfarmers is committed to providing an inclusive workforce where everyone feels respected and safe. We believe that through diverse and inclusive teams we can foster the best talent, harness creativity and problem-solving and gain insight into our diverse customers, stakeholders and the community. This drives our performance and enables future growth.

Gender balance

We believe gender balance helps us to deliver our objective of satisfactory returns to shareholders. Gender balance at Wesfarmers is defined as a minimum of 40 per cent of either gender.

The Wesfarmers Leadership Team is balanced with 42 per cent women and 58 per cent men, as is our total workforce, of 57 per cent women and 43 per cent men. There is room to strengthen gender balance in senior executive positions in the businesses with women holding 30 per cent of positions and men holding 70 per cent of positions.

Diversity and inclusion at WesCEF

Wesfarmers Chemicals, Energy and Fertilisers (WesCEF) recognises that its success as an organisation is closely aligned to the success of its people and strives to create an inclusive culture that permits team members to achieve their best. WesCEF's continued commitment to diverse and inclusive teams helps attract the best talent, facilitates creative problem-solving and grows connections to diverse customers and stakeholders.

During the year, work continued to improve gender balance and Indigenous employment through various strategies, including targeted LinkedIn searches, gender-neutral advertising, gender-balanced shortlisting and promotion of flexibility.

WesCEF also continued its focus on building an inclusive culture by delivering inclusive workplace training to 216 employees and updating its parental leave policy to increase the number of weeks of paid parental leave.

WesCEF achieved gender balance on its executive leadership team with 40 per cent female representation. However, female representation in leadership roles decreased from 28.9 to 27.7 per cent and overall female representation dropped from 35.0 to 34.8 per cent in the last year, reinforcing the need for continued focus. WesCEF continues to build gender balance in non-traditional pipelines and 47 per cent of apprentices are female.

Female representation across the Group

	2020	2019
Total workforce	57%	58%
Wesfarmers Limited Non-Executive Directors	50%	38%
Wesfarmers Leadership Team	42%	45%
Senior executive positions	30%	27%
All management and professional positions	36%	36%

Our vision for reconciliation

Our vision for reconciliation is an Australia that affords equal opportunities to all, including all Indigenous people. Wesfarmers will ensure that Indigenous people feel welcome in our businesses as employees, customers, suppliers and visitors.

Wesfarmers' Reconciliation Action Plan is focused on five core areas.

1. **Sustainable employment**

   As one of Australia's largest employers, we are continuing to provide sustainable employment for Indigenous people. As at 30 June 2020, 1,858 Aboriginal and Torres Strait Islander team members worked in our businesses. This equates to 1.9 per cent of our Australian workforce. We recognise that we have work to do to achieve our target of employment parity of three per cent of our Australian workforce by 2022.

2. **Career progression**

   We are committed to providing opportunities to Indigenous people to expand their careers.

3. **Indigenous procurement**

   Supporting Aboriginal and Torres Strait Islander businesses is an important contributor to the economic empowerment of Indigenous people with important flow-on effects to families and communities. During the year, we paid more than $28 million to Indigenous suppliers.

4. **Community partnerships**

   We continue to invest in community partnerships that are focused on Indigenous affairs and that add value to our partner organisations, the community and our businesses.

5. **Celebrating Indigenous culture**

   Wesfarmers has worked in collaboration with Indigenous cultural organisations, artists and communities for over four decades.

Indigenous team members[1]

2020	1,858
2019	1,666[2]
2018	1,647
2017	1,342
2016	990

[1] From continuing operations.

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

SUPPLIER RELATIONSHIPS

We commit to strong and respectful relationships with our suppliers.

We seek strong and respectful relationships with all our suppliers. This year we engaged with nearly 37,000 suppliers and paid them more than $19.3 billion. Building strong and collaborative relationships with suppliers is key to delivering responsibly sourced products to our customers.

Our retailers are focused on engaging suppliers to use more sustainable paper, timber and cotton because of the impact these materials have on the natural environment, whether in their production, use or disposal.

Responsible timber procurement is a key issue for Bunnings. The Bunnings Responsible Timber Sourcing Policy was revised in 2018 to require all timber in products originating from natural forests to originate from third-party certified forests (e.g. FSC or PEFC) by December 2020, with FSC preferred in highly contentious regions. Bunnings is working with suppliers affected by its revised timber policy to transition to the new requirements.

Kmart and Target have a longstanding commitment towards using 100 per cent sustainable cotton (Better Cotton Initiative cotton, organic cotton, recycled cotton) for own-brand clothing, towels and bedding ranges. In the past year, Kmart Group extended this commitment by introducing time-bound targets for the responsible sourcing of a wide range of materials.

BOAB to support Aboriginal and Torres Strait Islander businesses

Increasing the diversity of our supplier base is an important area where we can make a real difference to the economic prosperity of Indigenous people and communities, while also enhancing our own businesses. Through our BOAB (Building Outstanding Aboriginal Businesses) Fund, Wesfarmers is providing funding and business support to Indigenous businesses which supply to the Group, to support them to develop and scale. BOAB funding is linked to Indigenous business suppliers because we believe that our engagement (as a customer or counterparty) will deliver ongoing income which will help the business develop and scale.

Image: BOAB100 Wesfarmers Centenary sculpture commission – a Wesfarmers and Waringarri Aboriginal Arts creative partnership celebrating 100 years of Wesfarmers.

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Group sustainability performance

ETHICAL SOURCING AND HUMAN RIGHTS

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

Ethical sourcing has been a key area of focus for the Wesfarmers Group for almost a decade and COVID-19 has highlighted the importance of investing in strong, sustainable supply chains where ethical sourcing is a priority. In early 2020, our divisions recognised the impact COVID-19 would have on ethical sourcing in their supply chains, including worker safety, worker vulnerability and the ability of Wesfarmers divisions' ethical sourcing teams to complete in-person audits of suppliers and monitor the remediation of identified critical breaches. We put in place measures to safeguard human rights to address this.

Our businesses directly source products from nearly 37,000 suppliers in more than 20 countries. Some of the major locations we source from include Australia, Bangladesh, Cambodia, China, India, Indonesia, New Zealand, Pakistan and Vietnam. Our supply chains are complex with multiple tiers of suppliers in various countries involved in the production of many products. Our aim is to ensure that human rights are understood, respected and upheld across our supply chain. Our 2020 Modern Slavery Statement is available on our website.

To mitigate the risk of unethical practices in our supply chain, our businesses have ethical sourcing programs in place that take a risk-based approach and consider suppliers of products (both goods for resale and goods not for resale) and services. This risk-based approach sees our retail divisions concentrating due diligence on suppliers supplying own-brand products as well as services, both in Australia and overseas.

We recognise that social compliance audits can encourage positive behaviour among suppliers to safeguard human rights, but we recognise that a multifaceted approach is required to tackle such a complex issue. To complement our ethical sourcing audit programs, we foster long-term direct supplier relationships to help us work with suppliers to safeguard human rights.

Kmart Group takes action to support garment industry during COVID-19 crisis

Factory shutdowns and falling consumer demand linked to COVID-19 has drawn the world's attention to the plight of factory workers in the garment industry. Kmart Group has been working with suppliers on a case-by-case basis throughout the crisis to reach fair and mutually acceptable outcomes in relation to orders.

In April 2020, Kmart and Target endorsed the Call to Action COVID-19: Action in the Global Garment Industry, which aims to generate action across the global garment industry to protect workers' income, health and employment and support employers during the COVID-19 crisis, and establish sustainable systems of social protection for a more just and resilient garment industry.

Working together with other brands, trade unions, international organisations, government and other key stakeholders, specific measures are being developed to deliver on these priorities. The working group is led by the International Labour Organization (ILO) in partnership with the International Organisation of Employers (IOE) and the International Trade Union Confederation (ITUC).

More broadly, Kmart and Target have taken a range of COVID-19 actions in relation to ethical sourcing compliance and factory worker safety across their supplier base:

- Due to the factory shutdowns and the suspension of third-party audit firms, the validity of ethical sourcing approvals of factories was extended to 30 June 2020. Normal audit programs are now resuming as factory shutdowns lift country by country, with further extensions on audit renewal provided to some factories in Bangladesh and India on a case-by-case basis.
- Workplace safety guidelines provided by governments, the World Health Organisation (WHO) and ILO Better Work Programme have been shared with suppliers. The Kmart Group ethical sourcing team have followed up with suppliers to ensure that these guidelines are followed, which include regular handwashing, disinfecting, temperature checking and social distancing procedures in the factories.
- Kmart and Target have partnered with ELEVATE (sustainability and supply chain services organisations) to organise a COVID-19 webinar for our suppliers, focusing on preventive health and safety measures for factories to implement before resuming operation, effective worker communication and support.

As the COVID-19 pandemic evolves, Kmart Group will continue its efforts to minimise the impact of the health emergency on the workers in its supply chain.

DATA AND IT SECURITY

We are committed to protecting the privacy of team members, customers, suppliers and stakeholders in Wesfarmers and keeping the data we hold secure.

Wesfarmers is committed to complying with the laws governing privacy and data security and acting in an ethical manner with honesty, integrity, fairness and accountability.

Wesfarmers' Code of Conduct applies to all team members across the Group and outlines guiding principles on privacy, confidentiality, record keeping and the use of, and access to, the Group's assets and information systems. The Group also has policies relating to privacy and information technology.

Consistent with the Group's continuing focus on accelerating its data and digital capabilities, privacy and data security are a high priority.

During the year, the Group continued working on enhancing its data privacy and security processes. This work included a review of privacy law compliance and development of data ethics principles. It also included the strengthening of cyber threat detection and response capabilities and further development of data protection processes including a Group risk management solution for IT vendors and minimum standards on cyber-security. The Group established quarterly reporting on cyber-security matters to divisional and Group Audit and Risk Committees and expanded the remit of the Data and Digital Steering Committee to include reviews of key data analytics projects. The Corporate Office conducted cyber-security training and created new roles focused on data management and data and digital policy.

In the coming year, the Group will continue developing its systems and data governance frameworks, including in the areas of privacy assessment and training, and reviews of data analytics projects and data management and security.

PRODUCT QUALITY AND SAFETY

We are committed to providing our customers with safe products.

All the consumer products we supply must be safe and meet consumer protections under the consumer laws of the countries where we sell them. We ensure that all our products comply with relevant mandatory standards before they are offered for sale. As well as safety testing and compliance with required standards, our divisions implement product recalls where safety issues may arise.

All divisions regularly share learnings through the Wesfarmers Product Safety Forum which is held quarterly. The divisions have conducted extensive work to improve their product safety frameworks and risk assessment processes based on AS ISO 10377 Consumer product safety – Guidelines for suppliers.

In addition, members of our divisions closely collaborate with several industry organisations and associations to remain informed about best practice, regulatory updates and emerging issues. Our retail divisions support the product safety community by actively participating in Standards Australia committee work.

Officeworks leads the way, developing the first national standard for button batteries

In support of button battery safety, all Wesfarmers divisions have taken active steps to improve the safety of consumer products powered by button batteries and enhance consumer information including the damage caused from ingestion.

Officeworks Product Safety Manager, Barbara Geens has worked closely with Standards Australia to facilitate a forum to highlight the problem and to gain consensus on the development of the first ever national standard for button batteries. Barbara has been recognised for her contribution with the W.R. Hebblewhite Medal, the highest honour presented to the person who has made the most significant contribution to standardisation.

Group sustainability performance

ECONOMIC AND COMMUNITY CONTRIBUTION

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

As one of Australia's largest private sector employers, our impact on the economy is significant, supporting approximately 107,000 jobs, including almost 100,000 in Australia and generating a total economic contribution of $31.7 billion. This year, we paid $19.3 billion to suppliers, $4.8 billion in salaries, wages and other benefits to team members, $3.3 billion in payments for rent, services and other external costs and $1.0 billion in taxes and other government charges.

Most of our operations, team members, shareholders and customers are in Australia and our approach to community engagement is focused largely on supporting organisations in the communities in which we operate. We believe that a strong business environment is underpinned by a cohesive, healthy and inclusive community.

Community contribution

Reflecting the Group's divisional autonomy, community engagement is principally driven and managed by our businesses to ensure value is created in ways that best address the needs of their customers and communities. This year, the Group contributed approximately $68 million to community organisations in Australia, New Zealand and other regions where we operate, including $25 million in direct social investment in community organisations. The Group also facilitated indirect contributions from customers and team members totalling more than $43 million. In the last year, indirect contributions were impacted by COVID-19, for example the temporary suspension of Bunnings community sausage sizzles.

Wesfarmers at a corporate level partners with community organisations in three key areas: medical research and wellbeing, education and the arts. Across these areas, we also look to partner with organisations that have significant Indigenous programs, including Indigenous-led programs. This year Wesfarmers Corporate contributed $9.8 million to more than 25 small, medium and large community partners.

The Girls Academy and Clontarf: Wesfarmers' long-term commitment to Indigenous education

Wesfarmers has long been committed to improving the educational outcomes of Indigenous young people. In 2001, we became the first corporate partner of the Clontarf Foundation, and in the 19 years that have followed, the Foundation has grown from a single academy for 25 students at the Clontarf Aboriginal College in Waterford, Western Australia to an organisation that today, caters for more than 9,000 young men in 119 academies, across six states and territories. Wesfarmers is proud to have been with Clontarf every step of the way.

This year, we expanded our commitment to Indigenous education, entering into a new partnership with the Girls Academy. Our support enables the national organisation to run its school mentoring and leadership program for Indigenous girls. Wesfarmers' Chief Human Resources Officer, Jenny Bryant, has been appointed to their board.

During the year, more than 330 Clontarf students and alumni were employed at a Wesfarmers business in full-time, part-time or casual roles. Our partnership with the Girls Academy provides similar opportunities to Indigenous girls and we are planning to increase the number of Girls Academy young women working in our businesses.

Wesfarmers Arts

Wesfarmers has been a leading supporter of arts for more than four decades. Our partnerships with a diverse range of premier arts and cultural organisations in Western Australia and nationally reflect our belief in the vital contribution that the arts make to vibrant communities in which creativity and innovation flourish. This year, we stood by our arts partners during the COVID-19 crisis, providing significant, targeted support to keep artists employed when performances were suspended and galleries were closed.

Community contributions

(from continuing operations)

DIRECT INDIRECT

$68.1m

	Direct	Indirect
2020	**25.0**	**43.1**
2019	19.9	52.2
2018[1]	86.6	60.9
2017[1]	72.9	59.3
2016[1]	57.8	53.8

[1] Includes discontinued operations, including Coles.

WASTE, PACKAGING AND PLASTIC

We strive to reduce our waste to landfill and improve packaging.

Waste

Where possible, our businesses strive to divert waste from landfill, recognising that this has significant reputational and financial costs for their businesses. Our retail businesses are signatories to the Australian Packaging Covenant Organisation (APCO) and report in line with its targets annually. Waste is a key area of focus for all our divisions.

This year, we decreased our waste to landfill by almost five per cent to approximately 55,500 tonnes and increased waste recycled by 12 per cent to approximately 120,500 tonnes.

Bunnings diverted 53 per cent, Kmart Group diverted 81 per cent and Officeworks diverted 86 per cent of its operational waste from landfill. The results have been achieved through initiatives such as changing the terms of current waste and recycling contracts, educating team members on waste management practices, monitoring waste and recycling performance, increasing reusable packaging and reducing non-recyclable materials in supply chain. This has resulted in an overall improved recycling performance for the Wesfarmers Group, with significant cost savings expected in the future.

During the year, Bunnings, Kmart Group and Officeworks worked with social enterprises, businesses and not-for profit organisations to provide recycling programs for products including batteries, paint and electrical items such as power tools and e-waste.

Packaging and plastic

In 2018, all state and federal governments set targets to reduce environmental impacts from product packaging. To be achieved by 2025, the targets include ensuring all packaging is 100 per cent recyclable or reusable, increasing the amount of recycled content used and phasing out single-use plastics. All our divisions have plans in place to meet the 2025 packaging targets, and while some significant progress has been made, it remains a significant area of focus.

Waste

(from continuing operations)

RECYCLED DISPOSED

176.0kt

	Recycled	Disposed
2020	**120.5**	**55.5**
2019	107.4	58.2
2018[1]	351.3	153.6
2017[1]	373.5	160.1
2016[1]	356.1	151.2

[1] Includes discontinued operations, including Coles.

Bunnings sustainable packaging initiatives

Bunnings is committed to transitioning to fully sustainable packaging with a significant focus on reducing operational and packaging waste, while still maintaining the integrity of products as they move through the supply chain.

In the nursery, greenlife suppliers made significant progress in reducing the amount of virgin plastic packaging by transitioning to black plastic plant pots which incorporate more recycled plastic. Bunnings also worked with suppliers to remove non-essential plastic clips used to hold labels, reduce the label size, as well as reduce manufacturing waste and remove unnecessary plastic sleeves. These changes will continue to be implemented as existing supplier stock is depleted to ensure that additional waste is not created during the changeover process.

ROBUST GOVERNANCE

We maintain robust corporate governance policies in all our businesses.

Wesfarmers is committed to being transparent with all our stakeholders about our sustainability risks and opportunities and welcomes feedback at **www.wesfarmers.com.au/sustainability**

For more details refer to the Corporate Governance Overview in this annual report. The full 2020 Corporate Governance Statement, which covers key aspects of Wesfarmers' governance framework and practices, is in the corporate governance section of the company website **www.wesfarmers.com.au/cg**

For more information about our sustainability performance across the Group, please visit **www.wesfarmers.com.au/sustainability**

Climate-related financial disclosures

The impacts of climate change are increasingly being felt around the world. Our businesses, shareholders, customers, team members and the communities in which we operate expect us to manage the risks and opportunities we face.

Wesfarmers acknowledges and supports the scientific consensus on climate change and is committed to contributing positively to the global goal of achieving net zero carbon emissions by 2050, consistent with the Paris Agreement.

We manage our businesses with deep carbon awareness and take responsibility for improving the energy efficiency of our operations, transitioning to renewable energy, investing in new technologies and working with our suppliers and customers to help them do the same. For this, we are accountable to all our stakeholders.

As our economy progresses towards net zero, this will present significant opportunities for our businesses. It will also be important to support communities and industries at risk and ensure that the benefits and costs of our transition are shared fairly. Importantly, we will not achieve the global goal working alone and we support efforts to intensify cooperation.

To see how we will meet our net zero ambition, see page 74.

This disclosure follows the recommendations of the Financial Standards Board Taskforce on Climate-related Financial Disclosures (TCFD). We recognise the importance of these disclosures to enable the efficient allocation of capital within markets and to drive the transition to a sustainable global economy for all.

Setting a strong strategy

Wesfarmers' climate change strategy is focused on managing climate-related risks, identifying opportunities and reducing emissions. We take a proactive approach to managing climate-related risks and opportunities throughout the portfolio and prioritise those projects that achieve abatement at a relatively lower marginal cost.

Delivering on our commitments

This year, our divisions made pleasing progress against all aspects of our Climate Change Policy as we embedded our climate change strategy across our diverse portfolio. We also developed our governance systems and increased our disclosures in this annual report and online to meet our stakeholders' expectations.

Progress was made this year against key minimum standards set out in our Climate Change Policy:

- **Governance** – The divisions continue to report their Scope 1 and 2 emissions and are expanding their reporting of Scope 3 emissions in line with Greenhouse Gas (GHG) Protocol standards. We now internally report all emissions regularly to better understand trends in our performance.
- **Strategy** – For the first time, as part of the Corporate Planning process, each division will forecast emissions. In line with best practice, we undertook an annual review of our carbon price which is used in assessing investment decisions.
- **Risks and opportunities** – The divisions are required to assess their climate change risks and opportunities. This assessment was a key focus in 2019 and substantial risk and opportunity analysis was included in our 2019 TCFD disclosures. For 2020, we undertook a review of this work to confirm it remains appropriate and updated it.
- **Metrics and Targets** – The divisions have either adopted absolute or intensity emissions targets. Baseline changes can be made where divisions undertake significant growth opportunities. The Wesfarmers Managing Director and divisional managing directors' performance goals now include performance against the Climate Change Policy and divisional emissions targets and aspirations. These are reflected in variable remuneration incentives, where relevant.

Greenhouse gas emissions

(from continuing operations)

SCOPE 1 & 2[1]

1,601.9 $ktCO_2e$

2020	**1,601.9**
2019	1,557.7
2018	1,435.9
2017	1,489.7
2016	1,561.3

Highlights of 2020

- During the year, WesCEF commissioned a multivariable control system for process optimisation to improve ammonia plant performance and reinvested in improved catalyst abatement technology in one of its nitric acid plants. Further investment in the catalyst across the other plants is planned over the next two years.
- Bunnings has decoupled emissions growth from store network growth, this year achieving a three per cent reduction on last year's emissions, while continuing to expand the store network.
- Kmart Group, Officeworks and Wesfarmers Industrial and Safety businesses have continued to work with landlords to progress their energy efficiency project plans and solar rollout projects.

GHG emissions

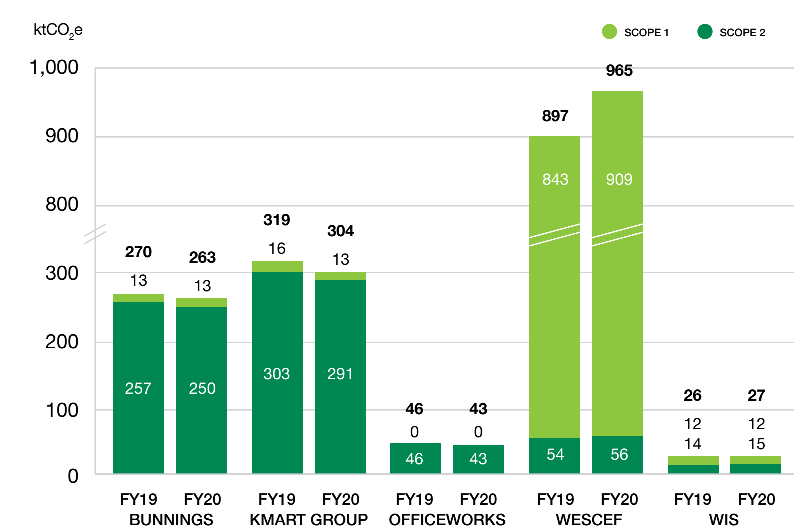
This year, Wesfarmers emitted a total of 1,602 thousand tonnes of carbon dioxide equivalent (CO_2e) in Scope 1 and 2 emissions. These emissions were three per cent more than last year.

This year, our total energy use increased by eight per cent compared to the prior corresponding period, with 21 petajoules of energy consumed.

WesCEF increased its emissions by eight per cent due to increased production. Each of Bunnings, Officeworks and Kmart Group reduced their emissions through the continued rollout of solar and energy efficiency projects. Coregas increased its emissions by 26 per cent due to increased plant utilisation at the Mackay Air Separation Unit (ASU) during the year while the rest of the Wesfarmers Industrial and Safety businesses reduced their emissions by 16 per cent.

For more detail on the performance of each division, please see their divisional pages in this annual report.

Wesfarmers divisional Scope 1 and 2 greenhouse gas emissions[1]



1 Scope 1 and Scope 2 data includes emissions from continuing operations for Australian businesses where we have operational control under the NGER Act, other known non-reportable Australian-based emissions over which we have control, and our emissions in New Zealand and Asia.

CLIMATE GOVERNANCE

The Wesfarmers Board has responsibility for managing the Group's response to climate change. Climate change risk management is a permanent item on the Wesfarmers Operating Framework and is discussed by the Board and the Wesfarmers Audit and Risk Committee. The Board approves the Group's climate change strategy including the Group's Climate Change Policy, targets, strategic climate change-related decisions and climate-related disclosures. The Board also receives regular reporting and oversees climate change risk management. A consolidated Group Risk Report is provided to the Audit and Risk Committee and the Board for review and approval. The Corporate Plan is subject to a similar process and includes emissions forecasts. The Remuneration Committee makes recommendations to the Board regarding executive performance goals linked to performance against the Climate Change Policy and achievement of divisional emissions reduction targets and aspirations.

The Wesfarmers Leadership Team reviews emerging risks and opportunities, leads stakeholder engagement and facilitates the sharing of best practice throughout the Group. Each Divisional board and each Divisional management team has responsibility for identifying and managing any material risks and opportunities and business performance, including against the climate change strategy, in accordance with the Group's Risk Management Framework. Divisional audit and risk and compliance committees also oversee climate change-related risks relevant to the division.

In the 2020 financial year, climate change risk management and opportunity assessment were further embedded into the existing annual risk reviews and the Corporate Plan processes. Since 2014, Wesfarmers has considered an internal carbon price as part of capital allocation decisions for projects likely to result in direct carbon emissions. This carbon price is described on our sustainability website at **www.wesfarmers.com.au/sustainability**

Additional information on Wesfarmers' approach to corporate governance is available on pages 82 to 86 of this annual report. The full 2020 Corporate Governance Statement is available on the Wesfarmers website at www.wesfarmers.com.au/cg

Governing our emissions targets

Targets and aspirations have been set for each division or business, as appropriate. Due to our autonomous business model and the different emissions profiles of our businesses, no single Group-wide target or aspiration has been set. Responsibility for complying with the Climate Change Policy and meeting targets lies with divisional management and is overseen by the Wesfarmers Board and Leadership Team. The divisional emissions' targets reflect attributes of the relevant division, including the businesses emissions profile, expected future growth, recent emissions reductions and opportunities to reduce emissions. Absolute targets are intended to reduce emissions. Intensity targets are intended to reduce emissions per unit of production while not limiting business growth.

Potential for baseline changes

The Climate Change Policy provides flexibility to accommodate significant changes to the scale of an existing business. Changes to a baseline must be approved by the Wesfarmers Board.

Mergers and acquisitions

The Climate Change Policy recognises the dynamic and evolving nature of the Group and specifically contemplates changes to the portfolio. Where Wesfarmers acquires a business or operation, that business or operation must, within a reasonable timeframe, comply with the Climate Change Policy and establish an appropriate emissions target or aspiration.

Wesfarmers Group

- A Group-wide Climate Change Policy sets minimum standards expected of our divisions
- Quarterly carbon and energy forums are held across the Group to share best practice
- A shadow carbon price is built into Wesfarmers' Capital Expenditure Policy
- Risk tools to undertake scenario analysis

Wesfarmers Board, Audit and Risk Committee and Remuneration Committee

- Receives regular reporting
- Provides governance over climate change risks
- Sets risk appetite
- Sets performance goals and remuneration

Wesfarmers divisions

Carbon and energy teams

- Climate change policies in place
- Have processes for recording emissions data
- Implement carbon reduction projects
- Meet regularly to share best practice through Wesfarmers' Carbon and Energy Forum

Senior management and the corporate office

- Manage carbon and energy teams
- Set the climate change policies and strategies for the year ahead
- Facilitate training
- Report to their divisional boards, the Wesfarmers Board and Audit and Risk Committee

Divisional boards and audit, risk and compliance committees

- Receives regular reporting of emissions and energy use
- Provide governance over climate change risks and supports the prioritisation of opportunities

OUR EMISSIONS PROFILE

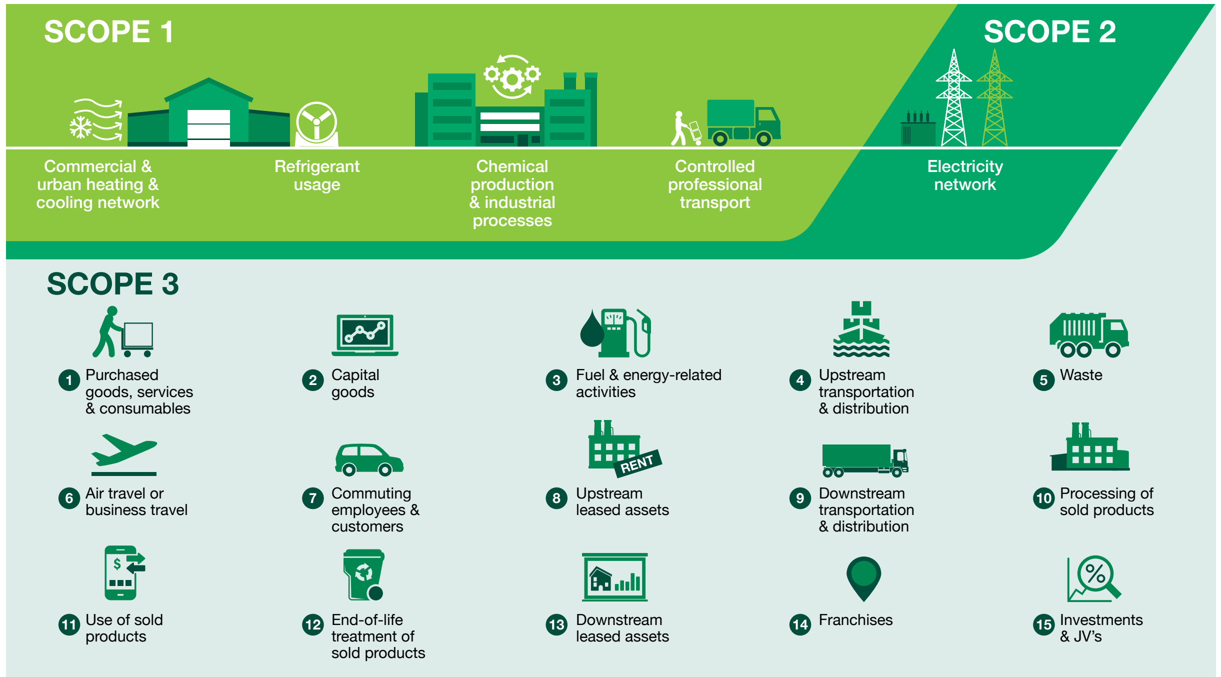
Our Scope 1 emissions predominantly come from the manufacture of ammonia, ammonium nitrate, sodium cyanide, LNG and LPG at our WesCEF businesses, the manufacturing and transportation of industrial and medical gases at our Coregas business as well as the use of natural gas and transportation fuels, such as diesel and petrol, in our retail businesses.

Our Scope 2 emissions come from electricity use, predominantly in our retail businesses. We have been measuring and managing our Scope 1 and 2 emissions for more than a decade in line with the National Greenhouse and Energy Reporting scheme.

Our Scope 3 emissions derive largely from the production of goods for sale by our suppliers, the use and disposal of those goods, transportation and waste generated across our operations. We continue to focus on understanding and managing our Scope 3 emissions.

Wesfarmers Scope 1, 2 and 3 emissions

The graphic below illustrates the sources of Wesfarmers' Scope 1, 2 and 3 emissions, with reference to the GHG Protocol.



The divisions continue to develop the accuracy and coverage of their Scope 3 reporting categories, in line with the requirements of the Wesfarmers Climate Change Policy. Major progress this year relates to improvements made by Officeworks, Catch and WIS to expand their reporting in additional GHG protocol categories.

The divisions report Scope 3 emissions from the following sources:*

1. Upstream-purchased goods and services using the spend-based method for Bunnings, Kmart Group, Officeworks, WIS and Catch and the average data method for WesCEF;
3. Fuel and energy-related activities using the average data method;
4. Upstream transportation and distribution (shipping logistics) using the distance-based method for all divisions;
   In relation to upstream transportation and distribution (land-based transport), all divisions have made some progress across intermodal transportation services. Due to the limited data availability and complexity of networks, this category will be developed over the coming years;
5. Waste generated in operations using the waste type-specific method;
6. Business travel using the distance-based method;
9. Downstream transportation and distribution for Officeworks using extrapolated redelivery data under the distance-based method;
11. Downstream use of sold products using the spend-based method for the Kmart Group;
    Downstream use of sold products using the direct use-phase emissions method and electricity consumption emissions per product lifespan method for Officeworks;
12. Downstream end-of-life treatment of sold products using the spend-based method for the Kmart Group;
    Downstream end-of-life treatment of sold products using the waste type-specific method for total paper-based products sold by Officeworks; and
15. Investments using the investment-specific method.

* This is consistent with the methodologies and protocol categories in the GHG Protocol Corporate Value Chain (Scope 3) Accounting Reporting Standard.

Our climate change strategy

Wesfarmers adopts a proactive approach to managing climate-related risks and opportunities. We respond to changes in climate with diverse strategies, appropriate to each business, to reduce our environmental footprint while also realising opportunities and achieving long-term sustainable growth.

OUR JOURNEY SO FAR

Our climate-related disclosures and strategy have evolved significantly in the last four years. We have found the TCFD framework an effective tool to assess and respond to climate-risk across the Group.

Governance

- Developed our Climate Change Policy
- Included additional reporting in the Operating and Financial Review in the annual report

Strategy

- Analysed the impact of climate change under different scenarios
- Identified risks, opportunities and strategic responses for our divisions

Risk management

- Elevated climate change to a strategic risk
- Reviewed our internal carbon price
- Included climate change assessment in acquisition due diligence

Metrics and targets

- Adopted divisional emissions targets
- Made progress in measurement of some Scope 3 emissions by divisions

RETAIL BUSINESSES

Key strategies include:

- Improving the energy efficiency of our built environment through improved insulation and more efficient lighting and heating;
- Increasing focus on solar passive design principles for all new stores;
- Accelerating installation of solar generation on buildings where the rooftop is accessible under current leasing arrangements;
- Increasing our focus on modal shifts for transportation and logistics emissions; and
- Procuring renewable energy via green procurement options now available in the market.

NON-RETAIL BUSINESSES

Key strategies include:

- Identify opportunities to reduce emissions, for example, through alternate energy sources, energy efficiency and process optimisation technology;
- Increasing our focus on circular economy opportunities;
- Increasing our focus on modal shifts for transportation and logistics emissions;
- Continuously invest in technology improvements as they become available, for example the abatement catalyst technology; and
- Supporting efforts to develop emerging decarbonisation technologies through industry working groups as well as collaboration with universities and other research organisations, and our suppliers and customers. These include initiatives like green ammonia, hydrogen, biomass and carbon reduction technology.

SCENARIO ANALYSIS

At the centre of our climate change strategy, risk management approach, opportunity identification and emission reduction work is our scenario analysis. On an ongoing basis, we consider the latest scientific insight and implications for both the scenarios and our climate change strategy and our risks and opportunities. This year we built on the Group-wide scenario analysis undertaken in 2019. Each division reviewed their detailed risk assessments and strategic opportunity examinations and tested them to ensure they continue to reflect their key climate risks and opportunities under three climate scenarios. The output of this work is summarised on pages 76 to 78.

The three scenarios reflect, respectively, the limiting of global average temperature increases above pre-industrial levels by 1.5°C, 2°C and 4°C by 2100. Each scenario was assessed over the short term (one to five years), medium term (five to 15 years) and long term (15+ years). The scenarios combine elements of the International Energy Agency's 2017 World Energy Outlook, the Representative Concentration Pathways established by the Intergovernmental Panel on Climate Change (IPCC) Fifth Assessment Report and the Global Climate Models available from the Climate Change in Australia Projections for Australia's National Resource Management (NRM) Regions Report.

Each division has assessed its risks and opportunities against three distinct climate change scenarios. The scenarios are not forecasts or predictions nor are they intended to fully describe possible future outcomes. Rather, the scenarios are intended to draw attention to the key factors that may impact our businesses. While the scenarios draw upon global practice and scientific information, it is important to note that they are hypothetical, and the future may resemble none, one or some of the scenarios.

1.5°C scenario

- Strong, very fast reduction in emissions driven by government policy, with a focus on minimising climate change.
- The energy system rapidly transforms to zero emissions, via the uptake of renewables.
- Carbon intensive industries can only continue if they invest in carbon capture and storage technologies and/or are among the most efficient in their industry.
- Consumption of non-essential items falls and people reuse and recycle more.

2°C scenario

- A market-led transition, enabled by a policy environment which drives rapid reductions in emissions.
- A decentralised energy system emerges, dominated by demand management, renewable energy and storage technology.
- Global trade flows remain strong, and the focus on circular economies grows with an increase in recycling and a decoupling of resource use and growth.

4°C scenario

- No coordinated global action on emissions reduction.
- Business does not change significantly to address climate change.
- Fossil fuels deliver approximately 50 per cent of the global energy mix.
- Acute (extreme) and chronic (long-term) physical impacts of climate change are felt, with significant cumulative impact on the economy.
- Economic growth continues to 2030 and then declines as ecosystems struggle to support the increased environmental impact.
- Resource depletion causes food and water scarcity and increases the risk of conflict.

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Targets and aspirations

All divisions made steady improvements against absolute or intensity emissions targets set in 2019, by undertaking a range of projects designed to improve energy efficiency, increase our behind the meter generation of renewable power and prioritise green energy procurement. The targets reflect the Group's desire to support the global goal of reducing greenhouse gas emissions, consistent with the Paris Agreement.

OUR JOURNEY FROM HERE

Governance

- Continue to implement and refine our Climate Change Policy
- Embed divisional reporting against our Climate Change Policy
- The performance goals and remuneration of the Wesfarmers Managing Director and the divisional managing directors include an assessment of their performance against the Climate Change Policy and divisional emissions targets and aspirations

Strategy

- Further climate change scenario analysis based on updated scenarios and the latest available scientific information
- Further analysis of the impact of climate change on our supply chains and product mix
- Portfolio analysis and strategic analysis

Risk management

- Continue to review and adjust the internal carbon price as necessary
- Further analysis of climate change on our transport and product-value chains including selected detailed physical assessments

Metrics and targets

- Develop a better understanding of our Scope 3 emissions and consider strategic responses for our businesses
- Assess achievement of Divisional short-term emissions targets and long-term net zero targets and aspirations

RETAIL BUSINESSES

Bunnings

Reflecting the strong expected growth in its store network over coming years, Bunnings is targeting a 10 per cent reduction in Scope 1 and 2 emissions from its baseline of 260 $ktCO_2e$*

2020 WHERE WE ARE NOW: **263** $ktCO_2e$ | 2025 WHERE WE WANT TO BE: **234** $ktCO_2e$

Kmart Group

While significant progress has already been made over many years, Kmart Group is targeting a 20 per cent reduction in Scope 1 and 2 emissions from its baseline of 331 $ktCO_2e$*

2020 WHERE WE ARE NOW: **304** $ktCO_2e$ | 2025 WHERE WE WANT TO BE: **265** $ktCO_2e$

Officeworks

Reflecting the opportunities associated with the physical characteristics of its store network, Officeworks is targeting a 25 per cent reduction in Scope 1 and 2 emissions from its baseline of 49 $ktCO_2e$*

2020 WHERE WE ARE NOW: **43** $ktCO_2e$ | 2025 WHERE WE WANT TO BE: **37** $ktCO_2e$

2030 Where we want to be:

NET ZERO TARGET

Our retail businesses are accelerating plans to reduce their emissions, targeting net zero Scope 1 and 2 emissions by 2030. Bunnings, Kmart Group and Officeworks will achieve this by improving their energy efficiency and moving to renewable power, while working simultaneously with suppliers and customers to better understand and then reduce Scope 3 emissions.

- Improving the **energy efficiency** of our built environment
- Increasing our focus on **modal shifts for transportation and logistics emissions**
- Increasing focus on **solar passive design principles** for all new stores
- **Accelerating installation of solar** generation where possible
- **Procuring renewable energy** via green procurement options

NON-RETAIL BUSINESSES

Chemicals, Energy and Fertilisers

WesCEF is largely a Scope 1 emitter and its target is intensity-based*

WesCEF's 2025 target is that its emissions per unit of production are below the mean of comparable peers

2020 WHERE WE ARE NOW: **965** $ktCO_2e$ | 2025 WHERE WE WANT TO BE: Emissions per unit below mean of peers

Industrial and Safety

Industrial and Safety (ex-Coregas) is targeting a reduction in emissions by 12 per cent from its baseline of 15 $ktCO_2e$*

Coregas is largely a Scope 1 emitter and its target is intensity-based. Coregas' target is that its emissions per unit of production are below the mean of comparable peers

	2020 WHERE WE ARE NOW:	2025 WHERE WE WANT TO BE:
ex-Coregas	**11**# $ktCO_2e$	**13** $ktCO_2e$
Coregas	**16** $ktCO_2e$	Emissions per unit below mean of peers

2050 Where we want to be:

NET ZERO ASPIRATION

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

- A continued focus on **energy efficiency, emissions reduction and alternate energy sources**
- Increasing our focus on **circular economy and decarbonisation opportunities**
- Increasing our focus on modal shifts for **transportation and logistics emissions**
- Continuously invest in available **abatement catalyst technology**
- Supporting efforts to develop emerging **decarbonisation technologies**

Wesfarmers Industrial and Safety met its target in FY20 as a result of ongoing investment in energy efficiency projects and solar generation as well as one-off material impacts including due to COVID-19.

* Baselines have been derived based on emissions reported in the FY18 NGER submission, less discontinued operations, plus other known non-reportable emissions over which we have control, plus other known international Scope 1 and 2 emissions in New Zealand and Asia. For WesCEF, the baseline has been increased to normalise for production outages during FY18.

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RISKS AND OPPORTUNITIES

The physical and transition risks of climate change need to be considered in the context of the diversity of Wesfarmers' businesses including in industry, operations, products, supply chain, customers, geography and scale. Where a risk applies to several of our businesses, that risk may impact each business differently.

While climate change presents risks, there are also opportunities for the Group and its businesses. Consistent with our value-creating strategies, the Group will continue to consider opportunities to invest in existing businesses and take advantage of the flexibility of the Wesfarmers conglomerate model to renew the portfolio through opportunistic and value-accretive acquisitions or divestments of businesses. In assessing these opportunities, the Group considers sustainability and looking after the environment as fundamental when applying a long-term horizon to its disciplined evaluation of investment decisions.

Across the Group's existing businesses, our climate-related opportunities are in five broad categories: resource efficiency and cost savings, renewable energy, new products and services, access to new markets and resilience in our supply chain.

Physical risk A Acute AC Acute and Chronic

Transition risk PL Policy & Legal M Markets R Reputation L Liability ✓ = most relevant

RISKS	SCENARIO 1.5°C	2°C	4°C	MITIGATION AND OPPORTUNITIES
TIMEFRAME – SHORT TERM (FROM 1–5 YEARS)				
AC Extreme weather in localised areas may disrupt our supply chain, damage infrastructure or stores and damage stock.		✓	✓	Improved analysis of new store locations, to avoid flood plains or ensure the store is built above prior flood levels. We may also hold additional stock to manage this risk.
AC For some of our industrial businesses, extreme weather may impact the productivity of certain chemical processes.			✓	We continue to explore alternate technologies to cool the process down while trying to control costs and the emissions intensity of the cooling process.
PL M Carbon-intensive inputs and products may become scarcer or more expensive if these sectors cannot transition or offset their emissions.	✓	✓		Transport systems, which represent a large proportion of this carbon intensity, are moving forward in this area. Large amounts of R&D have been invested across the globe and alternate technologies are progressing dependent on haulage requirements. Concurrently many international suppliers are receiving government support to transition to greener or renewable sources which will also reduce the embodied carbon in our products.
PL R It may be difficult on leased premises to access renewable energy or install renewable generation.	✓	✓		Ensuring we look at all potential procurement options helps to mitigate this and policies that require all new stores, with accessible rooftops, to have solar generation will ensure this problem slowly resolves as stores turn over. For the current store network, we continue to work with the smaller landlords to assist in the installation of renewable generation. For the larger landlords, the transition is already occurring, allowing for increased access to behind the meter generation in shopping centres. An increasing focus on green procurement options provides additional flexibility for shopping-centre-based stores in the network.

RISKS	SCENARIO 1.5°C	2°C	4°C	MITIGATION AND OPPORTUNITIES
TIMEFRAME – MEDIUM TERM (FROM 5–15 YEARS)				
AC Suppliers of certain commodities or key inputs may be impacted, certain timber suppliers to Bunnings and pulp suppliers to Officeworks may experience shortages because of insufficient domestic supply and extreme weather affecting timber production.		✓	✓	Improve suppliers diversity helps to reduce this risk. Suppliers are aware of the risk and are looking at multiple alternate inputs, e.g. there are many composite wood-based products that incorporate recycled materials. The paper industry also has other plant-based alternatives which have improved substantially in quality.
AC PL M Supply of some raw materials and inputs such as cotton, linen, rubber, metals and plastics may be impacted or more expensive.		✓	✓	Our businesses are looking at strategies to move away from virgin inputs and into circular economy (including recycled) alternatives.
TIMEFRAME – MEDIUM TERM (FROM 5–15 YEARS) CONTINUED				
AC M R In some areas, extreme weather including flooding, rising temperatures and associated water scarcity may: • damage agricultural-based inputs, reduce yields and impact growing regions (retail businesses). • require changes to the way we make products and how much we can sell. • reduce plant productivity and increase downtime (industrial businesses).		✓	✓	Our businesses are looking at strategies to move away from virgin inputs and into circular economy or recycled alternatives. CSBP has invested in plant optimisation technology to continuously monitor all aspects of plant performance. We have also invested in improved catalyst abatement technology to continuously reduce emissions intensity.
AC Global and domestic supply chains may be disrupted.		✓	✓	Diversification of supplier base and geographic region to assist in agile repositioning of supply chains as well as holding additional stock on country and in domestic distribution centres (DCs) to buffer delays from disruption.
AC Extreme heat and more regular hot days may impact employee health, safety and productivity.		✓	✓	Investing in the energy efficiency of our network including insulation, to assist temperature control, as well as investigating other additional technologies. In the DCs where it is particularly problematic, shift hours can be amended and additional breaks taken to manage this. In our manufacturing operations we adapt by altering shift hours. Additionally, as technology improves it becomes less about physical exertion when managing the process.
AC Retail customers may prefer air-conditioned stores and undercover parking, requiring refurbishment to store environments and increasing operating costs. Customer behaviour may change with reduced foot traffic in retail stores and increased online shopping.		✓	✓	Install energy efficiency technology and source renewable energy to reduce costs and emissions. Continue to work with landlords to invest in renewable energy on rooftops and energy efficiency projects. Invest in online delivery channels to provide this option to our customer base. Continue to review our approach to store design to update design standards and include solar power and energy efficient fit-out as standard.
AC Extreme weather may mean some lines of commercial insurance become harder to obtain or more expensive.		✓	✓	Ensure built environment is as prepared as possible for potential extreme weather events, particularly if, for example, they are located in a flood plain.
AC R L Extreme weather may mean access to debt funding becomes more difficult as financiers' risk profiles change.		✓	✓	Ensure our manufacturing operations are prioritising reductions in the emissions intensity of their operations.
AC Extreme heat and prolonged drought may increase water scarcity, affecting our customers or our water-intensive operations.		✓	✓	Water Supply Strategy developed for CSBP Kwinana to ensure the long-term supply of suitable quality water for ongoing operations.
AC M Extended extreme weather may disrupt or damage our supply chains or infrastructure for extended periods or eliminate the supply of or render prohibitively expensive certain products or raw materials.		✓	✓	Diversification of supplier base and geographic region to assist in agile repositioning of supply chains and inputs.
PL M R For the Kmart Group, synthetic fabrics and chemicals used to produce certain textiles for clothing and accessories may experience shortages or become more expensive as the cost of polymers and other inputs, including energy increases.	✓	✓		We are always looking at alternate inputs from a composition, quality, price and sourcing standpoint. This has been expanded to actively investigate circular economy inputs and greener choices. As the cost of one input increases, other options will become viable.
PL M R For Bunnings and Officeworks, timber and pulp shortages may occur because supply decreases as plantations are used to instead generate carbon offsets or logging is reduced to slow land degradation.	✓	✓		The transition to more circular products is underway. As they become more commercial we will transition more of our product lines.
PL M Our businesses may need to adapt as the economy transitions to low carbon products, customer demand changes, or costs increase.	✓	✓	✓	We continue to build our teams' capabilities and skills by training, developing and recruiting outstanding people to mitigate and adapt to risks and to take advantage of the opportunities associated with climate change.
M R Customers and other stakeholders, including investors, financiers and activists, may increasingly focus on the sustainability of our products.	✓	✓	✓	Maintain an agile business model that can pivot towards these opportunities as they emerge. Transitioning to lower carbon operations ahead of our competitors may provide efficiency, cost or marketing opportunities.

BACK

Physical risk (A) Acute (AC) Acute and Chronic

Transition risk PL Policy & Legal M Markets R Reputation L Liability ✓ = most relevant

RISKS	SCENARIO 1.5°C	SCENARIO 2°C	SCENARIO 4°C	MITIGATION AND OPPORTUNITIES
TIMEFRAME – MEDIUM TERM (FROM 5–15 YEARS) CONTINUED				
PL M Regulatory changes such as carbon pricing (subject to the scale of the pricing) may impact the financial performance of our businesses or impact the supply or price of certain inputs including raw materials, energy, fuel and water.	✓	✓		Continual assessment of the operating environment and key drivers of change, as well as enhancing diversified product offerings help to spread risk.
PL M Carbon pricing (subject to the scale of the pricing) and other regulations may impact the competitiveness of our trade-exposed businesses (especially WesCEF) if our international competitors do not face similar carbon pricing and other regulation.	✓	✓		Continue to invest in technology to reduce Scope 1 emissions, including collaboration with research organisations. Continue to maximise plant efficiency to minimise cost of production. We incorporate a carbon price into our capital allocation decisions to reduce this risk.
PL Prices may increase as a result of input cost pressures (including carbon pricing, subject to the scale of the pricing) leading to a decrease in consumer demand. LNG and LPG fuels could be affected by carbon, compared to liquid fuel solutions.	✓	✓		Ensure we maintain an agile business model that can pivot both offer and range to meet consumer demand at the right price point. For our industrial businesses, there may be opportunities for efficient operators as relatively inefficient and more carbon-intensive operators become less competitive.
M For WesCEF, demand for natural gas may fall as consumers favour renewables and hydrogen.	✓	✓	✓	Invest in R&D alternate energy sources to capitalise on expanding markets as they develop.
R For our retail businesses: • they may need to respond to increasingly environmentally conscious consumers; • the fast-fashion and electronics markets may transition to more durable products or products that are easier to reuse or recycle; and • certain products may evolve to support the replacement of components rather than the replacement of entire item.	✓	✓	✓	Continue to build further circular and low carbon economy awareness in our business. For example, a continued focus on reducing plastic in product and packaging, and increased recycling rates as well as actively investigating circular economy opportunities with a view to transition products lines where the input exists, e.g. activewear. Replacement of componentry can be problematic and a focus on recycling rare earths metals from electronic goods into second-life use is a focus.
R Reputational concerns may drive businesses to more proactively manage carbon and other environmental risks.	✓	✓	✓	Continue to invest in technology to reduce Scope 1 emissions, including collaboration with research organisations.
TIMEFRAME – LONG TERM (FROM 15+ YEARS)				
AC For our WesCEF businesses, extreme weather and prolonged drought may impact the amount of arable land in the Western Australian Wheatbelt or cause agriculture to relocate within Western Australia, reducing fertiliser demand or making alternative suppliers more competitive. Extreme heat and increased humidity may also reduce plant productivity, increase downtime and reduce product quality.		✓	✓	Explore alternative markets less affected by climate change such as further north. Investigating additional services, particularly in the technology and data areas to assist farmers maximise value and farming efficiency. WesCEF is also investing in adjacent opportunities such as granular fertiliser that acts as a nitrification inhibitor to improve plant uptake and reduce nitrous oxide emissions to air.
R Our industrial businesses may need to respond to increasing stakeholder activism relating to the carbon intensity of their operations.	✓	✓	✓	Continuing to evaluate and invest in emissions reduction technology and engage in industry collaboration to prioritise decarbonisation opportunities and greener product alternatives.
M Our businesses may need to adapt as the economy transitions to low carbon products and customer demand changes or costs increase.	✓	✓	✓	Continue to build on the capabilities and skills of our teams through training, developing and recruiting outstanding people to mitigate and adapt to risks and to take advantage of the opportunities associated with climate change.
L R Liability risk associated with class actions over climate change or lack of management of environmental risk.	✓	✓	✓	A focus on sustainability is a pillar of Wesfarmers and all of its businesses approach to daily operations.
R PL M Changing stakeholder risk profiles, particularly in relation to carbon intensive operations, may make access to funding more difficult.	✓	✓	✓	Continuing to invest in technology to reduce Scope 1 emissions and engage in R&D initiatives to develop green ammonia technology.

Building a better working world

Independent Limited Assurance Statement to the Management and Directors of Wesfarmers Limited

Our Conclusion:

Ernst & Young was engaged by Wesfarmers Limited ('Wesfarmers') to undertake limited assurance, as defined by Australian Auditing Standards and hereafter referred to as a 'review', over selected sustainability information disclosed in Wesfarmers' 2020 Annual Report for the financial year ended 30 June 2020 ('2020 Sustainability Reporting'). Based on our review, nothing came to our attention that caused us to believe that the sustainability information in the 2020 Annual Report had not been prepared and presented fairly, in all material respects, in accordance with the criteria defined below.

What our review covered

Ernst & Young ('EY' or 'we') reviewed:

- Selected sustainability information disclosed in the Annual Report, limited to the following:
  – Wesfarmers "Group Sustainability Performance" and "Climate-related financial disclosures" sections of the Operating and Financial Review ('OFR')
  – The "SUSTAINABILITY" sections for Bunnings, Kmart Group, Officeworks, Chemicals, Energy and Fertilisers, and Industrial and Safety.
- A selection of performance metrics, as shown in the table below:

Performance metrics

- Scope 1, Scope 2, and Scope 3 greenhouse gas emissions in tonnes of carbon dioxide equivalent (tCO2-e)
- Waste disposed and recycled (tonnes)
- Water consumption (megalitres)
- Energy consumption (petajoules)
- Workplace health and safety data
- Community contributions (AUD)
- Aboriginal and Torres Strait Islander employee numbers
- Aboriginal and Torres Strait Islander procurement spend (AUD)
- Ethical sourcing audit program data
- Employment and People data

Criteria

In preparing its 2020 Sustainability Reporting, 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 (for Scope 1 and 2 greenhouse gas data) and GHG Protocol Guidance (for Scope 3 greenhouse gas data)
- Other selected Criteria, as determined by Wesfarmers, and as set out in its Sustainability Reporting.

Key responsibilities

EY's responsibility and independence

Our responsibility was to express a conclusion on the Wesfarmers 2020 Sustainability Reporting based on our review.

We were also responsible for maintaining our independence and confirm that we have met the requirements of the *APES 110 Code of Ethics for Professional Accountants*, including independence, and have the required competencies and experience to conduct this assurance engagement.

Wesfarmers' responsibility

Wesfarmers' management ('management') was responsible for selecting the Criteria and preparing and fairly presenting the Sustainability Reporting in accordance with that Criteria. This responsibility includes establishing and maintaining internal controls, adequate records, and making estimates that are reasonable in the circumstances.

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 20 April 2020.

Summary of review procedures performed

A review consists of making enquiries, primarily of persons responsible for preparing the Wesfarmers 2020 Sustainability Reporting and related information and applying analytical and other review procedures. Our procedures included:

- Assessing 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
- Determining whether material topics and performance issues identified during our procedures had been adequately disclosed
- Interviewing selected personnel from Corporate and Divisional 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
- Checking the accuracy of calculations performed
- Obtaining and reviewing evidence to support key assumptions in calculations and other data
- Reviewing selected management information and documentation supporting assertions made in the subject matter
- Checking that data and statements had been accurately transcribed from corporate systems and/or supporting evidence
- Reviewing the presentation of claims, case studies and data against the relevant GRI principles contained in the criteria.

We believe that the evidence obtained was sufficient and appropriate to provide a basis for our limited assurance conclusion.

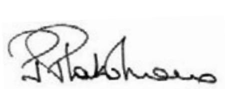
Limited Assurance

Procedures performed in a limited assurance 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 limited assurance 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.

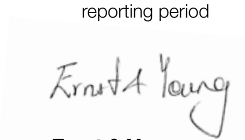
While we considered the effectiveness of management's internal controls when determining the nature and extent of our procedures, our assurance engagement was not designed to provide assurance on internal controls. Our procedures did not include testing controls or performing procedures relating to checking aggregation or calculation of data within IT systems.

Use of our Assurance Statement

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.



Terence Jeyaretnam FIEAust
Partner
Melbourne, Australia
23 September 2020



Ernst & Young

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Board of Directors

Michael Chaney AO
CHAIRMAN

BSc, MBA, Hon. LLD W.Aust, FAICD
Age 70

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):
- Chairman of the National School Resourcing Board (since November 2017)
- Director of the Centre for Independent Studies (since 2000)
- Governor of the Forrest Research Foundation (since June 2014)
- Chairman of Woodside Petroleum Limited (retired April 2018)
- Chancellor of The University of Western Australia (retired December 2017)
- Member of the Gresham Resources Royalties Fund Investment Committee (since June 2020)

Jennifer Westacott AO
DIRECTOR

BA (Honours), FAICD, FIPAA, FANZSOG
Age 60

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):
- Adjunct Professor at the City Futures Research Centre of the University of New South Wales (since 2013)
- Chair of the Western City & Aerotropolis Authority (since February 2019)
- Chair of Studio Schools of Australia (since July 2019)
- Chair of the Mental Health Council of Australia (retired August 2019)
- Board member of Cyber Security Research Centre (CSRC) Ltd (since February 2018)
- Member of University of New South Wales Council (since December 2019)
- Co-Patron of Pride in Diversity (since November 2017)
- Patron of The Pinnacle Foundation (since March 2019)

Rob Scott
MANAGING DIRECTOR

B.Comm, MAppFin, CA, GradDipAppFin
Age 51

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):
- Chairman and director of the flybuys joint venture with Coles Group Limited (since December 2018, resigned as Chairman in June 2020)
- Chairman of Rowing Australia (since October 2014)
- Director of Gresham Partners Group Limited (resigned July 2018)
- Director of Gresham Partners Holding Limited (resigned July 2018)
- Member of UWA Business School Advisory Board (since August 2017)

Sharon Warburton
DIRECTOR

BBus (Accounting & Business Law), FCA, FAICD, FAIB
Age 50

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 Gold Road Resources Limited (since May 2016)
- Director of Worley Limited (since February 2019)
- Director of the Perth Children's Hospital Foundation (since February 2014)
- Member of the Takeovers Panel (since May 2015)
- Adjunct Professor of Leadership and Strategy at Curtin University Faculty of Business and Law (since April 2019)
- Director and Co-Deputy Chairman of Fortescue Metals Group Limited (retired March 2020)
- Director of NEXTDC Limited (retired March 2020)

Vanessa Wallace
DIRECTOR

B.Comm (UNSW), MBA (IMD Switzerland), MAICD
Age 57

Term: Director since July 2010.

Skills and experience: Vanessa is an experienced board director and strategy management consultant who had been with Strategy& (formerly Booz & Company) for more than 25 years. She has global experience, living and working in Asia, and deep expertise in the financial services sector across the spectrum of wealth management, retail banking and insurance, with particular functional depth in risk management, post-merger integration and capturing business opportunities associated with channels, customers and markets.

Directorships of listed entities (last three years), other directorships/offices (current and recent):
- Managing Director of MF Advisory (since 2015)
- Director of SEEK Limited (since March 2017)
- Director of O'Connell Street Associates (since June 2018)
- Founding Chairman of Drop Bio Pty Ltd, a digital health company (since January 2019)
- Director of AMP Limited (March 2016 – May 2018)
- Chairman of AMP Capital Holdings Limited (August 2016 – June 2018)

The Right Honourable Sir Bill English KNZM
DIRECTOR

BA (Hons), BCom (Otago)
Age 58

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 has also held ministerial roles in health, education, housing, and revenue since his election to parliament in 1990. He has long-term interests in economic restructuring, sound microeconomic policy, and social policy reform.

Directorships of listed entities (last three years), other directorships/offices (current and recent):
- Chairman of Mount Cook Alpine Salmon (since July 2018)
- Chairman of Manawanui Support Ltd (since April 2019)
- Chairman of Impact Lab Ltd (since May 2019)
- Director of The Instillery (since August 2019)
- Panel member of NSW Federal Financial Relations Review (since August 2019)
- Advisor to Jarden Financial Services (since May 2018)

Diane Smith-Gander AO
DIRECTOR

B.Ec, MBA, Hon.DEc W.Aust (UWA), FAICD, FGIA
Age 62

Term: Director since August 2009.

Skills and experience: Diane has extensive experience in corporate governance and providing strategic advice to corporations in Australia and overseas. She was a partner with McKinsey & Company in the USA, became a senior adviser to McKinsey & Company in Australia in 2016 and has more than a decade of executive experience in the banking industry.

Directorships of listed entities (last three years), other directorships/offices (current and recent):
- Director of HBF Health Limited (since May 2020)
- Director of AGL Energy Limited (since September 2016)
- Director of North Queensland Airports group of companies (since August 2018)
- Chair of Safe Work Australia (since February 2016)
- National Chairman of CEDA (since November 2019)
- Director of Keystart Home Loans group of companies (since July 2016)
- Member of Australian Partnership Council Norton Rose Fulbright Australia (retired July 2020)
- Chair of University of Western Australia Business School Board (since January 2020)

Mike Roche
DIRECTOR

BSc, GAICD, FIA (London), FIAA (Australia)
Age 67

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 MaxCap Group Pty Ltd (since April 2019)
- Director of Six Park Asset Management (since December 2017)
- Director of Te Pahau Management Ltd (since November 2017)
- Trustee Director of Energy Industries Superannuation Scheme Pty Ltd (since November 2016)
- Panel member of Adara Partners (Aust) Pty Ltd (since April 2017)

Wayne Osborn
DIRECTOR

Dip Elect Eng, MBA, FAICD, FTSE
Age 69

Term: Director since March 2010.

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

Directorships of listed entities (last three years), other directorships/offices (current and recent):
- Director of South32 Limited (since May 2015)
- Director of Alinta Holdings (retired April 2017)
- Director of Alinta Energy Limited (retired April 2017)

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 its stakeholders. The 2020 Corporate Governance Statement details the key aspects of the governance framework and practices of Wesfarmers. It regularly reviews its governance framework and practices so as to ensure 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 2020 follow the recommendations contained in the third edition of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (ASX Principles). It is noted that the fourth edition of the ASX Principles was released on 27 February 2019 and takes effect for a listed entity's first full financial year commencing on or after 1 January 2020 – for Wesfarmers, this is the year ending 30 June 2021. Many of Wesfarmers' corporate governance policies and practices set out in the 2020 Corporate Governance Statement also comply with the fourth edition of the 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
- setting the Group's risk appetite and monitoring and reviewing 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 employees, 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 nine directors, including eight non-executive and independent directors. Detailed biographies of the directors as at 30 June 2020 are set out on pages 80 and 81 of this annual report.

Tony Howarth retired as a non-executive director at the end of the 2019 Annual General Meeting on 14 November 2019 after serving as a director for 12 years.

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; apparel; general merchandise and office supplies; and businesses in chemicals, energy and fertilisers, and industrial and safety products.

In fulfilling its roles and responsibilities, the key focus areas of the Board during the 2020 financial year are set out below.

Key focus areas of the Board during the 2020 financial year included:

Guiding and supporting management in relation to the Group's response to the COVID-19 outbreak, with a key focus on the health and safety of the Group's team members and customers

Approving a $1.95 billion extension of the Group's available committed bank facilities and asset sales to further enhance the company's strong balance sheet position

Reviewing and providing input into the business operations and the strategic plans of each division likely to impact long-term shareholder value creation

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 including changes to the Target and Kmart store networks

Approving changes to the leadership structure of its industrial businesses

Approving the partial sale of Wesfarmers' 15 per cent shareholding in Coles Group Limited in two separate transactions:

- sale of 4.9 per cent shareholding in February 2020 for pre-tax proceeds of $1,047 million, net of transaction costs; and
- sale of 5.2 per cent shareholding in March 2020 for pre-tax proceeds of $1,062 million, net of transaction costs

for total pre-tax profit on sale of $290 million

Monitoring and evaluating growth opportunities to complement the existing portfolio

Overseeing completion of the acquisition of Australian online retailer Catch Group Holdings Limited for cash consideration of $230 million

Overseeing completion of the acquisition of 100 per cent of the shares in Kidman Resources Limited at $1.90 per share by way of a Scheme of Arrangement

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

Monitoring the Group's safety performance and overseeing implementation of strategies to improve safety performance and enhance workplace safety awareness

With the support of the Remuneration Committee, 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 policies, reporting and processes to improve the Group's system of corporate governance

Appointing the Company Secretary

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.

David Cheesewright who has extensive experience in international retailing and manufacturing, including 19 years with Walmart, 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.	9
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.	9
Financial acumen Understanding of financial statements and reporting, key drivers of financial performance, corporate finance and internal financial controls.	8
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.	8
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.	3
People and culture Experience in overseeing workplace culture, people management, development and succession planning, setting remuneration frameworks and promoting inclusion and diversity.	8
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.	9
Corporate transactions Experience in assessing and completing complex business transactions, including mergers, acquisitions, divestments, capital management, major projects and business integration.	7
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.	7
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.	7
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.	7
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.	8

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 eight non-executive directors are independent.

Committees of the Board

The Board has established an Audit and Risk Committee, a Remuneration Committee and a Nomination 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 2020 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 also responsible for identifying suitable candidates to fill Board vacancies as and when they arise, or to identify candidates to complement the existing Board, and 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 is 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 2020 Corporate Governance Statement.

Key focus areas of the Nomination Committee during the 2020 financial year included:
Consideration of feedback from major shareholders during the Chairman's Roadshow conducted prior to the 2019 Annual General Meeting
Identifying and considering potential candidates to fill Board vacancies

Role of the Remuneration Committee

Full details of the remuneration paid to non-executive and executive directors, and senior executives, along with details of Wesfarmers' policy on the remuneration of senior executives are set out in the remuneration report on pages 92 to 116 of this annual report.

Senior executives comprising some members of the Wesfarmers Leadership Team have a variable or 'at risk' component as part of their total remuneration package under 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 strategy 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 2020 financial year have been undertaken. More details about Wesfarmers' performance and development review process for senior executives is set out in the 2020 Corporate Governance Statement.

Key focus areas of the Remuneration Committee during the 2020 financial year included:
Reviewing and making recommendations to the Board in relation to the fixed and variable remuneration of the Group Managing Director and his direct reports
Reviewing and making recommendations to the Board in relation to the Wesfarmers variable remuneration plans, including undertaking a review of the KEEPP to ensure it remains an effective plan, meeting its original objectives and is fit for purpose
Reviewing and making a recommendation to the Board for the vesting outcomes of the 2016 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 gender pay equity

Corporate governance overview

Role of the Audit and Risk Committee

The 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 managing 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 Audit and Risk Committee during the 2020 financial year included:
Monitoring the crisis management responses across the Group resulting from COVID-19 and the identification of emerging risks and associated mitigation strategies
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
Monitoring the Group's information security framework, including data protection management, third party data risk management and the reporting structure and escalation process on information security risks
Overseeing the payroll assurance and remediation activities of the relevant Group businesses
Monitoring the ethical sourcing of products and services throughout the Group to ensure that there are appropriate safeguards and processes 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 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
A Group compliance program, supported by approved guidelines and standards, covering safety, the environment, legal liability, compliance with key governance policies, whistleblower reporting, information technology, data privacy and human rights
Overseeing the Group's adoption of the new lease accounting standard AASB 16 *Leases*, including reviewing the associated disclosures
Monitoring compliance with Group policies including the Code of Conduct and reporting processes

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 2020. The independence declaration forms part of the directors' report and is provided on page 91 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 2020 Corporate Governance Statement.

Ethical and responsible behaviour

Wesfarmers' primary objective is to deliver satisfactory returns to shareholders through financial discipline and exceptional management of a diversified portfolio of businesses. 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' core values.

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 is committed to the identification, monitoring and management of material financial and non-financial risks associated with its business activities across the Group.

The Board recognises that a positive culture is fundamental to an effective risk management framework. Wesfarmers, through the Board, instills and promotes a culture which values the principles of honesty, transparency, integrity, fairness, constructive challenge and accountability, and these values are reflected in the Group's Code of Conduct.

Management is responsible for the Group's day-to-day compliance with risk management systems. Management monitors compliance with, and the effectiveness of, the risk management systems and controls at a divisional level. Senior management across the Group is responsible for reinforcing and modelling the key behaviours required to maintain a strong risk culture, including encouraging constructive challenge and transparency. Wesfarmers' senior management reports to the Board on the adequacy of the risk management systems and processes on a consolidated basis across the Group and reports any material issues to the Board. Divisional managing directors are accountable for risk management outcomes, and day-to-day compliance, in their respective divisions.

Risk Management Framework

The Wesfarmers Risk Management Framework is reviewed on an annual basis by the Board to satisfy itself that it continues to operate effectively and as intended, and that the Group is operating with due regard to the risk appetite set by the Board. The Board reviewed the operation of the risk management framework in June 2020 and approved the Group risk appetite statement for the 2021 financial year.

This framework details the overarching principles and risk management controls that are embedded in the Group's risk management processes, procedures and reporting systems and the division of the key risk management functions between the Board, Group Managing Director and Chief Financial Officer, Audit and Risk Committee, divisional management, divisional audit and risk committees and Group Assurance and Risk.

Wesfarmers recognises that risk is part of doing business and the Group is committed to the identification, monitoring and management of material risks associated with its business activities.

Further details on the Wesfarmers Risk Management Framework are set out in the 2020 Corporate Governance Statement on the company's website at **www.wesfarmers.com.au/cg**

Inclusion and diversity

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 required. 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 Wesfarmers is best equipped for future growth.

The Wesfarmers Inclusion Policy encourages an inclusive work environment where everybody feels respected at work and aims to foster diversity in all its facets at all levels across the Group.

Further details on inclusion and diversity are set out on page 62 of this annual report and in the 2020 Corporate Governance Statement.

Directors' report

Wesfarmers Limited and its controlled entities

The information appearing on pages 6 to 86 forms part of the directors' report for the financial year ended 30 June 2020 and is to be read in conjunction with the following information:

Results and dividends

Year ended 30 June	2020 $m	2019 $m
Profit		
Profit attributable to members of the parent entity	**1,697**	5,510
Dividends		
The following dividends have been paid by the company or resolved to be paid by the directors since the commencement of the financial year ended 30 June 2020:		
(a) out of the profits for the year ended 30 June 2019 and retained earnings on the fully-paid ordinary shares:		
(i) fully-franked final dividend of 78 cents (2018: 120 cents) per share paid on 9 October 2019 (as disclosed in last year's directors' report)	**884**	1,361
(b) out of the profits for the year ended 30 June 2020 on the fully-paid ordinary shares:		
(i) fully-franked interim dividend of 75 cents (2019: 100 cents) per share paid on 31 March 2020	**850**	1,134
(ii) fully-franked final dividend of 77 cents (2019: 78 cents) per share to be paid on 1 October 2020	**873**	884
(iii) fully-franked special dividend of 18 cents per share to be paid on 1 October 2020 (2019: 100 cents per share paid on 10 April 2019)	**204**	1,134

Principal activities

The principal activities of 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;
- manufacturing and distribution of chemicals and fertilisers;
- 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)
- S W English
- W G Osborn
- M Roche
- D L Smith-Gander
- V M Wallace
- S L Warburton
- J A Westacott

All directors served on the Board for the period from 1 July 2019 to 30 June 2020, except S L Warburton who was appointed a director of the company on 1 August 2019.

The following directors retired during the year:

- A J Howarth retired as a director of the company on 14 November 2019, at the conclusion of the 2019 Annual General Meeting.

The qualifications, experience, special responsibilities and other details of the directors in office as at the date of this report appear on pages 80 and 81 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	Performance Rights	Shares
M A Chaney	–	–	87,597
S W English	–	–	2,296
W G Osborn	–	–	14,728
M Roche	–	–	3,000
R G Scott*	–	–	911,355
D L Smith-Gander	–	–	12,045
V M Wallace	–	–	13,983
S L Warburton	–	–	7,036
J A Westacott	–	–	6,788

* R G Scott holds 303,225 Restricted Shares and 258,087 Performance Shares under the Key Executive Equity Performance Plan (KEEPP). For further details, please see the remuneration report on pages 92 to 116 of this annual report.

A J Howarth retired as a director of the company on 14 November 2019, at the conclusion of the 2019 Annual General Meeting. As at that date, Mr Howarth had a relevant interest in 20,297 shares in Wesfarmers Limited and a relevant interest in 20,000 units in the BWP Trust.

Directors' meetings

The following table sets out the number of directors' meetings (including meetings of Board committees) held during the year ended 30 June 2020 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]	12	12	-	-	7	7	3	3
S W English	12	12	7	7	-	-	3	3
A J Howarth[4]	3	3	2	2	-	-	3	3
W G Osborn	12	12	-	-	7	7	3	3
M Roche	12	12	-	-	7	7	3	3
R G Scott	12	12	-	-	-	-	-	-
D L Smith-Gander	12	12	7	7	-	-	3	3
V M Wallace	12	12	-	-	7	7	3	3
S L Warburton[5]	12	12	7	7	-	-	3	2
J A Westacott[6]	12	11	7	7	-	-	3	3

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 A J Howarth resigned as a director of the company on 14 November 2019 at the conclusion of the 2019 Annual General Meeting.
5 S L Warburton was appointed as a director of the company effective 1 August 2019. She was appointed as Chairman of the Audit and Risk Committee effective from the retirement of A J Howarth. Ms Warburton did not attend a Nomination Committee meeting held to consider her appointment as Chairman of the Audit and Risk Committee.
6 J A Westacott was granted a leave of absence for one Board meeting during the year.

Directors' report

Wesfarmers Limited and its controlled entities

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.

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 92 to 116 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

Aleksandra Spaseska was appointed as Executive General Manager, Company Secretariat & Group Risk in June 2019 and held the position of Company Secretary of Wesfarmers Limited for the period 1 July 2019 to 2 March 2020, following which she moved to the role of Chief Financial Officer of Kmart Group. While in the role of Executive General Manager, Company Secretariat & Group Risk, Aleksandra was a member of the Wesfarmers Leadership Team, she was the Company Secretary of a number of Wesfarmers Group subsidiary companies, and she had responsibility for the coordination of risk management across the Group. Aleksandra holds a Bachelor of Commerce (Honours) and a Doctor of Philosophy from The University of Western Australia. She is a CFA Charterholder and a Fellow of the Governance Institute of Australia.

Vicki Robinson was appointed as Executive General Manager, Company Secretariat effective from 2 March 2020 and was appointed as Company Secretary of Wesfarmers Limited from this same date. Prior to this, Vicki was General Manager, Legal (Corporate) where she played a key role in many of the Group's key mergers and acquisition transactions over many years. 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 Bachelor of Commerce from The University of Western Australia and was admitted to practise as a barrister and solicitor in 1999. Vicki chairs the Advisory Board of Curtin University Law School, is a member of the Advisory Council of the Curtin Faculty of Business and Law and 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.

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 continuing operations up from $27,920 million to $30,846 million
- profit for the year down from $5,510 million to $1,697 million. The profit for the year included:
  - $437 million post-tax impairment of the Kmart Group;
  - $83 million post-tax restructuring costs and provisions for the Kmart Group;
  - $298 million post-tax impairment of Industrial and Safety;
  - $203 million post-tax gain on sale of 10.1 per cent of the Group's interest in Coles; and
  - $154 million post-tax gain on the revaluation of the retained 4.9 per cent interest in Coles.
- dividends per share of $1.70 (2019: $2.78 per share)
- total assets up from $18,333 million to $25,425 million
- shareholders' equity down from $9,971 million to $9,344 million
- net debt/(cash) down from $2,500 million to $(85) million
- net cash flows from operating activities up from $2,718 million to $4,586 million

The comparative amounts listed above have not been restated for the adoption of AASB 16.

Directors' report

Wesfarmers Limited and its controlled entities

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 79 of this report.

Events after the reporting period

The following significant events have arisen since the end of the financial year:

Dividend

A fully-franked final dividend of 77 cents per share resulting in a dividend payment of $873 million and a fully-franked special dividend of 18 cents per share resulting in a payment of $204 million were determined with a payment date of 1 October 2020. The special dividend reflects the distribution of profits on the sale of the Group's 10.1 per cent interest in Coles during FY2020. These dividends have not been provided for in the 30 June 2020 full-year financial statements.

Non-audit services

Ernst & Young provided non-audit services to the consolidated entity during the year ended 30 June 2020 and received, or is due to receive, the following amounts for the provision of these services:

	$'000
Tax compliance	605
Other	-
Total	**605**

The total non-audit services fees of $605 thousand represents 10.3 per cent of the total fees paid or payable to Ernst & Young and related practices for the year ended 30 June 2020. Total non-audit services fees and other assurance and agreed-upon procedures fees were $1,408 thousand. Further details of amounts paid or payable to Ernst & Young and its related practices are disclosed in note 29 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).

Directors' report

Wesfarmers Limited and its controlled entities

The directors received the following declaration 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 2020, 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; and

b) no contraventions of 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 23 September 2020

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 2020 follow the recommendations contained within the third edition of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (ASX Principles). It is noted that the fourth edition of the ASX Principles was released on 27 February 2019 and takes effect for a listed entity's first full financial year commencing on or after 1 January 2020 – for Wesfarmers this is the year ending 30 June 2021. An overview of the company's corporate governance statement can be found on pages 82 to 86 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 2020 Remuneration Report.

As described by the Chairman and Group Managing Director in their letters on pages 8 and 10 of this annual report respectively, the 2020 financial year has presented extraordinary external challenges for our executive key management personnel (KMP) and their teams. In this report, we explain how our remuneration framework for our executive KMP has responded to these events and present information on other remuneration considerations.

This year's report addresses the desire for greater transparency regarding our variable remuneration framework, being the Key Executive Equity Performance Plan (KEEPP). We have included more information on why measures are used and how assessment decisions are made. We have also disclosed the Group financial and safety targets and outcomes as well as achievement of individual performance objectives.

The Board has reflected upon the feedback it received regarding non-financial measures in the KEEPP annual scorecards and as performance conditions for the KEEPP Performance Shares. The inclusion of these measures is intended to align the Group's material business risks, strategy positioning and execution and the individual performance objectives for each executive KMP. The Board has a strong view that such measures play a critical role in ensuring appropriate focus on long-term value creation and reduce the risk associated with focus on short-term profit results.

Impact of external events including COVID-19

Notwithstanding the substantial challenges facing our businesses during the financial year as a result of the onset of the COVID-19 pandemic, in addition to the severe bushfires, the company's financial performance was solid. Operating profit finished the year above budget. The Board did not adjust any financial targets applicable under the KEEPP in the face of these challenges.

Pleasingly, our strong balance sheet allowed us to continue to support our customers, team members, suppliers and communities. The Group received approximately $40 million in wage subsidies outside of Australia, almost entirely in New Zealand, where the government mandated temporary store closures and trading restrictions which impacted Bunnings, Kmart, and Industrial and Safety. These payments were passed on to team members in full and represented less than one per cent of total team member payments made during the year. The variable remuneration outcomes were therefore not elevated as a result of this government support.

The Board commends the effectiveness of management in dealing with the impact of COVID-19 on the Group. Our key priority is safety which has required the rapid implementation of additional measures to protect the health and wellbeing of team members and customers.

Wesfarmers' performance in 2020

Statutory net profit was lower than budget as a result of a number of provisions and impairments during the period, which were only partially offset by non-operating gains. These comprised impairments in Target, and Industrial and Safety and provisions for restructuring expenses in Target, the profits made on the sale of 10.1 per cent of Coles Group Limited and the unrealised profits on the remaining 4.9 per cent stake in Coles Group Limited, required under accounting standards. In addition, net profit includes the cost of remediating historical wage and salary underpayments in a number of divisions.

The Board was determined to ensure that remuneration outcomes took appropriate account of management effort, shareholder outcomes and community expectations.

For remuneration purposes, the statutory profit result was reduced by the accounting revaluation gain on the remaining Coles Group Limited stake as the Board concluded it was appropriate only to take this into account when and if the stake is disposed of for an economic gain. This is notwithstanding the fact that no additional accounting profit will be realised in the future under the revised accounting treatment. The Board also included (as previously announced) further Target store closure-related restructuring costs and provisions in Kmart Group of $120 to $140 million that are expected in the 2021 financial year. These resulted in lower variable remuneration outcomes for the 2020 financial year. Further details are provided in section 5.3.

Remuneration outcomes

Fixed Annual Remuneration

No changes were made to the fixed remuneration for the executive KMP during the year.

2020 KEEPP

Group Managing Director and Group Chief Financial Officer

For the first time, the 2020 KEEPP awards for the Group Managing Director and the Group Chief Financial Officer are delivered solely through equity as is the case going forward. This reflects a progressive reduction of the cash component since the KEEPP was introduced.

For the Group Managing Director and the Group Chief Financial Officer the financial component (being 60 per cent of the potential incentive award, measured against profit and return on equity targets) was below threshold and no KEEPP award was made in respect of this component.

At the same time, management was very effective in working with all stakeholders to manage the Group through the COVID-19 environment, in successful portfolio reshaping and advancing key strategic agendas in digital and data, including the implementation of the Catch strategy. This strong performance in non-financial factors (including safety) resulted in overall KEEPP awards of 111.0 per cent and 116.3 per cent of fixed annual remuneration (FAR) for the Group Managing Director and the Group Chief Financial Officer respectively.

The total KEEPP awards represent 37.0 per cent and 38.8 per cent of the Group Managing Director's and the Group Chief Financial Officer's maximum variable remuneration opportunity respectively.

Remuneration report

Divisional executive KMP

The Board awarded KEEPP outcomes for our divisional executive KMP reflecting the varied financial performance of the specific divisions led by the executives, as well as each executive KMP's individual performance, as described in more detail in section 5.3. The resultant outcomes ranged from 37.5 per cent to 95.2 per cent of their maximum variable remuneration opportunity.

Kmart Group

The Board considered the major efforts and decisive action of Mr Scott and his team during the year in relation to the strategic options facing the Target business within the broader Kmart Group. The decision was to substantially reduce the size of the Target network and invest to convert many of its stores to Kmart stores which are expected to perform more strongly.

A principal reason for the Group's financial performance falling below threshold was the substantial provisions made for these conversions. The Board considers a material component of these expenditures is more in the nature of an investment and will be substantially value-creating for shareholders if executed successfully.

In order to ensure continued management focus on delivering future shareholder benefit from this restructure, 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 will be 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 will 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.

Vesting of prior year awards

The Group Managing Director received full vesting of the 2016 KEEPP Performance Share grant related to his previous role as Managing Director, Wesfarmers Industrials. The four-year performance conditions were met in full (after taking into account the impairment in Industrial and Safety). Further details of this result are provided in section 5.6.

Review of the KEEPP

The Board is committed to an executive remuneration framework that is focused on driving a performance culture to reflect our diversified portfolio of businesses and reward long-term performance. The KEEPP was introduced in 2016 as a means of reinforcing our focus on long-term shareholder value creation.

Over the past year, being the fourth year since the introduction of the plan, the Board has undertaken a review of the KEEPP to ensure it is an effective plan that is meeting the original objectives set when it was implemented and that it remains fit for purpose and competitive. As part of this process the Board considered the feedback it received from our shareholders and proxy advisers and also reflected upon the competitiveness of the scheme; specifically, the implications of the scheme differing materially from most other plans of ASX 50 companies.

The conclusion of the review is that while the KEEPP creates a clear link between pay and performance and, by being heavily equity weighted, incentivises our executive KMP to act and think like business owners, there is room for improvement. This is particularly so where there is the risk that, contrary to the intent, the reliance on the scorecard to generate a variable remuneration outcome may inadvertently place too much emphasis on the short-term and at the same time render the KEEPP uncompetitive in the market. The Board has identified improvements to the KEEPP to ensure that the plan remains fit for purpose and to address market competitiveness, while providing greater clarity and specificity of performance measures. These and other mechanical changes are set out in detail on the following page.

The Board firmly believes these changes to be aligned with the interests of investors – increasing transparency and shareholder alignment in the way long-term performance is measured, while ensuring we provide market competitive remuneration which is important for talent retention. We encourage all of you to study the plan in detail.

Non-executive director fees

The main Board fees have remained unchanged since 1 January 2017. In December 2019 and on appointment of the new Audit and Risk Committee Chairman, the Board reviewed the fees payable to the non-executive directors having regard to benchmark data, market position and relative fees for Committee work. Following this review, the Board realigned the fee payable to the Audit and Risk Committee Chairman by way of a reduction and approved an increase in fees payable to the Remuneration Committee Chairman and the Remuneration Committee members. Further information is set out in section 6.

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

Improvements to the KEEPP

The Board has approved changes to the Deferred Shares, Performance Shares and the administration of the plan, with a summary set out below. It is expected that (except where noted) these changes will be applied to the 2020 KEEPP awards, subject to the Board finalising and communicating all applicable terms and conditions. If applied, further information will be provided in the 2021 Remuneration Report.

2019 KEEPP	Proposed change and rationale
Deferred Shares - restriction periods	
The trading restriction on half of the Deferred Shares lifts after five years and half after six years.	When the KEEPP was introduced in 2016, the restriction periods were deliberately set at market leading lengths, anticipating that other companies would follow suit, thus making long-dated awards the norm. This change has not occurred and therefore the length of restriction periods under the KEEPP are misaligned with our peers. To ensure the KEEPP continues to provide the executive KMP with market competitive remuneration, the Board intends to reduce the restriction period for one-third of the allocation of Deferred Shares to four years (with another third then released after five years, and the final third released after six years). Notwithstanding this change, Deferred Shares under the KEEPP will continue to be restricted for longer than the majority of equity awards offered by other companies, reinforcing the Board's commitment to continue to align executive and shareholder interests over the long term.
Performance Shares - performance conditions	
Group Managing Director and Group Chief Financial Officer	
The four-year performance conditions applied to the 2019 KEEPP included: • Wesfarmers relative total shareholder return (rTSR) (60%) • Portfolio management and investment outcomes (20%) • Strategic objectives (20%)	The Board intends to dispense with the strategic objectives component and increase the weighting on rTSR such that testing will comprise rTSR and portfolio management and investment outcomes. This is to provide additional transparency and improve objective measurement of the performance conditions.
Divisional managing directors	
The four-year performance conditions applied to the 2019 KEEPP included: • Wesfarmers rTSR (50%) • Divisional cumulative EBIT against Corporate Plan, subject to average ROC (50%)	The Performance Shares are currently tested at the end of a four-year period against rTSR and cumulative earnings before interest and tax (EBIT) inclusive of a minimum return on capital (ROC) hurdle. The cumulative four-year EBIT test against Corporate Plan, runs two risks: • of too much weight being placed on a single year's performance as that year contributes equally to four consecutive Performance Share grants; and • the disincentive of equally weighting each year when, in the opinion of the Board, the targets for the later years are more tenuous. Going forward, for future grants of Performance Shares under the KEEPP, the Board intends that EBIT will be considered against annual targets and in the earlier years of the four-year performance period will have a higher weighting than later years. The average ROC hurdle will be retained to ensure an efficient use of capital over the performance period as well as to maintain a strong focus on the long term.
Performance Shares - base awards	
Some external stakeholders have expressed a concern that the award of variable remuneration under the KEEPP, being dependent on the extent of achievement of scorecard outcomes, is wholly dependent on short-term performance despite further performance testing. This contrasts with more typical short-term incentive and long-term incentive plans in almost all other ASX 50 companies, where there is an automatic annual allocation of performance equity, regardless of short-term results. The process under the KEEPP creates the risk that, contrary to the intent, the reliance on the scorecard to generate a variable remuneration outcome may inadvertently place too much emphasis on the short-term and also render the KEEPP uncompetitive in the market. The Board is satisfied that the target opportunity and the maximum opportunity under the KEEPP are each appropriate. In addition to the concern above, and to protect Wesfarmers' investment in its talent and to mitigate retention risk, from the 2021 financial year, where the scorecard process results in an allocation of Performance Shares lower than 100 per cent of FAR (or 85 per cent for the divisional executive KMP), additional Performance Shares (which vest only to the extent they meet the performance conditions over the following four years) will be allocated to achieve that level. At target performance achievement, this change will have no effect on the amount of equity (or cash) awarded compared to the current process. This will result in variable remuneration being less dependent on performance over the initial 12-month period but more tied to performance over time.	
Other changes	
During the year, the Board reviewed the clawback provisions applicable to the KEEPP. While the Board considered its clawback rights to be sufficient, the wording has been updated and made more explicit.	

Remuneration report (audited)

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1. 2020 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 2020 financial year are as follows:

Current Directors	
Michael Chaney AO	These Directors were members of the Board of Wesfarmers Limited throughout the whole of the 2020 financial year.
Diane Smith-Gander AO	
Wayne Osborn	
Vanessa Wallace	
Jennifer Westacott AO	
The Right Honourable Bill English KNZM	
Mike Roche	
Sharon Warburton	Ms Warburton become a member of the Board of Wesfarmers Limited on 1 August 2019.

Former Director	
Tony Howarth AO	Mr Howarth retired from the Board of Wesfarmers Limited on 14 November 2019.

Current executive KMP	
Rob Scott, Group Managing Director	These executive KMP held their positions throughout the whole of the 2020 financial year.
Anthony Gianotti, Group Chief Financial Officer	
Ian Bailey, Managing Director, Kmart Group	
Michael Schneider, Managing Director, Bunnings Group	

Former executive KMP	
David Baxby, Managing Director, Wesfarmers Industrials	Following the changes to the leadership structure of the Industrials businesses, as announced in March 2020, Mr Baxby stepped down as Managing Director, Wesfarmers Industrials and as a member of the executive KMP on 19 March 2020. As a result of the restructure, Mr Baxby was not replaced as a member of the executive KMP.

2. Remuneration governance

2.1 Role of the Board

The Board is responsible for setting remuneration policy and determining non-executive director, executive director and executive KMP remuneration. In addition, the Board is responsible for approving all targets and performance conditions set under the executive KMP variable remuneration framework, being the Key Executive Equity Performance Plan (KEEPP).

The Board delegates responsibility to the Remuneration Committee for reviewing and making recommendations to the Board on these matters. The Board retains full discretion to decrease or increase outcomes to ensure that they are fair and reasonable. It can use this discretion to decrease or increase the outcome as it considers appropriate.

The Board has regular meetings with each of the executive KMP during the year to discuss ongoing performance.

2.2 Role of the Remuneration Committee

The Remuneration Committee makes recommendations to the Board regarding all aspects of executive KMP remuneration. This includes making recommendations in relation to the targets to be included in the KEEPP scorecards and in relation to setting performance conditions that attach to Performance Shares (both the financial conditions and the other non-financial performance conditions). The Group Managing Director provides updates and makes recommendations to the Remuneration Committee on these matters in relation to his direct reports throughout the year. 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.

The Audit and Risk Committee Chairman attends the relevant Remuneration Committee meetings and is formally involved in the remuneration outcome recommendations, ensuring that there is a tight linkage between behaviour, risk management and remuneration outcomes.

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**

2.3 Culture and risk management

The Board believes that embedding the right culture and ensuring that the company operates within effective risk management protocols are enablers of strategic execution over the long term. Wesfarmers can only achieve its primary objective of generating satisfactory returns for shareholders over the long term by: looking after its team members, customers and suppliers; taking care of the environment and making sure that the Group is environmentally conscious in all of our activities; by acting ethically and honestly in all of our dealings; and by making meaningful contributions to the communities in which the Group operates.

Through the use of governance frameworks and in consultation with the Audit and Risk Committee, the Board ensures the executive KMP remuneration framework has a positive impact upon the company and all remuneration outcomes are aligned with the Board's approach to risk management.

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.

In the annual KEEPP scorecards, the financial and safety measures and the individual performance objectives set by the Board are designed to drive strategic outcomes that benefit the company and its shareholders. This includes setting the ranges for threshold performance, below which no awards are made, and stretch performance, which attracts the maximum award.

Targets set by the Board are assessed to be suitably risk-adjusted in accordance with the risk management framework so as to avoid unnecessary customer, team member or financial risk in the pursuit of the KEEPP outcomes. In assessing the annual 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.

2.4 Responsibility for determining remuneration of non-executive directors

The Board is responsible for assessing non-executive director fees, assisted by the Remuneration Committee. Each year the non-executive director fees, including committee fees, are benchmarked externally against Australian companies of a comparable size and complexity. In the event of any proposed increase in fees, including committee fees, a reasonableness opinion is obtained from an external remuneration consultant and this is then considered by the Remuneration Committee and the Board (or only the Board if this relates to Remuneration Committee fees).

2.5 Use of remuneration consultants

No remuneration recommendations as defined in section 9B of the *Corporations Act 2001* were obtained during the financial year ended 30 June 2020.

Executive remuneration

3. Executive KMP remuneration framework and policy

Wesfarmers' primary objective is to provide satisfactory returns to shareholders over the long term. 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.

Our guiding remuneration principles	
1	Align executive and stakeholder interests through share ownership while strengthening focus on Group results through awards of long-term, at-risk deferred equity
2	Be transparent and fit for purpose, recognising our autonomous operating model by linking rewards to the achievement of objectives for which executives are directly accountable and responsible while retaining a link to Group performance
3	Attract, motivate and retain world-class talent and outstanding people to drive outcomes
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

(a) 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 fixed remuneration set at a level that is appropriate for the requirements of the role.

Fixed annual remuneration

FAR comprises salary and other benefits (including statutory superannuation). FAR is benchmarked to our external peers and levels vary between the executive KMP and are 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 that operates over seven years.

The quantum of the KEEPP award is determined against a personalised 12-month scorecard created for each executive KMP, split into financial performance measures (60 per cent weighting), individual performance objectives (30 per cent weighting) and safety performance measures (10 per cent weighting).

The Remuneration Committee and the Board set the scorecards at the beginning of the financial year following consultation with the Group Managing Director.

The KEEPP award may vary within a range of zero to 300 per cent of FAR and is delivered through up to three vehicles.

Delivery vehicles

Equity: KEEPP awards are delivered as long-dated equity, split evenly between Deferred Shares and Restricted Shares.

Deferred Shares are restricted up to a total of six years once granted and can be subject to performance conditions if set by the Board at allocation.

Performance Shares are subject to further performance conditions over a four-year performance period. The Board has discretion to adjust the performance conditions in appropriate circumstances, so that participants are not unfairly advantaged or disadvantaged.

Cash: The Group Managing Director and Group Chief Financial Officer do not receive any cash, with their awards delivered solely in equity. For the 2020 financial year, a maximum of 35 per cent of FAR may be awarded in cash for the other executive KMP, reducing to 30 per cent of FAR for the 2021 financial year.

Determining outcomes

The financial and safety performance measures are assessed after the preparation and audit of the relevant results each year. The individual performance component is assessed after a review against the individual performance objectives at the end of the financial year. If performance against any measure or objective is assessed as below threshold, no outcome is awarded for that measure or objective.

Board consideration of other factors

The final step in determining the outcome is calibration by the Board of the scorecard result and of the personal performance and behaviours of each participant alongside the consideration of whether the calculated outcome is fair and reasonable, and not inappropriate or simply formulaic. In 2020, the Board applied its discretion to allocate additional Performance-tested Shares for the Group Managing Director, Group Chief Financial Officer and the Managing Director, Kmart Group. See section 5.4 for more detail.

Remuneration report (audited)

(b) KEEPP life cycle

The chart below shows the remuneration life cycle for each element of the KEEPP. The 2019 KEEPP award followed this life cycle and was awarded in the 2020 financial year, based on performance in the 2019 financial year. For further information on the timing for the 2019 KEEPP award, see section 5.5(b) and (c).

Performance assessment

- **12-month period (July to June)**

Performance of each member of the executive KMP is assessed over the 12-month performance period ending 30 June against a scorecard that has financial measures (60 per cent weighting), individual performance objectives specific to the role (30 per cent weighting) and safety measures (10 per cent weighting).

Award determination assessment

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 at threshold, then 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.

Once the amount of the scorecard is determined, the Board then considers whether the proposed award is fair and reasonable in the circumstances. This assessment is a deliberate exercise of Board discretion to determine whether modifiers should increase or decrease the amount of the award. Total KEEPP awards are then delivered as follows:

- **Equity:** The Group Managing Director and the Group Chief Financial Officer receive 100 per cent of their KEEPP awards in equity and are not eligible to receive any cash under the KEEPP. Equity is allocated in 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 immediately following the full-year results announced in August of that year. The allocation of equity generally occurs shortly after the Annual General Meeting.
- **Cash:** For the executive KMP, excluding the Group Managing Director and the Group Chief Financial Officer, the amount of the cash component is zero where the award is equivalent to or below 100 per cent of FAR. An award above that level is paid in cash up to a maximum of 35 per cent of FAR, with the remainder 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: 12-month forfeiture and five- and six-year trading restrictions**

Deferred Shares: Deferred Shares are subject to a 12-month service condition (the forfeiture period) and any performance conditions that may be set by the Board at the date of allocation and are subject to trading restrictions for five or six years. 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 2019 Deferred Shares, 50 per cent will be released from the trading restriction in August 2024 and the remainder in August 2025.

Final number of vested shares determined

- **Performance Shares: four-year performance period**

Performance Shares: Performance Shares remain at risk and will vest only to the extent further performance conditions are met when tested. Performance Shares are held in trust and can only be transferred to the executive KMP once vested. The 2019 Performance Shares will be performance tested over a four-year performance period ending 30 June 2023, against role-specific performance conditions. The Performance Shares will only vest to the extent that these performance conditions are met.

- **All vesting conditions are complete after four years and all trading restrictions have ended after six years on the equity under each KEEPP award**

Remuneration report (audited)

(c) 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

Total target remuneration

Fixed Annual Remuneration	33.3%
At-risk Remuneration	66.7%
KEEPP Performance Shares	*33.35%*
KEEPP Deferred Shares	*33.35%*

Total maximum remuneration

Fixed Annual Remuneration	25.0%
At-risk Remuneration	75.0%
KEEPP Performance Shares	*37.5%*
KEEPP Deferred Shares	*37.5%*

Divisional Managing Directors

Total target remuneration

Fixed Annual Remuneration	33.3%
At-risk Remuneration	66.7%
KEEPP Performance Shares	*27.5%*
KEEPP Deferred Shares	*27.5%*
KEEPP Cash	*11.7%*

Total maximum remuneration

Fixed Annual Remuneration	25.0%
At-risk Remuneration	75.0%
KEEPP Performance Shares	*33.1%*
KEEPP Deferred Shares	*33.1%*
KEEPP Cash	*8.8%*

4. Overview of Group performance

Five-year statutory results

Financial year ended 30 June (as reported)	2016	2017	2018	2019	2020[1]
Net profit after tax (NPAT) ($m)	407	2,873	1,197	5,510	1,697
NPAT (excluding significant items) ($m)[2]	2,353	2,873	2,772	2,339	2,075
Return on equity (ROE) (rolling 12 months) (%)	1.7[3]	12.4	5.2[3]	38.7[3,4]	17.8[3]
ROE (excluding significant items) (rolling 12 months) (%)[2]	9.6	12.4	11.7	19.2	22.1
Earnings per share (EPS) (cents)	36.2[3]	254.7	105.8[3]	487.2[3]	150.0[3]
EPS (excluding significant items) (cents)[2]	209.5	254.7	245.1	206.8	183.4

1 The Group applied AASB 16 *Leases* (AASB 16) from 1 July 2019 using the modified retrospective approach. Under this approach, comparatives were not restated. On a pre-AASB 16 basis, 2020 NPAT was $1,713 million.

2 These are considered non-IFRS measures. 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. 2018 post-tax significant items include impairments of $1,323 million relating to BUKI and Target, as well as the $375 million loss on sale of BUKI and $123 million gain on sale of Curragh Coal Mine. 2016 post-tax significant items include non-cash impairments of $1,844 million relating to Target and Curragh Coal Mine and $102 million of restructuring costs and provisions to reset Target. The Board exercises its discretion in determining whether these significant items are adjusted for when determining remuneration outcomes.

3 2016, 2018, 2019 and 2020 EPS and ROE include the items outlined in footnote 2 above.

4 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)	2016	2017	2018	2019	2020
Total dividends per share (declared/determined) (cents)	186	223	223	278[3]	170[4]
Closing share price ($ as at 30 June)[1]	40.10	40.12	49.36	36.16	44.83
Adjusted closing share price ($ as at 30 June)[2]	28.64	28.66	35.26	36.16	44.83
Five-year rolling Total Shareholder Return (%, per annum)[5]	10.0	11.3	9.8	9.8	15.9
ASX 100 five-year rolling Total Shareholder Return (%, per annum)[5]	7.7	12.1	9.8	8.9	5.8

1 The opening share price on 1 July 2015 was $38.92.

2 The adjusted closing share price for 2016, 2017 and 2018 excludes 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. The adjusted opening share price on 1 July 2015 was $27.80.

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.

5 Source: Bloomberg.

Remuneration report (audited)

The 2020 financial year has seen continued good performance from Bunnings, Officeworks and the Chemicals, Energy and Fertilisers businesses. It has been a disappointing year within the Industrial and Safety businesses, and in May 2020 the company announced a non-cash impairment of $298 million of the business, largely related to goodwill. Results in the Kmart Group were mixed. Kmart recorded solid earnings despite volatile retail conditions and cost inflation. While Target continued its disciplined cost control, the business recorded a loss following lower sales and higher clearance activity due to COVID-19. In May 2020, a number of actions were announced to accelerate the growth of Kmart and address the unsustainable performance of Target. As a result, a non-cash impairment of $437 million was recognised in relation to the Target brand name and other assets as well as $83 million in associated restructuring costs and provisions, primarily in relation to the closure of Target stores and the proposed conversions to Kmart.

The Group reported NPAT of $1,697 million for the 2020 financial year. The result for the year included post-tax significant items relating to the $203 million gain on the sale of the 10.1 per cent holding in Coles and one-off gain of $154 million on the revaluation of the retained Coles investment, $83 million provision for restructuring costs in Kmart Group, $437 million non-cash impairment of Kmart Group and $298 million non-cash impairment in the Industrial and Safety division. Further, the financial results at both a Group and divisional level include the full remediation costs following the identification of historical payroll errors.

For executive remuneration purposes, the Board used the reported financial results reduced to exclude the gain on the revaluation of the retained Coles investment and to include the additional $120 to $140 million provision for Kmart Group that was announced for the 2021 financial year, which is in addition to the $83 million provision for the 2020 financial year above.

5. Executive KMP remuneration

5.1 Fixed annual remuneration

After consideration, the Board made no changes to fixed remuneration for any member of the executive KMP in the 2020 financial year.

5.2 2020 KEEPP award outcomes

The 2020 KEEPP award outcomes relate to performance from 1 July 2019 to 30 June 2020. The table below sets out specific information relating to the actual award outcomes for the 2020 financial year.

Name	Balance available for Deferred Shares ($)	Balance available for Performance Shares ($)	Cash award ($)	Percentage of maximum 2020 KEEPP opportunity awarded %	Percentage of maximum 2020 KEEPP opportunity forfeited %
R G Scott	1,387,500	1,387,500	Not eligible	37.0	63.0
A N Gianotti	784,688	784,688	Not eligible	38.8	61.2
I Bailey	675,000	675,000	168,750	37.5	62.5
D A Baxby[1]	496,111	496,111	327,600	47.1	52.9
M D Schneider	1,880,192	1,880,192	525,000	95.2	4.8

1 D A Baxby ceased as a member of the executive KMP on 19 March 2020 and remained eligible to participate in the 2020 KEEPP award, on a pro-rata basis. Mr Baxby's outcomes were determined in the ordinary course, subject to the same timing and approval processes. As per all participants, as at 30 June 2020, the service and performance conditions to determine vesting of the 2020 KEEPP Deferred Shares and Performance Shares had not yet been finalised. For further information, see page 104.

The cash component for the 2020 KEEPP award was paid to eligible divisional managing directors on 24 August 2020. The Deferred Shares and Performance Shares are expected to be allocated in December 2020 once performance conditions are set. Details of these equity grants will be provided in the 2021 Remuneration Report.

5.3 Details of the 2020 KEEPP annual scorecards

The 2020 KEEPP scorecards comprise financial measures, individual performance objectives relevant to the role of each executive KMP and safety measures. Scorecard financial targets are set in relation to the annual budgets and the safety targets are generally based upon an improvement on the previous year's result. Individual performance objectives 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 it 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.

Financial measures (60 per cent weighting)

Group NPAT and Group 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. NPAT and ROE are adjusted, where the Board considers it appropriate, to ensure participants are not unfairly advantaged or disadvantaged as a result of portfolio management activity.

Divisional financial measures of EBIT, ROC and, where applicable, 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 also assessed following the preparation and audit of the annual financial statements. Similar to NPAT and ROE, divisional financial measures are adjusted, where the Board considers it appropriate, to ensure participants are not unfairly advantaged or disadvantaged due to portfolio management activity.

Remuneration report (audited)

Individual performance objectives (30 per cent weighting)

The individual performance objectives are split into two categories, comprising business enhancing objectives with 20 per cent weighting, and sustainability objectives, including climate change response, reputation, risk and talent, with 10 per cent weighting. The individual performance objectives were chosen because they are key 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 and strategies are designed to maximise business and growth opportunities over the long term, with a strong focus on digital and data capabilities and channels. For businesses undergoing a turnaround, the business enhancing objectives focus on key milestones. Examples of business enhancing objectives include assessing growth and investment opportunities, deepening digital and data analytics capability with demonstrated outcomes and operational optimisation projects.

Sustainability objectives provide a focus on the Group's licence to operate and include several interrelated areas, for example, Group-wide sustainability initiatives such as emissions reduction targets and operational risk controls, including cyber security. Diversity, including gender balance, remains a focus as Wesfarmers recognises the importance and value of diverse teams throughout its businesses.

Safety (10 per cent weighting)

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.

2020 KEEPP scorecard

2020 KEEPP scorecard assessment		+ Consideration of other factors	= Outcome and delivery
Financial measures (60% of target)	**Individual performance objectives** (30% of target) **Safety** (10% of target)		
Group Managing Director **Group Chief Financial Officer** • Group NPAT and ROE Threshold performance is required for both Group NPAT and ROE before any award is made in respect of the financial measures. **Divisional managing directors** • Divisional EBIT and ROC • Divisional sales growth *- retail only* Threshold performance is required for both divisional EBIT and ROC before any award is made in respect of these measures. Threshold EBIT performance is also required before any award is made in respect of sales growth (where applicable).	Individual performance objectives specific to the role of each executive KMP: • Business enhancing • Sustainability including climate change response, reputation, risk and talent Safety: • Group or divisional TRIFR Threshold performance for TRIFR is generally set based on the previous year's result.	• Remuneration Committee and Board, with input from the Audit and Risk Committee, evaluation of each executive KMP's performance and behaviours, including whether any modifiers should apply to the award • External environment and impact • The Board considers whether the outcome is fair and reasonable, not inappropriate or simply formulaic	Final approved KEEPP outcomes are delivered as follows: **Group Managing Director** **Group Chief Financial Officer** • Deferred Shares • Performance Shares **Divisional managing directors** • Up to 35% of FAR in cash *After cash, if any* • Deferred Shares • Performance Shares

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 reduced or modified. This includes, for example, behaviours in relation to risk management and demonstration of appropriate ethics, values and culture, any 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.

Remuneration report (audited)

The results of the performance against the annual scorecard and final outcome for each of the executive KMP for the 2020 KEEPP allocation are outlined below and on the following pages. Financial targets and outcomes are presented on a pre-AASB 16 basis.

Rob Scott – Group Managing Director, Wesfarmers Limited

2020 Performance highlights

Given the unique and challenging circumstances arising from the Australian bushfires and COVID-19, although not contemplated when the original scorecard objectives were set, the Board heavily weighted its assessment of Mr Scott's performance and leadership throughout these crises when assessing the overall scorecard outcome specifically with regard to his business enhancing and sustainability objectives.

Financial (60% weighting) Outcome: 0% of FAR (Maximum opportunity: 180% of FAR)

Mr Scott's financial targets were:

- *Group NPAT: $1,896.7m*
- *Group ROE: 17.9%*

Threshold performance for the Group financial measures was set at 92.5% of target and maximum performance achieved at 110% of target.

- The Group achieved reported Group NPAT of $1,713m and reported ROE of 17.1%.
- The Board excluded the gain on the revaluation of the retained Coles investment from the financial results for the purposes of calculating remuneration outcomes and included the additional provisions for Kmart Group for the 2021 financial year. The adjusted Group NPAT and ROE were below threshold.
- As a result, Mr Scott's 2020 KEEPP outcome on financial measures was 0%.
- The Group NPAT and ROE targets were adjusted to reflect the removal of associated profits from the Group's 10.1% interest in Coles following the selldowns in February and March, and for earnings associated with the acquisitions of Kidman and Catch during the year.
- While the financial targets, namely Group NPAT and ROE set in May 2019 have not been achieved, the tough and unpredictable external environment added a strong degree of stretch to these but the Board determined it was not appropriate to make any adjustments to these targets as a result of these external factors.
- In spite of the severity of the external challenges presented throughout the 2020 financial year, the Board is very pleased with Mr Scott's performance in driving the overall financial results for the Group.

Safety (10% weighting) Outcome: 30% of FAR (Maximum opportunity: 30% of FAR)

Group TRIFR target: 12.21

- The Group TRIFR result was 10.39.
- Through a continued focus on safety across the Group, 23.0% improvement on last year's TRIFR was achieved. This is particularly pleasing as it was achieved in the context of dealing with the changes in operating model required to operate in line with COVID-safe requirements. The divisions continue to focus on training, awareness and improving safety processes.

Business enhancing (20% weighting) Outcome: 53% of FAR (Maximum opportunity: 60% of FAR)

Mr Scott was set a number of business enhancing objectives for the performance period, each of which has been individually assessed by the Board, with most assessed as being at least in line with the Board's expectation. In addition, and as noted above, the Board considered and placed more weight upon Mr Scott's response to the Australian bushfires and COVID-19 from a business enhancing perspective. The Board rated Mr Scott's performance at the highest level based on the Group's response and performance throughout these crises.

- **Business growth:** The Board assessed Mr Scott against a number of business growth objectives such as the portfolio management opportunities and sales growth across the Group, for example, the acquisition of Catch and the significant growth during the year. The Board assessed Mr Scott as performing either in line with or exceeding their expectations for these objectives.
- **Data and digital, including the flybuys joint venture:** The Board was very pleased with Mr Scott's delivery of the Group's digital initiatives rating his progress as above expectation on these objectives, for example, the Group's e-commerce capacity and capability adapted with agility and speed in relation to the COVID-19 environment. In addition, a number of new flybuys initiatives were launched during the year.
- **Turnaround / newly acquired businesses:** As noted above the Board is pleased with the good progress of Catch. The Board assessed the Group's progress in relation to its turnaround businesses as below their expectation although noting they endorsed the changes announced in May 2020 in relation to Kmart Group.

Sustainability (10% weighting) Outcome: 28% of FAR (Maximum opportunity: 30% of FAR)

Mr Scott's progress in relation to his sustainability performance objectives was assessed as being in line with Board expectation and his progress in relation to the Group's emissions reduction being assessed as significantly exceeding expectation. As per the business enhancing objective, the Board highly commends Mr Scott's performance and the actions taken across the Group to protect and support stakeholders (investors, team members, customers, suppliers and the wider community) as a result of the Australian bushfires and COVID-19.

2020 KEEPP outcome

Scorecard measure	Threshold not met	Threshold met or exceeded	Target met or exceeded	Maximum achieved
Financial	●			
Safety				●
Business enhancing			●	
Sustainability			●	

The Board firmly believes the outcome of Mr Scott's 2020 KEEPP scorecard aligns with shareholder and other stakeholder experience over the year, especially when considering the speed and agility Mr Scott demonstrated in response to the significant external events throughout the 2020 financial year.

Mr Scott's total 2020 KEEPP outcome will be allocated as:

- $1,387,500 in Deferred Shares
- $1,387,500 in Performance Shares

Remuneration report (audited)

Anthony Gianotti – Group Chief Financial Officer, Wesfarmers Limited

2020 Performance highlights

As Group Chief Financial Officer, Mr Gianotti's Group financial and safety measures and outcomes are the same as those of the Group Managing Director.

- Mr Gianotti has had a very successful year with demonstrated strong performance, especially in relation to the Group's response to COVID-19. During the year Mr Gianotti also assumed direct oversight of the Industrial and Safety businesses.
- **Business enhancing:** During the 2020 financial year, Mr Gianotti has delivered very positive outcomes in relation to the balance sheet, capital management, debt management, credit ratings and cash management. Mr Gianotti successfully drove and coordinated the Group's COVID-19 financial analysis and scenario planning to allow the Group to navigate through and respond at pace to the rapidly evolving circumstances across multiple jurisdictions and industries. Although the equity market environment may not have been conducive to undertaking major investments, Mr Gianotti has led the Business Development teams in undertaking major commercial projects.
- **Sustainability:** Mr Gianotti has continued to have an active role in talent management and the upskilling of commercial, finance and risk roles across the Group in addition to driving strategic initiatives across the Group. Mr Gianotti has also continued the positive engagement with external agencies and providers to support the Group's capital structure.

2020 KEEPP outcome

Scorecard measure	Weighting (%)	Threshold not met	Threshold met or exceeded	Target met or exceeded	Maximum achieved
Financial	60	●			
Safety	10				●
Business enhancing	20			●	
Sustainability	10			●	

Mr Gianotti's total 2020 KEEPP outcome will be allocated as:

- $784,688 in Deferred Shares
- $784,688 in Performance Shares

Ian Bailey – Managing Director, Kmart Group

2020 Performance highlights

Mr Bailey's financial targets were set in relation to achievement of Kmart Group EBIT and ROC and Kmart comparable sales growth. Threshold performance for the EBIT and ROC financial measures was set at 95% of target and maximum performance achieved at 105% of target.

- It was a mixed result for the businesses within Kmart Group throughout the year, with strong operational and financial performance by Kmart and Catch but lower than expected performance within Target.
- The significant items include the non-cash impairment in relation to Kmart Group and the restructuring costs and provisions, primarily in relation to Target store closures, as announced in May 2020. Inclusive of significant items, Kmart Group achieved EBIT of ($220.8m) and ROC of (11.2%), both of which were below threshold and more than 15% below target.
- Kmart achieved comparable sales growth of 4.3%, which was more than 15% above the target. This measure was subject to an EBIT gate which was not achieved. Sales growth for the Target brand was excluded from Mr Bailey's 2020 KEEPP scorecard in recognition of the ongoing Target review.
- As a result, Mr Bailey's 2020 KEEPP outcome on financial measures was 0%.
- Through a continued focus on safety, and noting the challenges posed by COVID-19, the Kmart Group TRIFR result (excluding Catch) was 13.13, an improvement of 32.3% on last year.
- Mr Bailey has demonstrated strong leadership throughout the year despite the significant challenges.
- **Business enhancing:** Kmart Group delivered strong operational improvements particularly in the period prior to COVID-19. Positive progress was also made in digitisation and technological advancement along with a strong focus on risk controls. The acquisition of Catch has seen positive results throughout the year including the implementation of a number of customer-driven initiatives to leverage the Wesfarmers Group, including offering Click and Collect in some Target stores and recently introducing Target to its marketplace. Mr Bailey was instrumental in the detailed strategic review of Target and good progress has been made on executing the decisions including agreeing the terms for the conversion of 27 Target stores to Kmart stores and completing the first phase of restructuring the Target store support office.
- **Sustainability:** Kmart Group continued its progress in emissions reduction, gender balance, Indigenous employment and team member engagement notwithstanding the significant external events.

2020 KEEPP outcome

Scorecard measure	Weighting (%)	Threshold not met	Threshold met or exceeded	Target met or exceeded	Maximum achieved
Financial	60	●			
Safety	10				●
Business enhancing	20			●	
Sustainability	10			●	

Mr Bailey's total 2020 KEEPP outcome will be allocated as:

- $168,750 in cash
- $675,000 in Deferred Shares
- $675,000 in Performance Shares

Remuneration report (audited)

Michael Schneider – Managing Director, Bunnings Group

2020 Performance highlights

Mr Schneider's financial targets were set in relation to achievement of Bunnings Group EBIT, ROC and total sales growth. Threshold performance for the EBIT and ROC financial measures was set at 95% of target and maximum performance achieved at 105% of target.

- Strong earnings and sales growth achieved in Bunnings demonstrated the resilience of its operating model and ability to adapt to the changing needs of customers during the year. Bunnings Group achieved EBIT of $1,851.9m, which was between 10% and 15% above target and ROC of 61.8%, which was more than 15% above the target. This result was delivered after absorbing additional costs associated with the response to the bushfires and COVID-19, including the costs incurred as a result of trading restrictions in New Zealand, together with the permanent closure of seven New Zealand stores, higher than budgeted expenditure to accelerate the progress of data and digital initiatives and additional incentive payments to store team members.
- Total sales growth (including trade centres) was 13.9%, which was more than 15% above the target.
- As a result, the maximum 2020 KEEPP outcome on financial measures was achieved by Mr Schneider.
- Through a continued focus on safety, the Bunnings Group TRIFR result was 10.26, an improvement of 8.3% on last year. Bunnings ensured that it was able to provide a safe and convenient offer for consumer and trade customers, as well as a safe environment for the Bunnings team, especially in response to COVID-19.
- In its assessment, the Board considered the financial performance of Bunnings, including the periods both pre and during COVID-19. The Board determined the outcome for Mr Schneider was a fair reflection of performance across the full year, recognising Mr Schneider has provided very strong leadership to the Bunnings team over an incredibly challenging year, in turn providing support to the wider community.
- **Business enhancing:** Under Mr Schneider's leadership, Bunnings continued to execute its strategic agenda, accelerated the development of its digital offer during the period and introduced a number of initiatives to increase the convenience of its offer and enhance the customer experience both in-store and online. The rollout of Click and Deliver was completed, and the New Zealand e-commerce platform was launched ahead of schedule. In addition, Mr Schneider has continued to identify external growth opportunities for the business, for example the acquisition of Adelaide Tools.
- **Sustainability:** Bunnings continued to demonstrate improvements in gender balance and Indigenous employment and is on track to achieve the emissions reduction target in 2025. Bunnings was recognised as the most trusted Brand in Australia as at May 2020.

2020 KEEPP outcome

Scorecard measure	Weighting (%)	Threshold not met	Threshold met or exceeded	Target met or exceeded	Maximum achieved
Financial	60				●
Safety	10			●	
Business enhancing	20			●	
Sustainability	10			●	

Mr Schneider's total 2020 KEEPP outcome will be allocated as:

- $525,000 in cash
- $1,880,192 in Deferred Shares
- $1,880,192 in Performance Shares

David Baxby – Managing Director, Wesfarmers Industrials (to 19 March 2020)

2020 Performance highlights

Mr Baxby had individual financial targets set in relation to Chemicals, Energy and Fertilisers (WesCEF) EBIT and ROC (40% weighting) and Industrial and Safety (WIS) EBIT and ROC (20% weighting). Threshold performance for the financial measures was set at 92.5% of target and maximum performance achieved at 110% of target.

- The 2020 financial year saw continued solid performance from the WesCEF businesses. The performance of the WIS businesses was below expectations primarily due to the disappointing performance of Blackwoods in the first half of the year and lower customer demand in Workwear Group during the second half primarily due to the impact of COVID-19. In May 2020, the company announced a non-cash impairment of $298 million of the WIS business, largely related to goodwill.
- WesCEF achieved EBIT of $392.9m and ROC of 20.2%, both of which were between 0% and 5% above target.
- Inclusive of significant items, WIS achieved EBIT of ($270.6m) and ROC of (18.7%), both of which were more than 15% below target.
- No financial thresholds in the KEEPP scorecard were met for WIS and therefore no award was made to Mr Baxby on these measures. For WesCEF, Mr Baxby received an above target outcome on the financial measures.
- Through a continued focus on safety, and noting the challenges posed by COVID-19, the overall Industrials divisional TRIFR result was 4.30, an improvement of 29.4% on last year.
- **Business enhancing:** Good progress was made in establishing the Covalent joint venture team. Progress with the business turnaround of Blackwoods, particularly with respect to the ERP project, was assessed as below threshold.
- **Sustainability:** Emissions reductions continue to be on track to achieve the long-term target and other objectives relating to gender balance and Indigenous employment were assessed as above threshold.

2020 KEEPP outcome

Scorecard measure	Weighting (%)	Threshold not met	Threshold met or exceeded	Target met or exceeded	Maximum achieved
Financial	60	● (WIS)		● (WesCEF)	
Safety	10				●
Business enhancing	20	●			
Sustainability	10		●		

Mr Baxby's 2020 KEEPP has been pro-rated to reflect his time in role, from 1 July 2019 to 19 March 2020.

Mr Baxby's total 2020 KEEPP outcome will be allocated as:

- $327,600 in cash
- $496,111 in Deferred Shares
- $496,111 in Performance Shares

Remuneration report (audited)

5.4 Additional Performance-tested Shares

The Board is committed to demonstrating positive results for shareholders in relation to the decision to substantially reduce the size of the Target network and invest to convert many of its stores to Kmart stores which are expected to perform more strongly. The restructuring costs and provisions, along with the one-off costs to be incurred in the 2021 financial year, impacted the 2020 KEEPP awards related to the Group and Kmart Group financial results. The Board considers a material component of these are more in the nature of an investment and will be substantially value-creating for shareholders if executed successfully. As a result, after year-end, the Board has approved an additional grant of Performance-tested Shares, separate to the 2020 KEEPP awards, for the Group Managing Director, the Group Chief Financial Officer and the Managing Director, Kmart Group. The Performance-tested Shares will only vest to the extent that the level of store profit for the stores converted to Kmart is achieved without exceeding the capital expenditure budget, relative to the Board-approved proposal.

These shares are expected to be allocated in December 2020, with details to be provided in the 2021 Remuneration Report.

	To be allocated in Performance-tested Shares	
Name	**% of FAR**	**($)**
R G Scott	50.0	1,250,000
A N Gianotti	50.0	675,000
I Bailey	75.0	1,012,500

5.5 Details of the 2019 KEEPP equity

As presented in the 2019 Remuneration Report, the 2019 KEEPP awards were delivered to executives during the 2020 financial year.

The 2019 KEEPP Deferred Shares and Performance Shares were granted on 25 October 2019 for the Group Chief Financial Officer and the divisional managing directors, and on 14 November 2019 for the Group Managing Director, with any cash component paid on 29 August 2019. Approval from Wesfarmers shareholders for the issuance of these shares to the Group Managing Director was obtained under listing rule 10.14 at the 2019 Annual General Meeting.

The terms applicable to the grant of Deferred Shares and Performance Shares for the 2019 KEEPP are set out on the following pages. Details of prior year grants are set out in the Remuneration Report for the relevant year.

(a) Details of the 2019 KEEPP allocations made during the 2020 financial year

The 2019 KEEPP Deferred Shares and Performance Shares set out below were delivered to the executive KMP during the 2020 financial year. The 2019 KEEPP outcomes were presented in section 4.2(d) of the 2019 Remuneration Report, including the percentage of the 2019 KEEPP award opportunity that was forfeited.

Name	Deferred Shares allocated (subject to a 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	79,995	79,995	3,292,594	2,674,393
A N Gianotti	44,754	44,754	1,837,152	1,484,290
I Bailey	17,296	17,296	710,001	596,366
D A Baxby[5]	34,977	34,977	1,435,806	1,206,000
M D Schneider	31,016	31,016	1,273,207	1,069,432

1 The 2019 KEEPP Deferred Shares were granted on 14 November 2019 for R G Scott and 25 October 2019 for the remaining executive KMP and are still subject to restrictions. No 2019 KEEPP Deferred Shares vested or were forfeited during the reporting period.

2 The 2019 KEEPP Performance Shares were granted on 14 November 2019 for R G Scott and 25 October 2019 for the remaining executive KMP and are still subject to performance conditions until 30 June 2023. Accordingly, no 2019 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 immediately following the full-year results announcement in August 2019 (i.e. 28 August – 10 September 2019) being $39.025375.

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 EBIT and ROC) have been valued with reference to the Wesfarmers share price on grant date. For R G Scott, the value per Performance Share for the rTSR performance condition is $28.28 and the value per Deferred Share and per Performance Share subject to the portfolio management and investment outcomes condition and other strategic conditions is $41.16, valued as at 14 November 2019 following approval of the grant at the Wesfarmers 2019 Annual General Meeting. For all other KEEPP participants the value per Performance Share for the rTSR performance condition is $27.91 and the value per Deferred Share and per Performance Share subject to the portfolio management and investment outcomes condition and other strategic conditions or the divisional EBIT and ROC condition is $41.05, valued as at 25 October 2019. 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.

5 D A Baxby ceased to be a member of the executive KMP on 19 March 2020.

Remuneration report (audited)

(b) 2019 Deferred Shares

Once the amount of Deferred Shares to be granted was determined following the assessment of the 2019 KEEPP scorecard, the Deferred Shares did not have further performance 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.

2019 KEEPP Deferred Shares

The 2019 Deferred Shares carry both dividend and voting rights. Dividends will be escrowed until the end of the 12-month forfeiture period and thereafter be paid to the executive KMP. If Deferred Shares are forfeited during the 12-month forfeiture period, the executive KMP is not entitled to the escrowed dividends. During the forfeiture period, a portion of the escrowed dividend amounts will be paid to the executive KMP to satisfy their tax liability (after allowing for the use of the franking credits) on dividends paid in respect of their Deferred Shares.

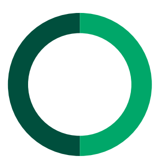
(c) 2019 Performance Shares

The 2019 Performance Shares have performance conditions over a four-year performance period, from 1 July 2019 to 30 June 2023. The performance conditions will be tested shortly after the end of the performance period. Performance Shares will only vest based on the extent of the satisfaction of the performance conditions outlined below. Following testing, any Performance Shares that do not vest will be forfeited. The conditions applicable to the 2019 Performance Shares are set out below:

Group Managing Director and Group Chief Financial Officer

Wesfarmers' relative TSR	60%
Portfolio management and investment outcomes	20%
Strategic objectives	20%

Divisional managing directors



Wesfarmers' relative TSR	50%
Divisional cumulative EBIT and ROC [1]	50%

[1] Set at a divisional level through annual Corporate Planning processes

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.

The table below provides further detail on the performance conditions including how the testing and vesting, if applicable, will occur:

Measure	Detail
Relative total shareholder return (rTSR)	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 total shareholder return 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 all executive KMP are remunerated in relation to Group results.
Cumulative EBIT and ROC	The cumulative EBIT condition measures the respective division's profit against its Corporate Plan profit target over the four-year performance period, subject to an average ROC gate, calculated using the ROC targets in its Corporate Plan. The cumulative EBIT and average ROC 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 at the start of the performance period. Vesting schedule against EBIT and ROC: – 50 per cent of the Performance Shares vest if 90 per cent of the cumulative EBIT target is achieved, subject to achieving 90 per cent of the average ROC target; and – 100 per cent of the Performance Shares vest if 100 per cent of the cumulative EBIT target is achieved, subject to achieving 90 per cent of the average ROC target. Straight-line vesting occurs in between. Four-year divisional EBIT, 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 EBIT and ROC targets will be adjusted, where the Board considers it appropriate to do so, so that participants are not unfairly advantaged or disadvantaged due to portfolio management activity.
Wesfarmers' portfolio management and investment outcomes	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 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.
Strategic objectives	Strategic objectives were chosen to reflect the importance placed by the Board on the achievement of non-financial outcomes, in addition to financial outcomes, that may, for example, build value for all stakeholders (shareholders, customers and team members), support long-term sustainable performance and reinforce the Group's strong corporate reputation. The Board considers it important to include strategic objectives as a measure of performance over the four-year period as this allows decisions to be made and assessed over the long term, recognising the impact of strategic decisions may not be apparent in the short term. At the end of the four-year performance period the Board will consider the performance of the Group Managing Director and Group Chief Financial Officer and assess the achievement of this performance condition in relation to their strategic objectives target, such as in relation to talent development, leadership and corporate reputation.

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Following the assessment of the 2019 KEEPP scorecards and the determination of the amount of Performance Shares to be granted, the Performance Shares were allocated in December 2019.

2019 KEEPP Performance Shares

The 2019 Performance Shares carry both dividend and voting rights. Dividends will be escrowed for the full four-year performance period and only paid to the executive KMP to the extent that the underlying shares vest. During the performance period, a portion of the escrowed dividend amounts will be paid to the executive KMP to satisfy their tax liability (after allowing for the use of the franking credits) on dividends paid in respect of their Performance Shares.

(d) Further terms of the 2019 KEEPP

The table below sets out further details on other governance requirements under the 2019 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 in different circumstances, subject to the Board's discretion to determine a different treatment.

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, other than a portion which may be released on termination to fund the tax liability on the Deferred Shares (subject to any limit under the *Corporations Act 2001*).	The Performance Shares will be forfeited.
Dismissal by the Board, including for cause or significant underperformance	The Deferred Shares will be forfeited.	The Performance Shares will be forfeited.
Breach of restraint	The Deferred Shares will be forfeited.	The Performance Shares will be forfeited.
All other reasons	The Deferred Shares will remain on foot and subject to the original conditions, other than a portion which may be released on termination to fund the tax liability on the Deferred Shares (subject to any limit under the *Corporations Act 2001*).	The Performance Shares will remain on foot and subject to the original conditions.

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 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 Deferred Shares and Performance Shares, having regard to any matter that the Board considers relevant.

Clawback

The terms of the KEEPP allow for the Board to clawback or adjust any incentive awards 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 no inappropriate benefit is derived. The Board has discretion to adjust any conditions applicable to an award, if considered appropriate.

5.6 2016 KEEPP awards that vested during the 2020 financial year

In 2016, eligible executive KMP were invited to receive Deferred Shares and Performance Shares under the 2016 KEEPP. The four-year performance period for the 2016 KEEPP Performance Shares ended on 30 June 2020. As explained in the 2019 Remuneration Report, the original 2016 KEEPP award was cancelled in 2018 and, following implementation of the demerger of Coles from the Wesfarmers Group, replacement awards were allocated in December 2018. Further details of the terms of the 2016 KEEPP are set out in the 2019 Remuneration Report.

Mr Scott is the only member of the current executive KMP to have participated in the 2016 KEEPP. The 2016 KEEPP award was made to Mr Scott in respect of his role as Managing Director, Wesfarmers Industrials and the performance conditions included the financial performance of the Industrials division.

There were two performance conditions measured over the four-year performance period, with 80 per cent weighted to a cumulative EBIT condition against the Industrials division's Corporate Plan, subject to an average ROC gate, and the remaining 20 per cent weighted to Wesfarmers' TSR relative to the TSR of the constituents of the S&P/ASX 50 Index.

Cumulative EBIT condition

Over the four-year performance period, the Industrials division reported EBIT and ROC of 68.47 per cent and 99.47 per cent above the four-year Corporate Plan performance condition respectively, despite the non-cash impairment of the Industrial and Safety division announced in May 2020.

Following consideration of the performance of the Industrials division as a whole over this period, the Board approved the full vesting of the Performance Shares that were subject to the cumulative EBIT condition.

Relative TSR condition

The Group outperformed the majority of its peers over the performance period with regard to rTSR and was ranked at the 85th percentile in the ASX 50. Following consideration, the Board approved the full vesting of the Performance Shares subject to the rTSR condition.

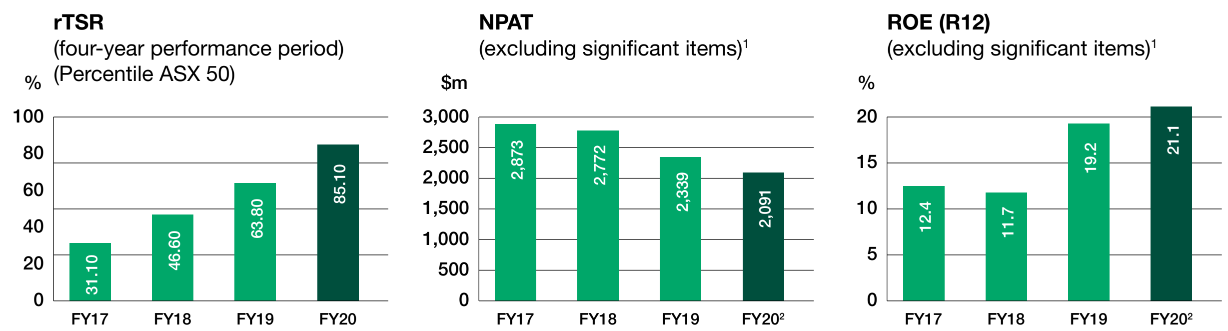
The table below shows the vesting outcome of the 2016 KEEPP Performance Shares for Mr Scott.

Vesting Condition	Outcome (2016-2020)		% of maximum opportunity	Total % of Performance Shares vested	Number of Performance Shares vested
Cumulative divisional EBIT (80% of the award)	$2,422.3m	168.47% of target	100%	100%	45,138
rTSR (20% of the award)	66.41%	85.1 percentile ranking in ASX 50	100%		

5.7 Performance summary for the Group Managing Director

The chart below summarises the performance of the Group since the appointment of Mr Scott as Group Managing Director. In addition, it shows his KEEPP outcomes over the same period.

Performance summary for the Group Managing Director



1 NPAT (excluding significant items) and ROE (excluding significant items) are considered non-IFRS measures.
2 FY20 NPAT and ROE are presented on a pre-AASB 16 basis.

Summary of KEEPP outcomes for the Group Managing Director

	Performance measures	FY17[1]	FY18	FY19	FY20
Annual KEEPP scorecard (% of maximum opportunity)	Group NPAT and ROE, individual performance objectives	100.0	84.4	86.6	37.0
Vesting of KEEPP Performance Shares (% of award)	rTSR, Divisional EBIT and ROC	First testing of KEEPP Performance Shares (four-year performance period)			100.0

1 FY17 scorecard outcome related to Mr Scott's prior divisional roles.

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5.8 Executive 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. The value recognised for the KEEPP Deferred Shares and Performance Shares may be significantly different to their value if and/or when the incentive vests to the executive. Note, as at 30 June 2020, the service and performance conditions to determine vesting of the 2020 KEEPP Deferred Shares and 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 and in other cases there can be negative remuneration from equity awards in a given year, for example due to non-vesting.

In accordance with the accounting standards, the value shown in the statutory table for Mr Baxby under share-based payments includes an acceleration of all future 2017, 2018 and 2019 KEEPP-related expensing that would otherwise have been apportioned through to the 2024 financial year as this equity continues to be held on his behalf in the trust.

	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] ($)	Other[6] ($)	Leave ($)	Super-annuation ($)	KEEPP and other equity ($)	Termination payments ($)	($)	(%)
Executive director										
R G Scott – Group Managing Director, Wesfarmers Limited										
2020	**2,335,746**	**-**	**146,446**	**24,914**	**41,666**	**21,003**	**5,193,006**	**-**	**7,762,781**	**66.9**
2019	2,349,890	250,000	157,169	14,093	41,666	20,531	3,915,183	-	6,748,532	61.7
Senior executives										
A N Gianotti – Group Chief Financial Officer, Wesfarmers Limited										
2020	**1,261,265**	**-**	**73,357**	**24,914**	**22,500**	**21,003**	**2,907,533**	**-**	**4,310,572**	**67.5**
2019	1,275,409	135,000	59,311	14,093	22,500	20,531	2,037,622	-	3,564,466	61.0
I Bailey[7] – Managing Director, Kmart Group										
2020	**1,328,196**	**168,750**	**3,195**	**24,914**	**22,500**	**21,804**	**1,628,270**	**-**	**3,197,629**	**56.2**
2019	888,886	-	2,119	9,344	14,918	11,114	1,047,297	-	1,973,678	53.1
M D Schneider – Managing Director, Bunnings Group										
2020	**1,399,256**	**525,000**	**82,135**	**24,914**	**25,000**	**21,804**	**1,695,844**	**-**	**3,773,953**	**58.8**
2019	1,389,505	600,000	91,886	14,093	25,000	21,804	2,025,464	-	4,167,752	63.0
Former senior executives										
D A Baxby[8] – Managing Director, Wesfarmers Industrials										
2020	**919,854**	**327,600**	**2,296**	**1,493,178**	**15,569**	**15,752**	**2,507,970**	**255,789**	**5,538,008**	**51.2**
2019	1,254,469	520,000	3,195	14,093	21,667	20,531	1,429,300	-	3,263,255	59.7
J P Durkan[9] – Managing Director, Coles										
2019	447,089	687,123	3,567	2,934	7,635	5,133	365,158	-	1,518,639	69.3
G A Russo[10] – Chief Executive Officer, Department Stores										
2019	605,977	187,027	10,552	4,749	10,390	10,690	167,019	-	996,404	35.5
S A Cain[11] – Managing Director, Coles										
2019	345,795	-	-	2,510	5,936	10,266	-	-	364,507	-
Total										
2020	**7,244,317**	**1,021,350**	**307,429**	**1,592,834**	**127,235**	**101,366**	**13,932,623**	**255,789**	**24,582,943**	
2019	8,557,020	2,379,150	327,799	75,909	149,712	120,600	10,987,043	-	22,597,233	-

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Footnotes to statutory remuneration table on the previous page

1 Long-term benefits relate to leave entitlements earned during the year.

2 Superannuation contributions are 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, WESAP and annual incentive, as applicable – WESAP and annual incentive shares are share-based awards received by the executive KMP under other incentive plans prior to commencing as a member of the executive KMP and participating in the KEEPP:
- The portion of the 2016 KEEPP, 2017 KEEPP and 2018 KEEPP that continue to be expensed in the 2020 financial year based on probability of vesting, as these shares are subject to performance and forfeiture conditions, together referred to as the service period. The amounts included for the 2019 KEEPP are detailed in section 5.5.
- The portion of the 2018 annual incentive shares that continue to be expensed in the 2020 financial year based on probability of vesting, as these shares are subject to performance and forfeiture conditions.
- The portion of the 2016 and 2017 WESAP shares that continue to be expensed in the 2020 financial year based on probability of vesting, as these shares are subject to performance and forfeiture conditions.
- The expensing for the Deferred Shares and Performance Shares that are yet to be granted under the 2020 KEEPP will be included in the remuneration table in the 2021 Remuneration Report.

4 The percentage performance related for the 2020 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 2020 financial year for the 2016, 2017, 2018 and 2019 KEEPP shares (including the 2016 KEEPP replacement allocation and 2017 KEEPP replacement allocation), as applicable, is as follows – R G Scott 66.9 per cent, A N Gianotti 65.7 per cent, I Bailey 36.8 per cent, M D Schneider 42.7 per cent and D A Baxby 45.3 per cent.

5 Cash payments were made in August 2020 to eligible participants in relation to the KEEPP for the 2020 financial year. J P Durkan and G A Russo participated in a cash-based performance bonus during the 2019 financial year.

6 Short-term benefits, 'non-monetary benefits', include the cost to the company of providing vehicles, life insurance and travel. Short-term benefits, 'other', includes the cost of directors and officers liability insurance (see also footnote 8 for additional inclusions for D A Baxby).

7 I Bailey became a member of the KMP, effective 1 November 2018.

8 On 19 March 2020, following the Wesfarmers Industrials restructure announcement, D A Baxby stepped down as Managing Director and ceased to be a member of the KMP. Mr Baxby will remain employed until 19 March 2021 during which time he remains subject to his obligations under his employment contract. In accordance with the terms of the offer, Mr Baxby will be entitled to have his unvested 2019 KEEPP Deferred Shares and his unvested 2017, 2018 and 2019 KEEPP Performance Shares continue to be restricted in the plan after he leaves the Group, subject to the original terms and conditions (including performance conditions) of the offer. The amount shown in share-based payments includes an accelerated expensing of these unvested awards.

Short-term benefits, 'other' for Mr Baxby also includes fixed remuneration to be paid to Mr Baxby until his cessation of employment on 19 March 2021, life insurance and his statutory redundancy entitlement, subject to his ongoing employment obligations being met.

Termination benefits for Mr Baxby reflect the cost of his attendance at an advanced management program, legal expenses and a redundancy entitlement.

9 J P Durkan ceased to be a member of the KMP effective 14 September 2018.

10 G A Russo ceased to be a member of the KMP effective 31 October 2018.

11 S A Cain became a member of the KMP, effective 17 September 2018 and ceased 20 November 2018 following implementation of the Coles demerger scheme.

(b) Summary of KEEPP shares that were expensed during the 2020 financial year

The table below sets out details of the KEEPP shares that were expensed during the 2020 financial year. In addition, this table shows the KEEPP shares that vested during the year.

Name	Year	Deferred Shares vested during the year[1] Number	Deferred Shares vested during the year[1] %	Performance Shares vested during the year[2] Number	Performance Shares vested during the year[2] %	Range that could be expensed over the remaining performance period[3] ($)
R G Scott	2016 KEEPP	-	-	45,138	100	-
	2017 KEEPP	-	-	-	-	0 to 395,533
	2018 KEEPP	92,497	100	-	-	0 to 1,180,072
	2019 KEEPP	-	-	-	-	0 to 3,232,624
A N Gianotti	2017 KEEPP	-	-	-	-	0 to 209,407
	2018 KEEPP	49,948	100	-	-	0 to 616,951
	2019 KEEPP	-	-	-	-	0 to 1,697,080
I Bailey	2018 KEEPP	42,854	100	-	-	0 to 1,173,595
	2019 KEEPP	-	-	-	-	0 to 761,669
D A Baxby	2017 KEEPP	-	-	-	-	-
	2018 KEEPP	42,854	100	-	-	-
	2019 KEEPP	-	-	-	-	-
M D Schneider	2017 KEEPP	-	-	-	-	0 to 326,503
	2018 KEEPP	42,527	100	-	-	0 to 1,164,631
	2019 KEEPP	-	-	-	-	0 to 1,265,754

1 The 2016 Deferred Shares, replaced following the demerger of Coles, vested on 30 June 2019 although these remain subject to a trading restriction until August 2021 and August 2022 respectively. The 2017 Deferred Shares, replaced following the demerger of Coles, vested on 30 June 2019 although these remain subject to a trading restriction until August 2022 and August 2023 respectively. The 2018 Deferred Shares were subject to a 12-month service condition and vested in December 2019, although these remain subject to a five- and six-year trading restriction until August 2023 and August 2024 respectively. The 2019 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.

2 The 2016 Performance Shares were subject to a four-year performance period that ended on 30 June 2020 (see section 5.6 for further information). The 2017 Performance Shares, 2018 Performance Shares and 2019 Performance Shares will reach the end of the four-year performance period on 30 June 2021, 30 June 2022 and 30 June 2023 respectively. The Performance Shares are held in trust and can only be transferred to the executive KMP once vested.

3 Should the executive KMP resign prior to vesting, the Deferred Shares and Performance Shares would be forfeited. Accordingly, the minimum value of the unvested award would be nil. The value for Mr Baxby is nil because in accordance with the accounting standards, the expensing of his 2017, 2018 and 2019 KEEPP awards has been fully accelerated into the 2020 financial year.

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5.9 Executive KMP share ownership

The Board considers it an important foundation of the Wesfarmers remuneration framework that the executive KMP hold 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 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 and former executive KMP (including their related parties).

					Breakdown of balance at year-end			
					Held in an equity plan			
Name	Balance at beginning of year[1]	Allocated under remuneration framework[2]	Net change[3]	Balance at year-end[4]	Vested and restricted[5]	Vested and unrestricted[6]	Not vested[7]	Other shares[8]
R G Scott	751,365	159,990	-	911,355	253,687	62,951	338,082	256,635
A N Gianotti	304,244	89,508	-	393,752	108,757	-	184,771	100,224
I Bailey	157,406	34,592	(26,295)	165,703	62,730	-	102,973	-
D A Baxby	136,056	69,954	-	206,010	68,028	-	137,982	-
M D Schneider	205,006	62,032	(16,949)	250,089	103,236	-	146,853	-
Total	1,554,077	416,076	(43,244)	1,926,909	596,438	62,951	910,661	356,859

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 2016 KEEPP Performance Shares, 2017 KEEPP Performance Shares and 2018 KEEPP Deferred Shares and Performance Shares and WESAP and annual incentive shares, as appropriate. WESAP and annual incentive shares are share-based awards received by the executive KMP under other incentive plans prior to commencing as KMP and participating in the KEEPP.

2 This number reflects the equity allocated under the 2019 KEEPP.

3 The net change may include changes due to personal trades and forfeited equity.

4 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 2017 KEEPP Performance Shares, the 2018 KEEPP Performance Shares and the 2019 KEEPP Deferred Shares and Performance Shares and WESAP and annual incentive shares, as appropriate. WESAP and annual incentive shares are share-based awards received by the executive KMP under other incentive plans prior to commencing as KMP and participating in the KEEPP. Where an executive KMP has ceased to be a member of the executive KMP throughout the year, the balance at year-end reflects the balance of equity as at the date they ceased to be an executive KMP.

5 The vested and restricted equity includes any share-based awards received by the executive KMP that are now fully vested but remain subject to a restriction within the incentive plans. This includes the 2016 KEEPP Deferred Shares, 2017 KEEPP Deferred Shares, 2018 KEEPP Deferred Shares and annual incentive shares as appropriate. Annual incentive shares are share-based awards received by the executive KMP under other incentive plans prior to commencing as KMP and participating in the KEEPP. For executive KMP who ceased to be a member of the executive KMP during the financial year, the table reflects their equity holding at the date they ceased to be KMP.

6 The vested and unrestricted equity includes any share-based awards received by the executive KMP that are now fully vested and available to be removed from the incentive plans upon instruction from the executive KMP. For executive KMP who ceased to be a member of the executive KMP during the financial year, the table reflects their equity holding at the date they ceased to be KMP.

7 The unvested equity includes the 2017 KEEPP Performance Shares, the 2018 KEEPP Performance Shares and the 2019 KEEPP Deferred Shares and Performance Shares and WESAP shares, as appropriate. WESAP shares are share-based awards received by the executive KMP under other incentive plans prior to commencing as KMP and participating in the KEEPP. For executive KMP who ceased to be a member of the executive KMP during the financial year, the table reflects their equity holding at the date they ceased to be KMP.

8 This number reflects the fully-paid ordinary shares held directly outside of an equity plan by the executive KMP including their related parties. For executive KMP who ceased to be a member of the executive KMP during the financial year, the table reflects their equity holding at the date they ceased to be KMP.

5.10 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.

The former Managing Director, Wesfarmers Industrials, Mr Baxby, ceased to be a member of the executive KMP on 19 March 2020 when he stepped down from the role and is expected to cease employment with the Group in the 2021 financial year. Mr Baxby's leaving entitlements are expected to be in line with his contractual arrangements and his 2017, 2018, 2019 and 2020 KEEPP allocations will be left on foot and subject to the original conditions. The Board may approve a portion of Mr Baxby's KEEPP Deferred Shares be released on cessation to fund the tax liability arising at that time on the Deferred Shares, subject to any limit under the *Corporations Act 2001*.

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Non-executive director remuneration

6. Non-executive directors

6.1 Overview of non-executive director remuneration policy and arrangements

Our policy objectives and guiding principles	
1	**To be market competitive:** aim to set fees at a level competitive with non-executive directors in comparator companies
2	**To safeguard and preserve independence:** to not include any performance-related element in remuneration

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 Wesfarmers' divisional boards, in addition to Wesfarmers' Board and committee fees 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.

The main Board fees have remained unchanged since 1 January 2017. In December 2019 and on appointment of the new Audit and Risk Committee Chairman, the Board reviewed the fees payable to the non-executive directors having regard to benchmark data, market position and relative fees for Committee work. Following this review, the Board realigned the fee payable to the Audit and Risk Committee Chairman and approved an increase in fees payable to the Remuneration Committee Chairman and members. Details of these fee changes are set out below.

6.2 Non-executive director fees and other benefits

The fees shown in the table below (inclusive of superannuation) took effect from 1 January 2020. The 2019 fees are included for comparison.

Fees/benefits	Description	2020 ($)	2019 ($)
Board fees	**Main Board**[1]		
	Chairman – M A Chaney	770,000	770,000
	Members – all non-executive directors	230,000	230,000
Committee fees	**Audit and Risk Committee**		
	Chairman – S L Warburton[2]	70,000	80,000
	Members – D L Smith-Gander, J A Westacott, S W English	40,000	40,000
	Remuneration Committee		
	Chairman – M Roche	60,000	52,000
	Members – M A Chaney[3], W G Osborn, V M Wallace	30,000	26,000
Superannuation	Made to the Mercer Tailored Super Plan or another regulated superannuation fund. An amount is deducted from gross fees to meet statutory superannuation obligations.		
Other Group fees	Non-executive directors are paid additional fees, where applicable, for participation on the boards of Wesfarmers' related bodies corporate (for example BWP Management Limited). None of the current non-executive directors participate on the boards of Wesfarmers' related bodies corporate.		

1 A Howarth retired from the Board and as Chairman of the Audit and Risk Committee on 14 November 2019.

2 S L Warburton was appointed to the Board of Wesfarmers Limited and as a member of the Audit and Risk Committee, effective 1 August 2019 and became Chairman of the Audit and Risk Committee on 14 November 2019.

3 The Chairman of the Board does not receive a separate fee for membership of any of the Board's committees.

Remuneration report (audited)

6.3 Non-executive director remuneration

The fees paid or payable to the non-executive directors in relation to the 2020 financial year are set out below:

		Short-term benefits			Post-employment benefits	Total
		Fees – Wesfarmers Limited ($)	Fees – Wesfarmers Group ($)	Other benefits[1] ($)	Superannuation[2] ($)	($)
Non-executive directors						
M A Chaney	**2020**	**748,997**	**-**	**28,459**	**21,003**	**798,459**
	2019	749,469	-	15,161	20,531	785,161
S W English	**2020**	**248,997**	**-**	**24,914**	**21,003**	**294,914**
	2019	249,469	-	14,093	20,531	284,093
W G Osborn	**2020**	**236,997**	**-**	**24,914**	**21,003**	**282,914**
	2019	261,469	-	14,093	20,531	296,093
M Roche[3]	**2020**	**275,499**	**-**	**24,914**	**10,501**	**310,914**
	2019	85,897	-	5,097	7,970	98,964
D L Smith-Gander	**2020**	**259,499**	**-**	**24,914**	**10,501**	**294,914**
	2019	249,469	-	14,093	20,531	284,093
V M Wallace	**2020**	**247,499**	**-**	**24,914**	**10,501**	**282,914**
	2019	235,469	-	14,093	20,531	270,093
S L Warburton[4]	**2020**	**247,870**	**-**	**22,804**	**20,027**	**290,701**
J A Westacott	**2020**	**259,499**	**-**	**24,914**	**10,501**	**294,914**
	2019	249,469	-	14,093	20,531	284,093
Former non-executive directors						
A J Howarth[5]	**2020**	**105,562**	**39,353**	**17,810**	**10,073**	**172,798**
	2019	289,469	105,500	14,093	20,531	429,593
P M Bassat[6]	2019	87,827	-	6,412	8,173	102,412
J P Graham[7]	2019	21,333	-	888	-	22,221
Total	**2020**	**2,630,419**	**39,353**	**218,557**	**135,113**	**3,023,442**
	2019	2,479,340	105,500	112,116	159,860	2,856,816

1 Short-term benefits, 'other benefits', includes the cost of directors and officers liability insurance and the cost of other business-related expenses.
2 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.
3 M Roche was appointed as a non-executive director on 19 February 2019.
4 S L Warburton was appointed as a non-executive director on 1 August 2019.
5 A J Howarth retired from the Board, effective 14 November 2019. Mr Howarth received fees for participation on the board of BWP Management Limited.
6 P M Bassat retired from the Board, effective 15 November 2018.
7 J P Graham's fees were paid to Gresham Partners Group Limited for participation on the Board of Wesfarmers Limited. Mr Graham retired from the Board, effective 23 July 2018.

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 and former directors (including their related parties).

Name	Balance at beginning of year[1]	Net change[2]	Balance at year-end[3]
M A Chaney	87,597	-	87,597
S W English	1,082	1,214	2,296
A J Howarth[4]	19,960	337	20,297
W G Osborn	14,728	-	14,728
M Roche	2,000	1,000	3,000
D L Smith-Gander	12,045	-	12,045
V M Wallace	13,483	500	13,983
S L Warburton[5]	-	7,036	7,036
J A Westacott	5,493	1,295	6,788
Total	**156,388**	**11,382**	**167,770**

1 This number reflects the fully-paid ordinary shares held directly as well as vested and unrestricted equity under plans.
2 The net change includes changes due to personal trades.
3 This number reflects the fully-paid ordinary shares held directly as well as vested and unrestricted equity under plans. Where a director ceased to be a director throughout the year, the balance at year-end reflects the balance of equity as at the date they ceased to be a director.
4 A J Howarth retired from the Board and ceased to be a member of the KMP, effective 14 November 2019.
5 The information for S L Warburton reflects her time since appointment to the Board and as a member of the KMP, from 1 August 2019.

Remuneration report (audited)

Other remuneration information

7. Further information on remuneration

7.1 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.

7.2 Other transactions and balances with key management personnel

From time to time, directors of the company 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 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 2020, between Wesfarmers and its KMP and/or their related parties.

8. Independent audit of remuneration report

The remuneration report has been audited by Ernst & Young. Please see page 171 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
23 September 2020

Financial statements

For the year ended 30 June 2020 – Wesfarmers Limited and its controlled entities

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Income statement

For the year ended 30 June 2020

	Note	Consolidated 2020 $m	2019 $m
Continuing operations			
Revenue	1	**30,846**	27,920
Expenses			
Raw materials and inventory		**(19,307)**	(17,240)
Employee benefits expense	2	**(4,990)**	(4,525)
Freight and other related expenses		**(435)**	(381)
Occupancy-related expenses[1]	2	**(446)**	(1,533)
Depreciation and amortisation[1]	2	**(1,528)**	(537)
Impairment expenses	2	**(941)**	-
Other expenses	2	**(1,329)**	(1,198)
Total expenses		**(28,976)**	(25,414)
Other income	1	**661**	239
Share of net profits of associates and joint ventures	21	**213**	229
		874	468
Earnings before finance costs and income tax expense		**2,744**	2,974
Interest on lease liabilities[1]	11	**(237)**	-
Other finance costs	2	**(133)**	(175)
Profit before income tax expense		**2,374**	2,799
Income tax expense	3	**(752)**	(859)
Profit after tax from continuing operations		**1,622**	1,940
Discontinued operations			
Profit after tax from discontinued operations		**75**	3,570
Profit attributable to members of the parent		**1,697**	5,510
Earnings per share attributable to ordinary equity holders of the parent from continuing operations		**cents**	cents
Basic earnings per share		**143.4**	171.5
Diluted earnings per share		**143.3**	171.4
Earnings per share attributable to ordinary equity holders of the parent	16		
Basic earnings per share		**150.0**	487.2
Diluted earnings per share		**149.9**	486.7

[1] The comparative period has not been restated for the adoption of AASB 16, as the Group has applied the standard using the modified retrospective approach. Refer to notes 11 and 30 for further detail.

Statement of comprehensive income

For the year ended 30 June 2020

	Note	Consolidated 2020 $m	2019 $m
Profit attributable to members of the parent		**1,697**	5,510
Other comprehensive income			
Items that may be reclassified to profit or loss:			
Foreign currency translation reserve	15		
Exchange differences on translation of foreign operations		**(4)**	14
Cash flow hedge reserve	15		
Unrealised gains on cash flow hedges		**136**	151
Realised losses transferred to net profit		**-**	2
Realised gains transferred to non-financial assets		**(259)**	(204)
Transfer of hedges to Coles on demerger		**-**	(22)
Share of associates and joint ventures reserves		**(1)**	(2)
Tax effect	3	**37**	24
Items that will not be reclassified to profit or loss:			
Financial assets reserve	15		
Changes in the fair value of financial assets designated at fair value through other comprehensive income		**30**	-
Tax effect	3	**(9)**	-
Retained earnings			
Remeasurement loss on defined benefit plan		**-**	(1)
Tax effect		**-**	-
Other comprehensive loss for the year, net of tax		**(70)**	(38)
Total comprehensive income for the year, net of tax, attributable to members of the parent arising from:			
Continuing operations		**1,552**	1,903
Discontinued operations		**75**	3,569
		1,627	5,472

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Balance sheet

As at 30 June 2020

	Note	Consolidated 2020 $m	2019 $m
ASSETS			
Current assets			
Cash and cash equivalents	4	**2,913**	795
Receivables - trade and other	5	**1,037**	1,027
Inventories	6	**3,844**	4,246
Derivatives	19	**41**	101
Other		**229**	181
Total current assets		**8,064**	6,350
Non-current assets			
Investment in associates and joint ventures	21	**710**	3,393
Other financial assets	7	**1,123**	34
Deferred tax assets[1]	3	**670**	194
Property, plant and equipment	8	**3,623**	3,878
Mineral rights	10	**813**	-
Goodwill and intangible assets	9	**3,814**	4,076
Right-of-use assets[1]	11	**6,212**	-
Derivatives	19	**386**	393
Other		**10**	15
Total non-current assets		**17,361**	11,983
Total assets		**25,425**	18,333
LIABILITIES			
Current liabilities			
Trade and other payables		**4,008**	3,620
Interest-bearing loans and borrowings	17	**503**	356
Lease liabilities[1]	11	**1,019**	-
Income tax payable		**392**	222
Provisions[1]	12	**1,078**	851
Derivatives	19	**81**	7
Other		**189**	160
Total current liabilities		**7,270**	5,216
Non-current liabilities			
Interest-bearing loans and borrowings	17	**2,153**	2,673
Lease liabilities[1]	11	**6,223**	-
Provisions[1]	12	**346**	381
Derivatives	19	**4**	1
Other		**85**	91
Total non-current liabilities		**8,811**	3,146
Total liabilities		**16,081**	8,362
Net assets		**9,344**	9,971
EQUITY			
Equity attributable to equity holders of the parent			
Issued capital	15	**15,818**	15,809
Reserved shares	15	**(89)**	(81)
Retained earnings		**(245)**	(208)
Reserves[1]	15	**(6,140)**	(5,549)
Total equity		**9,344**	9,971

[1] The comparative period has not been restated for the adoption of AASB 16, as the Group has applied the standard using the modified retrospective approach. Refer to notes 11 and 30 for further detail.

Cash flow statement

For the year ended 30 June 2020

	Note	Consolidated 2020 $m	2019 $m
Cash flows from operating activities			
Receipts from customers		**34,197**	48,770
Payments to suppliers and employees[1]		**(28,725)**	(44,892)
Dividends and distributions received from associates		**159**	65
Interest received		**9**	27
Borrowing costs[2]		**(367)**	(170)
Income tax paid		**(727)**	(1,082)
Net cash flows from operating activities[3]	4	**4,546**	2,718
Cash flows from investing activities			
Payments for property, plant and equipment and intangibles	4	**(867)**	(1,356)
Proceeds from sale of property, plant and equipment and intangibles	4	**299**	529
Net proceeds from demerger and sale of businesses		**-**	858
Net proceeds from disposals of interests in associates and other investments		**2,198**	231
Acquisition of subsidiaries, net of cash acquired		**(988)**	(17)
Net cash flows from investing activities		**642**	245
Cash flows from financing activities			
Proceeds from borrowings		**-**	2,000
Repayment of borrowings		**(381)**	(1,164)
Repayment of lease liabilities		**(955)**	-
Equity dividends paid		**(1,734)**	(3,628)
Demerger transaction costs recognised directly in equity		**-**	(59)
Net cash flows used in financing activities		**(3,070)**	(2,851)
Net increase in cash and cash equivalents		**2,118**	112
Cash and cash equivalents at beginning of year		**795**	683
Cash and cash equivalents at end of year	4	**2,913**	795

[1] For FY2020, payments to suppliers and employees exclude the repayment of, and interest paid on, lease liabilities.
[2] For FY2020, borrowing costs include interest paid on lease liabilities.
[3] Net cash flows from operating activities exclude the proportion of lease payments now classified as financing activities following the adoption of AASB 16, being $955 million for the year ended 30 June 2020.

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Statement of changes in equity

For the year ended 30 June 2020

Consolidated	Note	Attributable to equity holders of the parent Issued capital $m	Reserved shares $m	Retained earnings $m	Reserves $m	Total equity $m
Balance at 1 July 2018		22,277	(43)	176	344	22,754
Net profit for the year		-	-	5,510	-	5,510
Other comprehensive income						
Exchange differences on translation of foreign operations	15	-	-	-	14	14
Changes in the fair value of cash flow hedges, net of tax	15	-	-	-	(51)	(51)
Remeasurement loss on defined benefit plan, net of tax	15	-	-	(1)	-	(1)
Total other comprehensive income for the year, net of tax		-	-	(1)	(37)	(38)
Total comprehensive income for the year, net of tax		-	-	5,509	(37)	5,472
Share-based payment transactions		14	-	-	4	18
Capital distribution and demerger dividend		(6,482)	-	-	(8,124)	(14,606)
Transfer of gain on demerger		-	-	(2,264)	2,264	-
Acquisition of shares on-market for Wesfarmers Long Term Incentive Plan (WLTIP)	15	-	(5)	-	-	(5)
Acquisition of shares on-market for Key Executive Equity Performance Plan (KEEPP)	15	-	(33)	-	-	(33)
Equity dividends	14	-	-	(3,629)	-	(3,629)
		(6,468)	(38)	(5,893)	(5,856)	(18,255)
Balance at 30 June 2019 (as previously reported)		**15,809**	**(81)**	**(208)**	**(5,549)**	**9,971**
Adoption of AASB 16, net of tax	30	**-**	**-**	**-**	**(518)**	**(518)**
At 1 July 2019 (restated)		**15,809**	**(81)**	**(208)**	**(6,067)**	**9,453**
Net profit for the year		**-**	**-**	**1,697**	**-**	**1,697**
Other comprehensive income						
Exchange differences on translation of foreign operations	15	**-**	**-**	**-**	**(4)**	**(4)**
Changes in the fair value of cash flow hedges, net of tax	15	**-**	**-**	**-**	**(87)**	**(87)**
Changes in the fair value of financial assets designated at fair value through other comprehensive income, net of tax	15	**-**	**-**	**-**	**21**	**21**
Remeasurement loss on defined benefit plan, net of tax	15	**-**	**-**	**-**	**-**	**-**
Total other comprehensive income for the year, net of tax		**-**	**-**	**-**	**(70)**	**(70)**
Total comprehensive income for the year, net of tax		**-**	**-**	**1,697**	**(70)**	**1,627**
Share-based payment transactions	15	**9**	**-**	**-**	**(3)**	**6**
Acquisition of shares on-market for WLTIP and KEEPP	15	**-**	**(8)**	**-**	**-**	**(8)**
Equity dividends	14	**-**	**-**	**(1,734)**	**-**	**(1,734)**
		9	**(8)**	**(1,734)**	**(3)**	**(1,736)**
Balance at 30 June 2020		**15,818**	**(89)**	**(245)**	**(6,140)**	**9,344**

Notes to the financial statements: About this report

For the year ended 30 June 2020

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 year ended 30 June 2020 was authorised for issue in accordance with a resolution of the directors on 23 September 2020. 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 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 2019. Refer to note 30 for further details; and
- except as outlined in note 30, does not early adopt Accounting Standards and Interpretations that have been issued or amended but are not yet effective.

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.

The impact of COVID-19 has been considered in applying the Group's key judgements and estimates. As these are subject to increased uncertainty, actual outcomes may differ from the applied estimates.

Judgements and estimates which are material to the financial report are found in the following notes:

Page		
128	Note 1	Revenue and other income
130	Note 3	Tax expense
132	Note 6	Inventories
133	Note 8	Property, plant and equipment
134	Note 9	Goodwill and intangible assets
135	Note 11	Leases
137	Note 12	Provisions
150	Note 20	Impairment of non-financial assets
152	Note 21	Associates and joint arrangements

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 22.

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 intragroup transactions have been eliminated. Subsidiaries are consolidated from the date on which control is obtained to the date on which control is disposed. The acquisition of subsidiaries is 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 profit or loss. Any investment retained is recognised at fair value.

Foreign currency

The functional currencies of overseas subsidiaries are listed in note 22. 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 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 2020

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 in the current reporting period

Acquisition of Catch Group Holdings Limited

On 12 August 2019, Wesfarmers, through its wholly-owned subsidiary Wesfarmers Online Retail Holdings Pty Ltd, completed the acquisition of Catch Group Holdings Limited (Catch) for consideration of $230 million. Refer to note 23 for further details.

Acquisition of Kidman Resources Limited

On 23 September 2019, Wesfarmers, through its wholly-owned subsidiary Wesfarmers Lithium Pty Ltd, completed the acquisition of all of the issued ordinary shares in Kidman Resources Limited (Kidman). The cash payment of $1.90 per share to Kidman shareholders was funded from existing banking facilities. Wesfarmers holds a 50 per cent interest in the Mt Holland lithium project based in Western Australia. Refer to note 23 for further details.

Sale of interest in Coles Group Limited

On 18 February 2020, Wesfarmers announced that it had executed the sale of 4.9 per cent of the issued capital of Coles Group Limited (Coles) for proceeds of $1,047 million, net of transaction costs. On 30 March 2020, Wesfarmers announced that it had entered into an agreement to sell a further 5.2 per cent of the issued capital of Coles for proceeds of $1,062 million, net of transaction costs.

The pre-tax gain on sale of the 10.1 per cent interest in Coles is $290 million (post-tax $203 million) and a further pre-tax gain of $220 million (post-tax $154 million) was recognised on the revaluation of the Group's retained interest in Coles. The retained interest in Coles at 30 June 2020 is recognised as a financial asset measured at fair value through other comprehensive income (FVOCI). Refer to note 21 for further details.

Adoption of AASB 16 *Leases*

Wesfarmers has applied AASB 16 from 1 July 2019. Wesfarmers as a lessee under AASB 16 has recognised right-of-use assets representing its right to use the underlying leased assets and lease liabilities representing its obligations to make lease payments.

The Group has separately recognised the interest expense on the lease liabilities and the depreciation expense of the right-of-use assets. Refer to notes 11 and 30 for further details.

Impairment

Industrial and Safety

The carrying value of the Industrial and Safety CGU exceeded its recoverable amount and a pre-tax impairment of $310 million (post-tax $298 million) was recognised in 'impairment expenses', which included pre-tax impairments against goodwill of $270 million (post-tax $270 million) and other assets of $40 million (post-tax $28 million). Refer to note 20 for further details.

Kmart Group

During the year, the first phase of the strategic review into the operations of Target was completed, identifying a number of actions to accelerate the growth of Kmart and address the unsustainable financial performance of Target. These actions included the conversion of suitable Target stores to Kmart stores, the closure of a number of Target stores and a restructuring of the Target store support office.

Restructuring costs and provisions of $110 million (post-tax $83 million) were recognised for the above identified actions. In conjunction with the restructuring and as a result of the under-performance of Target stores, an impairment in the Kmart Group – Target business of $525 million (post-tax $437 million) was recognised in 'impairment expenses'. Refer to note 20 for further details on the impairment of the Kmart Group – Target business.

Impact of COVID-19

COVID-19 had significant impacts on the Group in financial year 2020 including:

- Retail sales being impacted by significant volatility in foot traffic, driven by government restrictions, physical distancing requirements and customers spending more time at home;
- Significant variation in demand across categories temporarily impacting stock availability in some areas, while bringing forward some purchases from future periods;
- Lower inventory and higher payables at year end, resulting in a favourable but temporary cash flow benefit;
- Government stimulus measures designed to provide income support to households and businesses having a positive impact on the Group's retail sales result; and
- Approximately $40 million in wage subsidies (less than one per cent of total team member payments) passed on to team members during financial year 2020, almost entirely relating to New Zealand.

Notes to the financial statements: Segment information

For the year ended 30 June 2020

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

- Retailer of building material and home and garden improvement products; and
- Servicing project builders and the housing industry.

Kmart Group

Kmart

- Retailer of apparel and general merchandise, including toys, leisure, entertainment, home and consumables.

Target

- Retailer of apparel, homewares and general merchandise, including accessories, electricals and toys.

Catch

- Online retailer offering branded products on a first-party basis and a third-party online marketplace.

Officeworks

- Retailer and supplier of office products and solutions for home, small-to-medium sized businesses, and education.

Chemicals, Energy and Fertilisers (WesCEF)

- Manufacturer and marketing of chemicals for industry, mining and mineral processing;
- Manufacturer and marketing of broadacre and horticultural fertilisers;
- Marketing and distributor of LPG and LNG;
- LPG and LNG extraction for domestic and export markets;
- Manufacturer of wood-plastic composite decking and screening products; and
- 50 per cent joint venture partner of the Mt Holland lithium project.

Industrial and Safety (WIS)

- Supplier and distributor of maintenance, repair and operating products;
- Manufacturer and marketing of industrial 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.

Other

Includes:

- *Food and staples retailing:* 4.9 per cent (2019: 15.0 per cent) interest in Coles Group Limited;
- *Forest products:* non-controlling interest in Wespine Industries Pty Ltd;
- *Property:* non-controlling interest in BWP Trust;
- *Investment banking:* non-controlling interest in Gresham Partners Group Limited; and
- *Corporate:* includes treasury, head office, central 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.

Revenues from contracts with customers by segment for FY2020

	$m	%
Bunnings	14,996	48.8
Kmart Group	9,152	29.8
Officeworks	2,775	9.0
WesCEF	2,081	6.8
WIS	1,745	5.6
Other	4	0.0

Segment result for FY2020[1]

	$m	%
Bunnings	1,826	62.1
Kmart Group	410	13.9
Officeworks	197	6.7
WesCEF	394	13.4
WIS	39	1.3
Other	76	2.6

[1] Excludes significant items.

Notes to the financial statements: Segment information

For the year ended 30 June 2020

Notes to the financial statements: Segment information

For the year ended 30 June 2020

Segment information

The financial results for the comparative period were not restated upon the adoption of AASB 16. Earnings before interest, tax and depreciation and amortisation (EBITDA), depreciation and amortisation and interest on lease liabilities are therefore not comparable.

	BUNNINGS[1]		KMART GROUP		OFFICEWORKS		WesCEF		WIS		OTHER[2]		CONSOLIDATED	
	2020 $m	2019 $m	**2020 $m**	2019 $m	**2020 $m**	2019 $m	**2020 $m**	2019 $m	**2020 $m**	2019 $m	**2020 $m**	2019 $m	**2020 $m**	2019 $m
Revenue from contracts with customers	**14,996**	13,162	**9,152**	8,540	**2,775**	2,305	**2,081**	2,075	**1,745**	1,752	**4**	(16)	**30,753**	27,818
Other revenue	**3**	4	**65**	58	**12**	9	**4**	3	**-**	-	**9**	28	**93**	102
Segment revenue	**14,999**	13,166	**9,217**	8,598	**2,787**	2,314	**2,085**	2,078	**1,745**	1,752	**13**	12	**30,846**	27,920
EBITDA	**2,601**	1,818	**1,113**	733	**307**	195	**481**	513	**121**	124	**84**	128	**4,707**	3,511
Depreciation and amortisation	**(658)**	(192)	**(601)**	(193)	**(99)**	(28)	**(86)**	(80)	**(77)**	(38)	**(7)**	(6)	**(1,528)**	(537)
Interest on lease liabilities	**(117)**	-	**(102)**	-	**(11)**	-	**(1)**	-	**(5)**	-	**(1)**	-	**(237)**	-
Segment result	**1,826**	1,626	**410**	540	**197**	167	**394**	433	**39**	86	**76**	122	**2,942**	2,974
Items not included in segment result[2,3]	**-**	-	**(635)**	-	**-**	-	**-**	-	**(310)**	-	**510**	-	**(435)**	-
Other finance costs													**(133)**	(175)
Profit before income tax expense													**2,374**	2,799
Income tax expense													**(752)**	(859)
Profit attributable to members of the parent													**1,622**	1,940
Other segment information														
Segment assets	**8,163**	5,118	**5,725**	3,755	**1,819**	1,531	**2,450**	1,563	**1,585**	1,752	**4,303**	1,027	**24,045**	14,746
Investments in associates and joint ventures	**17**	17	**-**	-	**-**	-	**87**	89	**-**	-	**606**	3,287	**710**	3,393
Tax assets											**670**	194	**670**	194
Total assets													**25,425**	18,333
Segment liabilities	**(6,062)**	(1,983)	**(4,518)**	(1,476)	**(1,028)**	(559)	**(458)**	(392)	**(543)**	(348)	**(424)**	(353)	**(13,033)**	(5,111)
Tax liabilities											**(392)**	(222)	**(392)**	(222)
Interest-bearing loans and borrowings											**(2,656)**	(3,029)	**(2,656)**	(3,029)
Total liabilities													**(16,081)**	(8,362)
Segment net assets	**2,118**	3,152	**1,207**	2,279	**791**	972	**2,079**	1,260	**1,042**	1,404	**2,107**	904	**9,344**	9,971
Other net assets[4]	**(1,790)**	(2,599)	**354**	(488)	**286**	40	**(853)**	(768)	**(668)**	(1,008)	**2,671**	4,823	**-**	-
Net assets	**328**	553	**1,561**	1,791	**1,077**	1,012	**1,226**	492	**374**	396	**4,778**	5,727	**9,344**	9,971
Capital expenditure[5]	**511**	470	**132**	199	**40**	42	**114**	58	**59**	83	**5**	-	**861**	852
Share of net profit or loss of associates and joint ventures included in segment result	**-**	-	**-**	-	**-**	-	**12**	14	**-**	-	**201**	215	**213**	229

1 The 2020 Bunnings segment result includes a net property contribution of $16 million (2019: $85 million). Due to the adoption of AASB 16, $20 million of the gain on sale and leaseback transactions that would have been recognised on execution of the sale under AASB 117 *Leases* (AASB 117) instead reduces the carrying amount of the retained right-of-use asset and will be realised in the income statement over the lease term through reduced depreciation expense.

2 The 2020 Other segment result includes the share of profits from Wesfarmers' interest in Coles when it was an associate and accounted for using the equity method but excludes the gain of $290 million on the sale of 10.1 per cent of the interest in Coles and a gain of $220 million on the revaluation of the retained 4.9 per cent interest in Coles. The 2019 Other segment result includes the gain on disposal of Wesfarmers' direct and indirect interest in Barminco and subsequent increase in the fair value of Wesfarmers' indirect interest in Ausdrill shares totalling $61 million.

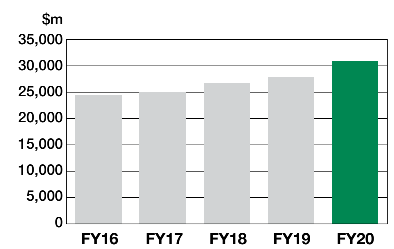
3 The 2020 Kmart Group segment result excludes impairments of the Target brand name and other assets of $525 million and restructuring costs and provisions of $110 million. The 2020 WIS segment result excludes impairment of $310 million.

4 Other net assets relate predominantly to intercompany financing arrangements and segment tax balances.

5 Capital expenditure includes accruals for costs incurred during the year. The amount excluding movements in accruals is $867 million (2019: $861 million).

Total revenue
from continuing operations

$30,846m ▲10.5%



	$m
FY20	**30,846**
FY19	27,920
FY18	26,763
FY17	25,083
FY16	24,419

Geographical information

The table below provides information on the geographical location of revenue and non-current assets (other than financial instruments, deferred tax assets and pension assets). Revenue from external customers is allocated to a geography based on the location of the operation in which it was derived. Revenue from contracts with customers disaggregated by geographic location is materially consistent with the table below. Non-current assets are allocated based on the location of the operation to which they relate. The comparative period has not been restated for the adoption of AASB 16.

	Revenue		Non-current assets	
	2020 $m	2019 $m	**2020 $m**	2019 $m
Australia	**28,688**	25,786	**14,439**	11,082
New Zealand	**2,101**	2,066	**711**	257
United Kingdom	**35**	41	**2**	4
Other	**22**	27	**22**	10
	30,846	27,920	**15,174**	11,353

Notes to the financial statements: Group performance

For the year ended 30 June 2020

1. Revenue and other income from continuing operations

	Consolidated 2020 $m	2019 $m
Revenue from contracts with customers		
Sale of retail goods in store	**25,039**	23,042
Sale of retail goods online	**1,814**	947
Sale of fertilisers, chemicals, speciality gases, LPG and LNG	**2,074**	2,067
Sale of industrial products	**1,699**	1,700
Services revenue	**127**	62
	30,753	27,818
Other revenue		
Interest revenue	**10**	26
Other	**83**	76
	93	102
Total revenue	**30,846**	27,920
Other income		
Gain on sale of associate	**290**	-
Gains on disposal of property, plant and equipment and other assets	**8**	124
Other[1]	**363**	115
Total other income	**661**	239

[1] Other includes a $220 million gain recognised on the revaluation of the Group's retained 4.9 per cent interest in Coles.

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 sale of the following finished goods:

- Merchandise direct to customers through the Group's retail operations either through the sale of retail goods in store or online. Control of goods typically passes at the point of sale (refer to Bunnings, Kmart Group and Officeworks in the Segment information).
- Sales to commercial customers under contracts, of products:
  - i. for which the Group has distribution rights, principally related to industrial maintenance and industrial safety (refer to WIS in the Segment information); and
  - ii. produced or purchased by the Group including fertilisers, chemicals, speciality gases, LPG and LNG (refer to WesCEF in the Segment information).

The Group's contracts with customers for the sale of goods generally include one performance obligation. Revenue for the sale of goods is recognised at the point in time when control of the asset is transferred to the customer, typically at either the point of sale or at the time of delivery of the goods to the customer. Cash payment is generally received at the point of sale. Revenue from Layby 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.

Dividends

Revenue from dividends, other than those arising from associates, is recognised when the Group's right to receive the payment is established.

Operating lease rental revenue

Operating lease revenue consists of rentals from investment properties and sub-lease rentals. Rentals received under operating leases and initial direct costs are recognised on a straight-line basis over the term of the lease.

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 2020, $96 million of revenue is deferred in relation to gift cards (2019: $83 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 judgement: flybuys

The Group is a participant in the flybuys loyalty program whereby eligible customers are granted loyalty points based on the dollars they spend. Following the demerger of Coles and the loss of control of Loyalty Pacific Pty Ltd, the Group has concluded that they are 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 2020

2. Expenses from continuing operations

	Consolidated 2020 $m	2019 $m
Remuneration, bonuses and on-costs	**4,573**	4,140
Superannuation expense	**325**	303
Share-based payments expense	**92**	82
Employee benefits expense	**4,990**	4,525
Minimum lease payments	**-**	1,176
Short-term and low-value lease payments	**23**	-
Contingent rental payments	**30**	76
Outgoings and other	**393**	281
Occupancy-related expenses[1]	**446**	1,533
Depreciation	**433**	424
Depreciation of right-of-use assets	**964**	-
Amortisation of intangibles	**61**	47
Amortisation other	**70**	66
Depreciation and amortisation	**1,528**	537
Impairment of property, plant and equipment	**168**	-
Impairment of goodwill and intangible assets	**551**	-
Impairment of right-of-use assets	**198**	-
Impairment of trade and other receivables	**24**	-
Impairment expenses	**941**	-
Repairs and maintenance	**209**	219
Utilities and office expenses	**486**	440
Insurance expenses	**53**	113
Other	**581**	426
Other expenses	**1,329**	1,198
Interest on interest-bearing loans and borrowings	**113**	153
Discount rate adjustment	**3**	7
Amortisation of debt establishment costs	**5**	3
Other finance related costs	**12**	12
Other finance costs	**133**	175

[1] The Group adopted AASB 16 from 1 July 2019. Had the Group's previous accounting policies under AASB 117 been applied for the current year, the total occupancy-related expenses would have been $1,638 million. Refer to note 11 for further details.

Recognition and measurement

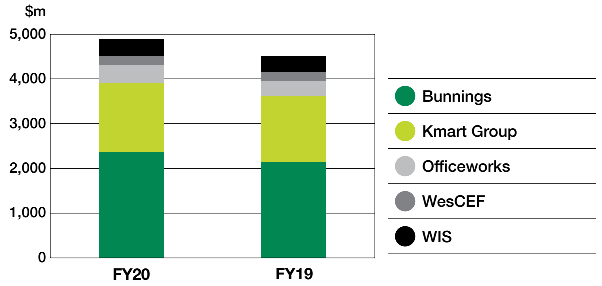
Employee benefits expense

The Group's accounting policy for liabilities associated with employee benefits is set out in note 12. 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.

Employee benefits expense by segment

from continuing operations



Depreciation and amortisation

Refer to notes 8, 9 and 11 for details on depreciation and amortisation.

Impairment

Impairment expenses are recognised to the extent that the carrying amounts of assets exceed their recoverable amounts. Refer to notes 18(d) and 20 for further details on impairment.

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 (excluding non-interest costs) applicable to its outstanding borrowings during the year. For financial year 2020, had there been major long-term construction projects, the weighted average interest rate applicable would have been 4.30 per cent (2019: 4.66 per cent).

Notes to the financial statements: Group performance

For the year ended 30 June 2020

3. Tax expense

The major components of tax expense are:	Consolidated 2020 $m	2019 $m
Income statement (continuing operations)		
Current income tax expense		
Current year (paid or payable)	**932**	810
Adjustment for prior years	**(4)**	10
Deferred income tax expense		
Temporary differences	**(193)**	39
Adjustment for prior years	**17**	-
Income tax expense reported in the income statement	**752**	859
Statement of changes in equity		
Net loss on revaluing cash flow hedges	**(37)**	(24)
Net gain on revaluing financial assets	**9**	-
Income tax benefit reported in equity	**(28)**	(24)
Tax reconciliation (continuing operations)		
Profit before tax	**2,374**	2,799
Income tax rate at the statutory rate of 30%	**712**	840
Adjustments relating to prior years	**13**	10
Non-deductible items	**156**	12
Share of results of associates and joint ventures	**(32)**	(14)
Utilisation of previously unrecognised tax losses	**(80)**	-
Other	**(17)**	11
Income tax on profit before tax	**752**	859
Deferred income tax in the balance sheet relates to the following:		
Provisions	**271**	113
Employee benefits	**250**	211
Accruals and other payables	**58**	66
Interest-bearing loans and borrowings	**161**	151
Leases	**229**	-
Derivatives	**26**	2
Inventories	**52**	49
Property, plant and equipment	**144**	138
Other individually insignificant balances	**70**	65
Deferred tax assets	**1,261**	795
Accelerated depreciation for tax purposes	**128**	123
Derivatives	**128**	148
Accrued income and other	**222**	260
Intangible assets	**16**	8
Other individually insignificant balances	**97**	62
Deferred tax liabilities	**591**	601
Net deferred tax asset	**670**	194
Deferred income tax in the income statement relates to the following:		
Provisions	**(139)**	2
Depreciation, amortisation and impairment	**(21)**	(13)
Other individually insignificant balances	**(16)**	50
Deferred tax expense	**(176)**	39

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 taxable profit 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 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 taxable profit will not be available to utilise the temporary differences.

Deferred tax liabilities are also not recognised on recognition of goodwill.

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 capital losses, which can only be offset against eligible capital gains. The Group has determined that at this stage future eligible capital gains to utilise the tax assets are not currently sufficiently probable. The unrecognised deferred tax assets of $30 million (2019: $39 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.

Notes to the financial statements: Group balance sheet

For the year ended 30 June 2020

4. Cash and cash equivalents

	Consolidated 2020 $m	2019 $m
For the purpose of the cash flow statement, cash and cash equivalents comprise the following:		
Cash on hand and in transit	**172**	266
Cash at bank and on deposit	**2,741**	529
	2,913	795
Reconciliation of net profit after tax to net cash flows from operations		
Net profit	**1,697**	5,510
Non-cash items		
Depreciation and amortisation	**1,528**	810
Impairment of assets	**941**	23
Gain on disposal/demerger of businesses	**-**	(3,266)
Net gain on disposal of non-current assets including investments and associates	**(495)**	(249)
Share of net profits of associates and joint ventures	**(213)**	(233)
Dividends and distributions received from associates	**159**	65
Discount adjustment in borrowing costs	**3**	7
Other	**6**	(39)
(Increase)/decrease in assets		
Receivables - trade and other	**(34)**	109
Inventories	**443**	(557)
Prepayments	**(32)**	(83)
Deferred tax assets	**(225)**	130
Other assets	**(7)**	(3)
Increase/(decrease) in liabilities		
Trade and other payables	**346**	473
Current tax payable	**173**	(78)
Provisions	**224**	129
Other liabilities	**32**	(30)
Net cash flows from operating activities	**4,546**	2,718

Net cash capital expenditure	Consolidated 2020 $m	2019 $m
Cash capital expenditure		
Payment for property	**243**	323
Payment for plant and equipment	**506**	975
Payment for intangibles	**118**	58
	867	1,356
Proceeds from sale of property, plant, equipment and intangibles	**299**	529
Net cash capital expenditure	**568**	827

Cash capital expenditure by segment for FY2020

	$m	%
Bunnings	511	58.9
Kmart Group	142	16.4
Officeworks	40	4.6
WesCEF	110	12.7
WIS	59	6.8
Other	5	0.6

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 18(d) for credit risk disclosures.

Notes to the financial statements: Group balance sheet

For the year ended 30 June 2020

5. Receivables

	Consolidated 2020 $m	2019 $m
Trade and other		
Trade receivables	**890**	948
Allowance for credit losses	**(23)**	(47)
Other debtors	**170**	126
	1,037	1,027
Allowance for credit losses		
Movements in the allowance for credit losses account were as follows:		
Carrying amount at beginning of year	**47**	58
Allowance for credit losses recognised	**26**	3
Write-offs	**(48)**	-
Unused amount reversed	**(2)**	(2)
Disposal/demerger of controlled entity	**-**	(12)
Carrying amount at the end of the year	**23**	47

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.

Trade receivables

Trade receivables generally have terms of up to 30 days. 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 18(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 outside the usual operating activities of the Group. They do not contain impaired assets and are not past due. It is expected that other debtors' balances will be received when due.

6. Inventories

	Consolidated 2020 $m	2019 $m
Raw materials	**30**	30
Finished goods	**3,806**	4,209
Right of return assets	**8**	7
	3,844	4,246

Inventories recognised as an expense from continuing operations for the year ended 30 June 2020 totalled $20,084 million (2019: $18,072 million).

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 and work in progress:* cost of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity.
- *Retail and wholesale merchandise 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 expense relating to inventory writedowns during the year was $42 million (2019: reversal of $3 million). Any reasonably possible change in the estimate is 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 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 2020 $m	2019 $m
Financial assets measured at FVOCI	**1,122**	33
Other	**1**	1
	1,123	34

The carrying value of the Group's retained interest of 4.9 per cent in Coles at 30 June 2020 was $1,122 million. No dividends were received from Coles for the period 31 March 2020 to 30 June 2020. Refer to note 21 for further details.

Recognition and measurement

The Group's other financial assets primarily comprise equity instruments measured at FVOCI. Fair value gains and losses are presented in OCI and there is no subsequent reclassification of fair value gains and losses to profit and loss on the derecognition. Dividends are recognised in profit or loss as other income when the Group's right to payment is established.

Notes to the financial statements: Group balance sheet

For the year ended 30 June 2020

8. Property, plant and equipment

Consolidated	Land $m	Buildings $m	Leasehold improvements $m	Plant, vehicles and equipment $m	Mineral lease and development $m	Total $m
Year ended 30 June 2020						
Gross carrying amount - at cost	**392**	**555**	**864**	**6,960**	**-**	**8,771**
Accumulated depreciation and impairment	**-**	**(151)**	**(455)**	**(4,542)**	**-**	**(5,148)**
Net carrying amount	**392**	**404**	**409**	**2,418**	**-**	**3,623**
Movement						
Net carrying amount at beginning of year	**448**	**371**	**442**	**2,617**	**-**	**3,878**
Additions	**33**	**210**	**70**	**405**	**-**	**718**
Disposals and write-offs	**(107)**	**(146)**	**(3)**	**(26)**	**-**	**(282)**
Impairment	**-**	**-**	**(34)**	**(134)**	**-**	**(168)**
Depreciation and amortisation	**-**	**(12)**	**(71)**	**(420)**	**-**	**(503)**
Acquisition of controlled entities	**-**	**-**	**-**	**27**	**-**	**27**
Transfers	**18**	**(18)**	**5**	**(45)**	**-**	**(40)**
Other including foreign exchange movements	**-**	**(1)**	**-**	**(6)**	**-**	**(7)**
Net carrying amount at the end of the year	**392**	**404**	**409**	**2,418**	**-**	**3,623**
Assets under construction included above:	**-**	**211**	**50**	**189**	**-**	**450**
Year ended 30 June 2019						
Gross carrying amount - at cost	448	519	793	6,705	-	8,465
Accumulated depreciation and impairment	-	(148)	(351)	(4,088)	-	(4,587)
Net carrying amount	448	371	442	2,617	-	3,878
Movement						
Net carrying amount at beginning of year	1,142	778	906	5,484	98	8,408
Additions	108	203	123	772	1	1,207
Disposals and write-offs	(802)	(595)	(497)	(3,037)	(99)	(5,030)
Depreciation and amortisation	-	(12)	(95)	(607)	-	(714)
Transfers	-	(4)	4	-	-	-
Other including foreign exchange movements	-	1	1	5	-	7
Net carrying amount at the end of the year	448	371	442	2,617	-	3,878
Assets under construction included above:	-	99	39	200	-	338

Recognition and measurement

The carrying value of property, plant and equipment is measured as the cost of the asset, less accumulated depreciation 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.

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 and equipment is between three and 40 years. Land is not depreciated.

Expenditure on mining areas of interest in which production has commenced is amortised over the life of the mine, based on the rate of depletion of the economically recoverable reserves.

Leasehold improvements are amortised over the period of the lease or the anticipated useful life of the improvements, whichever is shorter.

Impairment

Refer to note 20 for details on impairment testing.

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.

Key estimates: property, plant and equipment

The estimations of useful lives, residual value 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 specific assets or groups of assets, such as changes in store performance or changes in the long-term commodity price forecasts. 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 value or amortisation methods.

Notes to the financial statements: Group balance sheet

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9. Goodwill and intangible assets

Consolidated	Goodwill $m	Brand $m	Contractual and non-contractual relationships[1] $m	Software $m	Gaming and liquor licences $m	Total $m
Year ended 30 June 2020						
Gross carrying amount - at cost	**3,459**	**875**	**71**	**468**	**-**	**4,873**
Accumulated amortisation and impairment	**(493)**	**(257)**	**(29)**	**(280)**	**-**	**(1,059)**
Net carrying amount	**2,966**	**618**	**42**	**188**	**-**	**3,814**
Movement						
Net carrying amount at beginning of year	**3,090**	**831**	**22**	**133**	**-**	**4,076**
Additions	**-**	**-**	**5**	**115**	**-**	**120**
Acquisition of controlled entities	**148**	**20**	**22**	**12**	**-**	**202**
Transfers	**(2)**	**-**	**-**	**42**	**-**	**40**
Disposals and write-offs	**-**	**-**	**-**	**(12)**	**-**	**(12)**
Impairment	**(270)**	**(231)**	**-**	**(50)**	**-**	**(551)**
Amortisation for the year	**-**	**(2)**	**(7)**	**(52)**	**-**	**(61)**
Other including foreign exchange movements	**-**	**-**	**-**	**-**	**-**	**-**
Net carrying amount at end of year	**2,966**	**618**	**42**	**188**	**-**	**3,814**
Year ended 30 June 2019						
Gross carrying amount - at cost	3,313	855	44	313	-	4,525
Accumulated amortisation and impairment	(223)	(24)	(22)	(180)	-	(449)
Net carrying amount	3,090	831	22	133	-	4,076
Movement						
Net carrying amount at beginning of year	13,491	3,654	38	519	158	17,860
Additions	21	-	-	50	-	71
Disposals and write-offs	(10,422)	(2,821)	(13)	(346)	(158)	(13,760)
Amortisation for the year	-	(2)	(3)	(90)	-	(95)
Other including foreign exchange movements	-	-	-	-	-	-
Net carrying amount at end of year	3,090	831	22	133	-	4,076

[1] 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.

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. Refer to note 20 for further details on impairment.

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 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 is reviewed at each financial year-end. Intangible assets with indefinite lives are tested for impairment in the same way as goodwill. Refer to note 20 for further details on impairment.

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	Finite (up to 15 years)
Software	Finite (up to seven years)

[1] Includes trade names and other intangible assets with characteristics of a brand.

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.

Key judgement: useful lives of intangible assets

Certain brands have been assessed as having indefinite 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.

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For the year ended 30 June 2020

9. Goodwill and intangible assets (continued)

	Consolidated 2020 $m	2019 $m
Allocation of goodwill to groups of cash generating units		
Carrying amount of goodwill		
Bunnings	**876**	868
Kmart Group	**856**	716
Officeworks	**816**	818
WesCEF	**2**	2
WIS	**416**	686
	2,966	3,090
Allocation of indefinite life intangible assets to groups of cash generating units		
Carrying amount of intangibles		
Bunnings	**1**	1
Kmart Group	**435**	648
Officeworks	**160**	160
WIS	**22**	22
	618	831

10. Mineral rights

Consolidated	2020 $m
Movement	
Net carrying amount at the beginning of the year	**-**
Acquisitions	**790**
Additions	**23**
Disposals and write-offs	**-**
As at 30 June 2020	**813**

Recognition and measurement

Exploration activity involves the search for mineral resources, the determination of technical feasibility and the assessment of commercial viability of an identified resource.

Exploration and evaluation expenditure in relation to separate areas of interest for which rights of tenure are current, is capitalised and carried forward as an asset in the balance sheet where it is expected that the expenditure will be recovered through the successful development and exploitation of an area of interest, or by its sale; or where exploration activities have not yet reached a stage which permits a reasonable estimate of the existence or otherwise of economically recoverable reserves.

An exploration and evaluation asset shall be reclassified to mineral lease and development when the technical feasibility and commercial viability of extracting the resource are demonstrable.

Refer to note 20 for details on impairment testing.

11. 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 $m	Total $m
Year ended 30 June 2020				
Gross carrying amount - at cost	**46**	**7,263**	**27**	**7,336**
Accumulated depreciation and impairment	**(4)**	**(1,116)**	**(4)**	**(1,124)**
Net carrying amount	**42**	**6,147**	**23**	**6,212**
Movement				
At 1 July 2019 (restated)	**48**	**6,287**	**17**	**6,352**
Net additions	**(2)**	**992**	**10**	**1,000**
Acquisition of controlled entities	**-**	**32**	**-**	**32**
Impairment	**-**	**(198)**	**-**	**(198)**
Depreciation expense	**(4)**	**(956)**	**(4)**	**(964)**
Other including foreign exchange movements	**-**	**(10)**	**-**	**(10)**
Net carrying amount at the end of the year	**42**	**6,147**	**23**	**6,212**

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11. Leases (continued)

Set out below are the carrying amounts of the lease liabilities and the movements during the year.

Consolidated	2020 $m
At 1 July 2019 (restated)	7,275
Additions	896
Acquisition of controlled entities	38
Accretion of interest	237
Lease payments	(1,192)
Other including foreign exchange movements	(12)
Carrying amount at 30 June 2020	7,242
Current	1,019
Non-current	6,223

The maturity profile of the Group's lease liabilities based on contractual undiscounted payments is provided in note 18(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 69 per cent of the Group's leases. The number and extent of available lease extension options differs considerably between leases. Where the Group has deemed the exercise of an extension option as reasonably certain, the next available option period associated with the lease has been included in the lease term and is therefore incorporated in the recorded lease liability of $7,242 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 or contingent liabilities of the Group at 30 June 2020.

The following are the lease-related amounts recognised in the income statement.

Consolidated	2020 $m
Depreciation of right-of-use assets	964
Interest on lease liabilities	237
Short-term and low-value lease payments (included in occupancy-related expenses)	23
Variable lease payments (included in occupancy-related expenses)	30
Total amount recognised in the income statement	1,254

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 initially measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, 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 building assets are between one and 40 years and right-of-use plant, vehicles and equipment 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 2020

	$m	%
Bunnings	3,727	51.5
Kmart Group	2,943	40.6
Officeworks	343	4.7
WesCEF	27	0.4
WIS	167	2.3
Other	35	0.5

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11. 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, the lease term is 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 area. As at 30 June 2020, the rates were between 1.8 and 3.8 per cent. 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.

12. Provisions

	Consolidated 2020 $m	2019 $m
Current		
Employee benefits	723	605
Self-insured risks	149	127
Restructuring and make good	124	39
Other	82	80
	1,078	851
Non-current		
Employee benefits	97	84
Self-insured risks	116	109
Restructuring and make good	125	44
Lease provision	-	138
Other	8	6
	346	381
Total provisions	1,424	1,232

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 benefit provision balances are calculated using discount rates derived from the high-quality corporate bond (HQCB) market in Australia provided by Milliman Australia.

Employee benefit provisions have been calculated using discount rates of between 0.6 and 2.7 per cent (2019: between 1.5 and 2.9 per cent).

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12. 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. It is measured as the present value of expected future payments for the services provided by employees up to the reporting date. 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

Long service leave is measured using the projected unit credit method. Management judgement is required in determining the following key assumptions used in the calculation of long service leave at 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 $364 million (2019: $327 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 estimates is unlikely to have a material impact.

Mine rehabilitation

Mining lease agreements impose obligations to remediate areas where mining activity has taken place. Provisions for remediation have been calculated assuming current technologies. As part of the valuation methodology, the risks are incorporated in the cash flows rather than the discount rates.

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.

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.

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.

	Lease provision $m	Self-insured risks $m	Mine rehabilitation $m	Restructuring and make good $m	Other $m	Total $m
Carrying amount at 1 July 2018	252	585	45	80	436	1,398
Arising during year	10	141	1	182	36	370
Utilised	(2)	(136)	-	(34)	(31)	(203)
Disposal/demerger of controlled entities	(122)	(354)	(46)	(145)	(355)	(1,022)
Carrying amount at 30 June 2019	138	236	-	83	86	543
Adoption of AASB 16	(138)	-	-	(31)	(14)	(183)
At 1 July 2019 (restated)	**-**	**236**	**-**	**52**	**72**	**360**
Arising and acquired during year	**-**	**107**	**-**	**220**	**41**	**368**
Utilised	**-**	**(78)**	**-**	**(23)**	**(23)**	**(124)**
Carrying amount at 30 June 2020	**-**	**265**	**-**	**249**	**90**	**604**

Notes to the financial statements: Capital

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13. Capital management

The Group's capital management objectives

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 that cost of capital; and
- ensuring a satisfactory return is made on any new capital invested.

Capital is defined as the combination of shareholders' equity, reserves and net financial debt. 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. Wesfarmers aims to maintain a capital structure that is consistent with a stable investment grade credit rating.

	Note	Consolidated 2020 $m	Consolidated 2019 $m
Equity and reserves			
Issued capital	15	**15,818**	15,809
Reserved shares	15	**(89)**	(81)
Retained earnings		**(245)**	(208)
Reserves	15	**(6,140)**	(5,549)
		9,344	9,971
Net debt[1]			
Total interest-bearing loans and borrowings	17	**2,656**	3,029
Less: cash and cash equivalents	4	**(2,913)**	(795)
		(257)	2,234
Total capital employed		**9,087**	12,205

1 Net debt excludes lease liabilities as at 30 June 2020.

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 cash interest cover, debt cover and fixed charges cover. The principal external measures are the Group's credit ratings from Standard & Poor's and Moody's.

	Consolidated[1] 2020 $m	Consolidated[1] 2019[2] $m
Cash interest cover		
Profit before income tax	**2,374**	6,643
Finance costs	**370**	175
Depreciation and amortisation	**1,528**	809
EBITDA (A)	**4,272**	7,627
Net cash interest paid (B)	**120**	143
Cash interest cover (times) (A/B)	**35.6**	53.3
Adjusted EBITDA[3,4] (C)	**4,707**	4,370
Cash interest cover (times)(C/B) (applying adjusted EBITDA)	**39.3**	30.6
Debt cover		
Total interest-bearing loans and borrowings	**2,656**	3,029
Total lease liabilities	**7,242**	-
Less: cash and cash equivalents	**(2,913)**	(795)
Net financial debt (D)	**6,985**	2,234
EBITDA (A)	**4,272**	7,627
Debt cover (times) (D/A)	**1.6**	0.3
Adjusted EBITDA[3,4] (C)	**4,707**	4,370
Debt cover (times) (D/C) (applying adjusted EBITDA)	**1.5**	0.5
Fixed charges cover		
EBITDA (A)	**4,272**	7,627
Minimum lease payments	**-**	1,707
EBITDA before minimum lease payments (E)	**4,272**	9,334
Finance costs (net of discount adjustment) and minimum lease payments (F)	**367**	1,875
Fixed charges cover (times) (E/F)	**11.6**	5.0
Adjusted EBITDA[3,4] (C)	**4,707**	4,370
Minimum lease payments	**-**	1,707
Adjusted EBITDA before minimum lease payments (G)	**4,707**	6,077
Fixed charges cover (G/F) (applying adjusted EBITDA)	**12.7**	3.2
Group credit ratings		
Standard & Poor's	**A-(stable)**	A-(stable)
Moody's	**A3(stable)**	A3(stable)

1 The income statement metrics include both continuing and discontinued operations.

2 The comparative period has not been restated for the adoption of AASB 16, as the Group has applied the Standard using the modified retrospective approach.

3 The FY2020 adjusted EBITDA excludes impairments of the Target brand name and other assets of $525 million, restructuring costs and provisions of $110 million in the Kmart Group and an impairment to WIS of $310 million, offset by a gain of $290 million on the sale of 10.1 per cent of the interest in Coles and a gain of $220 million on the revaluation of the retained 4.9 per cent interest in Coles.

4 The FY2019 adjusted EBITDA excludes the $2,319 million gain on demerger of Coles, the $679 million gain on disposal of Bengalla, the $267 million gain on disposal of KTAS, the $138 million (US$98 million) gain on disposal of Quadrant Energy and the $146 million provision for Coles supply chain automation.

Notes to the financial statements: Capital

For the year ended 30 June 2020

14. Dividends and distributions

	Consolidated 2020 $m	2019 $m
Declared and paid during the period (fully-franked at 30 per cent)		
Interim dividend for 2020: $0.75 (2019: $1.00)	**850**	1,134
Final dividend for 2019: $0.78 (2018: $1.20)	**884**	1,361
Special dividend for 2019: $1.00[1]	**-**	1,134
Capital distribution and demerger dividend[2]	**-**	14,565
	1,734	18,194
Proposed and unrecognised as a liability (fully-franked at 30 per cent)		
Final dividend for 2020: $0.77 (2019: $0.78)	**873**	884
Special dividend for 2020: $0.18[3]	**204**	-
	1,077	884
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 and from recognised dividends receivable or payable	**558**	391
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	**(462)**	(379)

1 A fully-franked special dividend of 100 cents per share was paid on 10 April 2019.

2 The capital distribution and demerger dividend represents the fair value of the Coles distribution to shareholders.

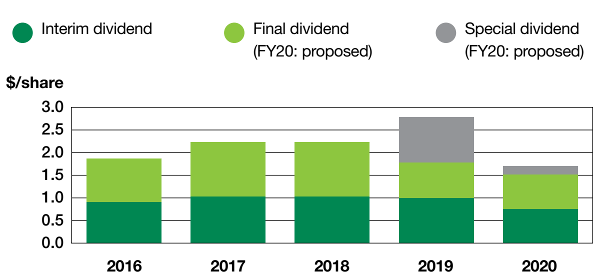
3 The fully-franked special dividend reflects the distribution of profits on the sale of the 10.1 per cent interest in Coles during FY2020.

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 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 Australian Securities Exchange, calculated with reference to a period of not less than five consecutive trading days 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



15. 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 2018	1,133,840	22,277	(2,342)	(43)
Exercise of in-substance options	-	-	119	-
Acquisition of shares-on-market for WLTIP	-	-	(174)	(5)
Acquisition of shares-on-market for KEEPP	-	-	(1,056)	(33)
KEEPP and WLTIP vested during the year	-	-	744	-
Demerger capital distribution[1]	-	(6,441)	-	-
Demerger transaction costs, net of tax	-	(41)	-	-
Transfer from other reserves	-	14	-	-
At 30 June 2019 and 1 July 2019	**1,133,840**	**15,809**	**(2,709)**	**(81)**
Exercise of in-substance options	**-**	**-**	**105**	**-**
Acquisition of shares-on-market for WLTIP	**-**	**-**	**(17)**	**-**
Acquisition of shares-on-market for KEEPP	**-**	**-**	**(185)**	**(8)**
KEEPP vested during the year	**-**	**-**	**271**	**-**
Transfer from other reserves	**-**	**9**	**-**	**-**
At 30 June 2020	**1,133,840**	**15,818**	**(2,535)**	**(89)**

1 The capital distribution is the allocation of the Coles demerger distribution to share capital and has been calculated by reference to the market value of Coles' shares and the market value of Wesfarmers' shares post-demerger.

Notes to the financial statements: Capital

For the year ended 30 June 2020

15. Equity and reserves (continued)

	2020 $m	2019 $m	Nature and purpose
Capital reserve	**24**	24	The capital reserve was used to accumulate capital profits. The reserve can be used to pay dividends or issue bonus shares.
Cash flow hedge reserve	**(60)**	27	The hedging reserve records the portion of the 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 2020 includes the after-tax net decrease in the market value of cash flow hedges from 30 June 2019, and comprised $68 million of foreign exchange rate contracts, $7 million of interest rate swaps and $12 million of 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	**26**	5	The financial assets reserve records fair value changes on financial assets measured at fair value through other comprehensive income.
Foreign currency translation reserve	**53**	57	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)**	-	The leasing reserve is used to recognise the cumulative effect of adopting AASB 16 at the date of initial application.
Restructure tax reserve	**150**	150	The restructure tax reserve is used to record the recognition of tax losses arising from the equity restructuring of the Group under the 2001 Ownership Simplification Plan. These tax losses were generated on adoption by the Group of the tax consolidation regime.
Share-based payments reserve	**45**	48	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.
Total reserves	**(6,140)**	(5,549)	

16. Earnings per share

	Consolidated 2020	2019
Profit attributable to ordinary equity holders of the parent ($m)	**1,697**	5,510
WANOS[1] used in the calculation of basic EPS (shares, million)[2]	**1,131**	1,131
WANOS[1] used in the calculation of diluted EPS (shares, million)[2]	**1,132**	1,132
- Basic EPS (cents per share)	**150.0**	487.2
- Diluted EPS (cents per share)	**149.9**	486.7

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.

Calculation of earnings per share

Basic earnings per share

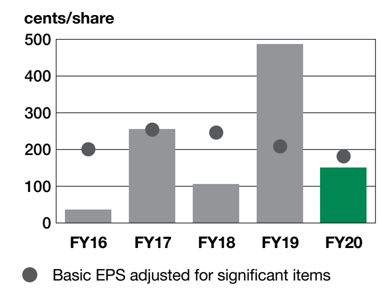
Basic earnings per share is calculated as net profit attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends), divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share

Diluted earnings per share is calculated as per 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

150.0 cents



FY20[1]	**150.0**
FY19[2]	487.2
FY18[3]	105.8
FY17	254.7
FY16[4]	36.2

1 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 WIS, 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, basic EPS is 183.4 per share.

2 FY2019 EPS of 487.2 cents per share includes significant items relating to the gains on disposal of Bengalla, KTAS and Quadrant Energy, the gain on demerger of Coles and the provision for Coles' supply chain automation. Excluding these items, basic EPS is 206.8 cents per share.

3 FY2018 EPS of 105.8 cents per share includes significant items relating to non-cash impairments and write-offs and store closure provisions at BUKI, loss on disposal of BUKI and Target's non-cash impairment, offset by the gain on disposal of the Curragh Coal Mine. Excluding these items, basic EPS is 245.1 cents per share.

4 FY2016 EPS of 36.2 cents per share includes significant items relating to the post-tax impairments of Target and the Curragh Coal Mine and restructuring costs and provisions to reset Target . Excluding the impairments, basic EPS is 200.4 cents per share. Excluding all significant items, basic EPS is 209.5 cents per share.

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Notes to the financial statements: Capital

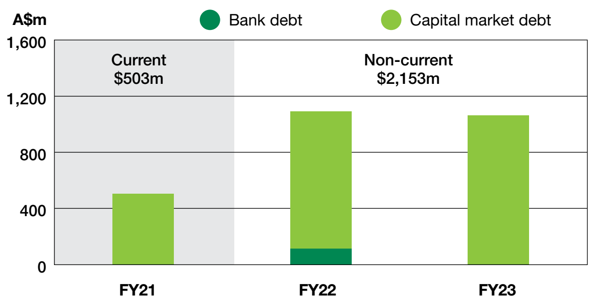
For the year ended 30 June 2020

17. Interest-bearing loans and borrowings

	Consolidated 2020 $m	2019 $m
Current		
Unsecured		
Bank debt	-	6
Capital market debt	503	350
	503	356
Non-current		
Unsecured		
Bank debt	111	142
Capital market debt	2,042	2,531
	2,153	2,673
Total interest-bearing loans and borrowings	2,656	3,029

The illustration below provides details, including the principal repayment obligations, of all loans and borrowings on issue at 30 June 2020.

Outstanding loans and borrowings



Funding activities

The Group continues its strategy of maintaining diversity of funding sources, pre-funding upcoming maturities (if required) and maintaining a presence in key markets. In March 2020, $350 million of domestic bonds matured and were repaid from available cash balances. No new bond issuances occurred during the year. In May 2020, $1,950 million of new two-year bank facilities were established with existing relationship banks.

Recognition and measurement

Capital market 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 profit or loss 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.

The table below sets out the movements in net borrowings for the periods presented.

	Liabilities from financing activities			
	Borrowings due within one year $m	Borrowings due after one year $m	Assets held to hedge long-term borrowings $m	Total $m
Net debt as at 1 July 2018	1,159	2,965	(353)	3,771
Cash flows	1,005	(171)	-	834
Transfers	184	(184)	-	-
Foreign exchange adjustments	-	65	(60)	5
Fair value changes, relating to hedged risk	-	2	(2)	-
Debt assumed by Coles on demerger	(2,000)	-	-	(2,000)
Other non-cash movements	8	(4)	31	35
Net debt as at 30 June 2019 and 1 July 2019	356	2,673	(384)	2,645
Cash flows	(356)	(25)	-	(381)
Transfers	508	(508)	-	-
Foreign exchange adjustments	-	13	(17)	(4)
Fair value changes, relating to hedged risk	(5)	-	4	(1)
Other non-cash movements	-	-	11	11
Net debt as at 30 June 2020	503	2,153	(386)	2,270

Notes to the financial statements: Risk

For the year ended 30 June 2020

18. 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 loans, bank accepted bills, commercial paper, corporate bonds, 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 forward exchange contracts and 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	Nature	Management
Liquidity risk (note 18(b))		
	Wesfarmers is exposed to liquidity risk primarily due to its capital management policies, which view debt as a key element of the Group's capital structure (see note 13). To facilitate effective use of debt as part of the capital structure, the Group continues to maintain investment grade credit ratings from Standard & Poor's and Moody's. These policies expose the Group to risk including the sufficiency of available unused facilities and the maturity profile of existing financial instruments.	Liquidity risk is managed centrally by Group Treasury, by considering over a period of time the operating cash flow forecasts of the underlying businesses and the degree of access to debt and equity capital markets. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans, bank accepted bills, commercial paper, corporate bonds and the overnight money market across a range of maturities. Although the bank debt facilities have fixed maturity dates, from time to time they are reviewed and extended, thus deferring the repayment of the principal. The Group aims to spread maturities to avoid excessive refinancing in any period.
Market risk (note 18(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 borrowing facilities. 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 Group mitigates the effect of its translational currency exposure by borrowing in NZ dollars in New Zealand.	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 currency risk centrally by hedging material foreign exchange exposures for firm commitments relating to sales or purchases or when highly probable forecast transactions have been identified. The Group aims to hedge approximately 30 to 100 per cent of its non-capital expenditure-related foreign currency purchases for which firm commitments or highly probable forecast transactions exist, up to 24 months forward. The Group also aims to hedge 100 per cent of capital expenditure-related foreign currency purchases, above divisional defined limits, to match expected payment dates and these may extend beyond 12 months. The current hedge contracts extend out to February 2022. The Group has also hedged 100 per cent of its Euro borrowing facilities.
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 policy of the Group is to limit its exposure to adverse fluctuations in interest rates, which could erode the Group's profitability and adversely affect shareholder value. Management reviews interest rate risk exposure on an ongoing basis (at least once each quarter) or whenever a major change in debt levels is anticipated. The review includes a reference to ongoing cash flow forecasts and considers future mergers, acquisitions, divestments, capital management and capital expenditure as appropriate. Recommendations in relation to interest rate hedging are provided to the Wesfarmers Chief Financial Officer for approval, as required. To manage the interest rate exposure, the Group generally enters into interest rate swaps, in which it agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amount. These swaps are designated to hedge interest costs associated with underlying debt obligations. Although Wesfarmers has issued Euro bonds, cross-currency swaps are in place that remove any exposure to Euro interest rates. These cross-currency swaps ensure that the effective interest rate to Wesfarmers is referenced to Australian interest rates.

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Notes to the financial statements: Risk

For the year ended 30 June 2020

18. Financial risk management (continued)

Risk	Nature	Management
Commodity price risk	The Group's exposure to commodity price risk is purely operational and arises from the purchase of inventory with commodity price as a significant input, such as natural gas and Brent oil.	To manage commodity price risk, the Group has entered into a Brent oil future contract to hedge the variability in cash flows arising from movements in the natural gas price applicable to forecast natural gas purchases over three years, ending in December 2020. The Group does not enter into any financial instruments that vary with movements in other commodity prices. Excluding the foreign exchange risk component, which is managed as part of the Group's overall foreign exchange risk management policies and procedures referred to previously, these exposures are not hedged. No commodity price sensitivity analysis is provided as a reasonable change in the Brent oil future would not have had a material impact to the Group this financial year and the Group's other commodity 'own use contracts' are outside the scope of AASB 9 *Financial Instruments.*
Credit risk (note 18(d))		
	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. 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.	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 balances with banks and financial institutions is managed by Group Treasury in accordance with Board-approved policy. Investments of surplus funds are made only with approved counterparties who have investment grade credit ratings. Surplus funds are invested within credit limits assigned to each counterparty, unless appropriate approval is provided. The carrying amount of financial assets represents the maximum credit exposure. There are no significant concentrations of credit risk within the Group.

18(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 19 represent the derivative financial assets and liabilities of the Group, that are subject to the above arrangements, and are presented on a gross basis.

18(b) Liquidity risk

The Group endeavours to maintain funding flexibility by keeping committed credit lines available with a variety of counterparties. Surplus funds are generally invested in instruments that are tradeable in highly liquid markets with highly rated counterparties. As at 30 June 2020, the Group has total undrawn financing facilities available of $5,005 million (2019: $3,000 million).

The table on the following page analyses 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.

Expected future interest payments on loans and borrowings and derivative cash flows exclude accruals recognised in trade and other payables at the reporting date.

For foreign exchange derivatives, cross-currency interest rate swaps and hedged commodity swaps, the amounts disclosed are the gross contractual cash flows to be paid.

For interest rate swaps, the cash flows are the net amounts to be paid at each quarter, excluding accruals included in trade and other payables at the reporting date, and have been estimated using forward interest rates applicable at the reporting date.

Notes to the financial statements: Risk

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18(b) Liquidity risk (continued)

Consolidated	< 3 months, or on demand $m	3-12 months $m	1-2 years $m	2-3 years $m	3-4 years $m	4-5 years $m	>5 years $m	Total contractual cash flows $m	Carrying amount (assets)/ liabilities $m
Year ended 30 June 2020									
Trade and other payables	3,768	234	6	-	-	-	-	4,008	4,008
Loans and borrowings before swaps	-	500	1,113	1,085	-	-	-	2,698	2,656
Expected future interest payments on loans and borrowings	3	9	43	30	-	-	-	85	-
Lease liabilities	308	901	1,128	1,061	989	899	2,932	8,218	7,242
Hedge interest rate swaps (net settled)	-	(3)	-	-	-	-	-	(3)	(3)
Hedged commodity swaps (net settled)	2	1	-	-	-	-	-	3	3
Cross-currency interest rate swaps (gross settled)	1	51	(104)	(329)	-	-	-	(381)	(383)
Hedge forward exchange contracts (gross settled)	10	29	1	-	-	-	-	40	41
Total	**4,092**	**1,722**	**2,187**	**1,847**	**989**	**899**	**2,932**	**14,668**	**13,564**
Year ended 30 June 2019									
Trade and other payables	3,343	277	-	-	-	-	-	3,620	3,620
Loans and borrowings before swaps	6	350	500	1,164	1,114	-	-	3,134	3,029
Expected future interest payments on loans and borrowings	8	28	54	46	31	-	-	167	-
Hedge interest rate swaps (net settled)	-	(4)	(3)	-	-	-	-	(7)	(7)
Hedged commodity swaps (net settled)	(3)	(7)	(4)	-	-	-	-	(14)	(14)
Cross-currency interest rate swaps (gross settled)	1	51	44	(125)	(359)	-	-	(388)	(377)
Hedge forward exchange contracts (gross settled)	(29)	(51)	(11)	-	-	-	-	(91)	(88)
Total	3,326	644	580	1,085	786	-	-	6,421	6,163

18(c) Market risk

Foreign exchange risk

The Group's exposure to the US dollar and Euro (prior to hedging contracts) at the reporting date were as follows:

Consolidated	2020 USD A$m	2020 EUR A$m	2019 USD A$m	2019 EUR A$m
Financial assets				
Cash and cash equivalents	6	-	18	3
Trade and other receivables	18	-	21	-
Cross-currency interest rate swap	-	383	-	377
Hedge foreign exchange derivative assets	-	-	88	-
Commodity derivative asset	-	-	14	-
Financial liabilities				
Trade and other payables	(995)	(36)	(1,029)	(33)
Interest-bearing loans and borrowings	-	(2,045)	-	(2,029)
Commodity derivative liability	(3)	-	-	-
Hedge foreign exchange derivative liabilities	(40)	(1)	-	-
Net exposure	**(1,014)**	**(1,699)**	(888)	(1,682)

Notes to the financial statements: Risk

For the year ended 30 June 2020

18(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:

	2020		2019	
Consolidated	USD	EUR	USD	EUR
Actual	**0.69**	**0.61**	0.70	0.62
+10% (2019: +10%)	**0.76**	**0.67**	0.77	0.68
-10% (2019: -10%)	**0.62**	**0.55**	0.63	0.56

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.

Differences from the translation of financial statements into the Group's presentation currency are not taken into consideration in the sensitivity analysis and as such the NZ dollar has no material impact. 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 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 effect on profit.

At 30 June 2020, 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	2020 A$m	2019 A$m
AUD/USD +10% (2019: +10%)		
- impact on profit	**10**	11
- impact on equity	**(143)**	(161)
AUD/USD -10% (2019: -10%)		
- impact on profit	**3**	2
- impact on equity	**175**	197
AUD/EUR +10% (2019: +10%)		
- impact on profit	**3**	2
- impact on equity	**47**	44
AUD/EUR -10% (2019: -10%)		
- impact on profit	**(3)**	(2)
- impact on equity	**(57)**	(53)

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	2020 $m	2019 $m
Financial assets		
Fixed rate		
Finance advances and loans	**3**	3
Floating rate		
Cash assets	**2,741**	529
Financial liabilities		
Fixed rate		
Capital market debt	**2,042**	2,374
Floating rate		
Unsecured bank loans	**111**	148
Capital market debt	**503**	507

At 30 June 2020, after taking into account the effect of interest rate swaps, economic hedging relationships and early repayment of a portion of core debt facilities, approximately 28 per cent of the Group's core borrowings are exposed to movements in variable rates (2019: approximately 25 per cent).

Group's sensitivity to interest rate movements

The following sensitivity analysis shows the impact that a reasonably possible change in interest rates would have on Group 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 the interest income/(expense) and the impact on financial instrument fair values. 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

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18(c) Market risk (continued)

The following sensitivity analysis is based on the Australian variable interest rate risk exposures in existence at balance sheet date. If interest rates had moved by +/-50bps (basis points) (2019: +/- 50bps) and with all other variables held constant, profit after tax and equity would be affected as follows:

Consolidated	2020 $m	2019 $m
+ 50bps (2019: +50bps)		
- impact on profit	**7**	-
- impact on equity	**10**	16
- 50bps (2019: -50bps)		
- impact on profit	**(7)**	-
- impact on equity	**(10)**	(16)

18(d) Credit risk

The carrying amount of current receivables represents the Group's maximum credit exposure.

The Group applies the simplified approach in measuring expected credit losses (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.

Trade receivables - days past due	Estimated total gross carrying amount at default ($m)	Expected credit loss rate (%)	Lifetime expected credit loss ($m)
2020			
Current	**850**	**0.3**	**3**
Under one month	**133**	**1.6**	**2**
One to two months	**18**	**8.3**	**1**
Two to three months	**28**	**9.3**	**3**
Over three months	**28**	**52.9**	**14**
Total	**1,057**		**23**
2019			
Current	784	0.3	2
Under one month	141	0.8	1
One to two months	40	3.8	2
Two to three months	22	5.0	1
Over three months	87	46.9	41
Total	1,074		47

The Group's exposure to 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 the debtor failing to make timely contractual payments.

18(e) Fair values

The carrying amounts and estimated fair values of all the Group's financial instruments carried at amortised cost recognised in the financial statements are materially the same with the exception of the following:

Consolidated	2020 $m	2019 $m
Capital market debt: carrying amount	**2,545**	2,881
Capital market debt: fair value	**2,574**	2,974

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.

Other financial assets/liabilities

The fair values of capital market debt held at fair value have been calculated by discounting the expected future cash flows at prevailing interest rates using market observable inputs. The fair values other financial assets have been calculated using market interest rates. The fair values of listed investments, classified as financial assets held at FVOCI, have been calculated using quoted share prices.

Derivatives

The Group enters into derivative financial instruments with various counterparties, principally financial institutions with investment grade credit ratings. Foreign exchange forward contracts, interest rate swap contracts, cross-currency interest rate swaps and the commodity future contract are all valued using forward pricing techniques. This includes 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.

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) that were valued at $1 million (2019: $1 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 2020

19. Hedging

Types of hedging instruments

The Group is exposed to risk from movements in foreign exchange, interest rates and commodity prices. As part of the risk management strategy set out in note 18, the Group holds the following types of derivative instruments:

Forward exchange contracts: contracts denominated in US dollar and Euro to hedge highly probable sale and purchase transactions (cash flow hedges).

Interest rate swaps: to optimise 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 either reduce the Group's exposure to exchange rate variability in its interest repayments of foreign currency denominated debt (cash flow hedges) or to hedge against movements in the fair value of those liabilities due to 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 profit and loss as a finance cost over the remaining life of the borrowing.

Brent oil future contract: to reduce the Group's exposure to price variability in its forecast purchase of natural gas (cash flow hedge).

	2020				2019			
	Notional $m	**Weighted average hedged rate**	**Asset $m**	**Liability $m**	Notional $m	Weighted average hedged rate	Asset $m	Liability $m
Foreign exchange contracts								
Cash flow hedge - sales (AUD)	**US$14**	**Asset: 0.65 Liability: Nil**	**1**	**-**	US$30	Asset: 0.70 Liability: 0.71	-	-
Cash flow hedge - purchases (AUD)	**US$2,044**	**Asset: 0.71 Liability: 0.66**	**37**	**(76)**	US$2,274	Asset: 0.74 Liability: 0.70	93	(7)
Cash flow hedge - purchases (NZD)	**US$146**	**Asset: 0.67 Liability: 0.62**	**3**	**(5)**	US$149	Asset: 0.69 Liability: 0.66	3	(1)
Cash flow hedge - purchases (AUD)	**€ 8**	**Asset: 0.61 Liability: 0.57**	**-**	**(1)**	€ 1	Asset: 0.87 Liability: 0.91	-	-
Interest rate swap contracts								
Fair value hedge	**A$300**	**BBSW + 0.82% floating**	**3**	**-**	A$300	BBSW + 0.82% floating	7	-
Cross-currency interest rate swaps								
Cash flow hedge	**€ 1,250**	**5.32% fixed**	**383**	**-**	€ 1,250	5.32% fixed	377	-
Brent oil contracts								
Cash flow hedge	**0.257m barrels**	**AU$70.34 per barrel**	**-**	**(3)**	0.696m barrels	AU$69.50 per barrel	14	-
Total derivative asset/(liability)			**427**	**(85)**			494	(8)

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 per note 18(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. This was immaterial in the current year.

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 currency risk of a firm commitment is accounted for as a cash flow hedge.

Wesfarmers 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 2020

19. 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 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 this financial year was less than $1 million (2019: $1 million).

The maturity profile of the fair value hedges is shown in note 18(b).

If the hedged item is a firm commitment (and therefore not recognised), 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 is as follows:

	2020		2019	
	Foreign bonds $m	**Domestic bonds $m**	Foreign bonds $m	Domestic bonds $m
Face value at inception	**1,630**	**500**	1,630	850
Change arising from revaluation to spot rates at 30 June	**415**	**-**	399	-
	2,045	**500**	2,029	850
Balance of unamortised discount/premium	**(3)**	**-**	(5)	(1)
Amortised cost	**2,042**	**500**	2,024	849
Accumulated amount of fair value hedge adjustment attributable to hedged risk	**-**	**3**	-	8
Carrying amount	**2,042**	**503**	2,024	857

There was no material ineffectiveness relating to financial instruments in designated fair value hedge relationships during the year (2019: 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 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 rate or natural gas price movements associated with some of our domestic borrowings or forecast natural gas purchases respectively.

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 18(b) with the recognition of the gain or loss expected to be consistent with this profile.

	2020				2019			
	Trade $m	**Foreign bonds $m**	**Foreign debt $m**	**Commodity hedge $m**	Trade $m	Foreign bonds $m	Foreign debt $m	Commodity hedge $m
Change in the fair value of the hedged item	**(129)**	**5**	**-**	**(17)**	(32)	28	-	(14)

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 2020

20. 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 each reporting date); or
- where there is an indication that 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.

The carrying values of mineral rights and capitalised exploration and evaluation assets are reviewed at each reporting date for indicators of impairment in accordance with AASB 6 *Exploration for and Evaluation of Mineral Resources* (AASB 6), and, when indicators are identified, tested for impairment in accordance with AASB 136 *Impairment of Assets.*

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. Mineral rights or exploration and evaluation assets are allocated to the CGU to which the exploration activity relates.

Assets are impaired if their carrying value 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, 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, 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 these 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, the valuation model incorporates the cash flows projected over the balance of the current corporate plan period. 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.

For both the VIU and FVLCOD models, 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.

The potential impacts of COVID-19 have been considered in the Group's impairment testing through downside scenario analysis.

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. Increases in discount rates or changes in other key assumptions, such as operating conditions or financial performance, may cause the recoverable amounts to fall below carrying values.

Recognised impairment

Industrial and Safety

In the second half of financial year 2020, the deterioration in economic conditions resulted in lower customer demand, and, along with uncertainty as to future economic conditions in a COVID-19 affected environment, impacted the forecast profitability of the Industrial and Safety division, requiring an impairment of goodwill and other assets.

Impairment of $40 million ($28 million post-tax) was recognised on other assets where the recoverable amount of the assets was determined to be nil. In addition, the Industrial and Safety CGU was tested for impairment and as the carrying value exceeded its recoverable amount, impairment of $270 million was recognised against goodwill.

The methodology and key assumptions applied in assessing the recoverable amount of the Industrial and Safety CGU are outlined on the following page.

Kmart Group - Target business

During the year, the first phase of the strategic review into the operations of Target was completed, identifying a number of actions to accelerate the growth of Kmart and address the unsustainable financial performance of Target. These actions included the conversion of suitable Target stores to Kmart stores, the closure of a number of Target stores and a restructuring of the Target store support office.

In conjunction with the restructuring, and as a result of the under-performance of Target stores, the Target trading store CGUs, including associated distribution centre and support office assets, were tested for impairment, resulting in total pre-tax impairments to store plant and equipment of $133 million and lease right-of-use assets of $161 million. As the remaining significant asset associated with Target is the Target brand name, the value of which is supported by the cash flows of the underlying stores, an impairment test was also conducted to determine the recoverable amount of the brand name, resulting in a pre-tax impairment of $231 million.

The impairment recognised on Target assets as described above totalled $525 million ($437 million post-tax). The key assumptions for assessing the recoverable amounts of the Target assets are outlined on the following page.

Reversal of impairment

Where there is an indication that previously recognised impairment losses may no longer exist or have decreased, the asset is tested. If there has been a change to the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised, the carrying value of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying value that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss and the depreciation charge is adjusted in future periods to allocate the asset's revised carrying value, less any residual value, on a systematic basis over its remaining useful life. Impairments recognised against goodwill are not reversed.

There were no material reversals of impairment during the 2020 financial year.

20. Impairment of non-financial assets (continued)

Key estimates: impairment of non-financial assets

Industrial and Safety CGU

The key assumptions used for assessing the recoverable amount of the Industrial and Safety CGU are set out below. The recoverable value has been determined using the FVLCOD methodology.

Earnings growth over the forecast period is supported by a transformation program, which is currently underway, to invest in a new enterprise-wide resource planning system and data and digital systems to realise productivity improvements, improve customer experience, enhance supply chain efficiency, build merchandising capability and sales force effectiveness designed to increase market share.

The post-tax discount rates incorporate a risk-adjustment relative to the risks associated with the net post-tax cash flows being achieved, while the growth rates beyond FY2025 are based on market estimates of the long-term average industry growth rate.

	Industrial and Safety	
	2020	2019
Discount rate (post-tax)	**11.1%**	9.0%
Growth rate beyond corporate plan (nominal)	**2.5%**	3.0%
Headroom as a percentage of the CGU's net carrying value	**-**	4.4%
Terminal value as a percentage of the CGU's recoverable value	**86.4%**	83.8%

As the Industrial and Safety CGU's carrying value has been impaired to its recoverable amount at 30 June 2020, any adverse movements in key assumptions may lead to further impairment. The forecast improvement in the CGU's financial performance is expected to occur in the medium term given the lead time in application of the transformation program.

The recoverable value of Industrial and Safety is sensitive to changes in its discount rate and its forecast terminal cash flow that drives terminal value. A 60 basis point increase in its discount rate or a ten per cent reduction in its forecast terminal cash flow would result in an approximate $100 million additional impairment to the carrying value of the Industrial and Safety CGU.

Kmart Group CGU - Target business (including brand, store and other assets)

Trading store CGUs

The recoverable amounts for each of the trading store CGUs were determined using VIU calculations, based on forecast cash flows for those stores over their respective remaining lives, incorporating the planned outcomes of the committed restructuring plan. Each trading store CGU primarily comprised store plant and equipment and right-of-use assets. A post-tax discount rate of 12.0 per cent was adopted in the impairment calculation. Distribution centre and support office assets associated with the stores were also tested for impairment. A majority of store CGUs were impaired to their recoverable amounts at 30 June 2020 and an impairment loss of $294 million was recognised. Any adverse movements in key assumptions may lead to further impairment.

Target brand

As part of the impairment of the Target business, the recoverable amount of the Target brand was assessed on a FVLCOD basis, using the relief from royalty methodology. The key assumptions applied in the valuation are set out below.

	Target brand
	2020
Discount rate (post-tax)	**12.0%**
Royalty rate	**0.7%**
Terminal growth rate (nominal)	**2.5%**

The other key assumption applied in the brand valuation are forecast revenues, which are consistent with the assumptions applied in the store impairment testing but include online sales. As the Target brand's carrying value has been impaired to its recoverable amount of $62 million at 30 June 2020, any adverse movements in key assumptions may lead to further impairment.

Australian Light Minerals (ALM)

In accordance with AASB 6, the Group has assessed the mineral rights asset (Mt Holland lithium project), held by ALM for indicators of impairment. Given the relative decline in short-term lithium hydroxide prices, the life-of-mine valuation model prepared at acquisition was updated to assess the potential impact of the decline in pricing on the project at 30 June 2020. Based on the sensitivities performed, management does not consider the decline in pricing to be an indicator of impairment. The Group intends to continue to enhance the project economics, with the aim of reaching a final investment decision in the first quarter of the calendar year 2021. The recoverability of the carrying amount is dependent on the successful development and commercial exploitation, or alternatively, sale of the area of interest.

Other CGUs

The Group has assessed the recoverable amounts of other CGUs with goodwill and other indefinite life intangible assets using VIU calculations and considered potential downside scenarios in respect of the impact of COVID-19. Discount rates applied in the impairment testing for the Bunnings, Kmart Group and Officeworks CGUs ranged from 9.3 per cent to 10.6 per cent. Terminal growth rates ranging from 2.0 per cent to 2.6 per cent were also applied. Based on current economic conditions and CGU performances, other than as noted above, no reasonably possible change in a key assumption used in the determination of the recoverable value of CGUs would result in a material impairment to the Group.

Notes to the financial statements: Group information

For the year ended 30 June 2020

21. Associates and joint arrangements

	Consolidated	
	2020	2019
	$m	$m
Investment in associates	**625**	3,337
Interest in joint ventures	**85**	56
	710	3,393
Movement in investment in associates		
Net carrying amount at the beginning of the year	**3,337**	705
Share of net profit from operations of associates	**193**	232
Dividends	**(157)**	(68)
Capital returns	**(50)**	-
Movement in reserves	**-**	3
Associates disposed of during the year	**(1,819)**	(106)
Value of retained interest in Coles at date of demerger	**-**	2,571
Associate derecognised during the year	**(879)**	-
Net carrying amount at the end of the year	**625**	3,337
Total comprehensive income from associates and joint ventures		
Share of net profit from associates	**193**	227
Other comprehensive loss of associates	**-**	(1)
Share of profits from joint ventures	**20**	2
Other comprehensive income of joint ventures	**(1)**	-
Total comprehensive income for the year	**212**	228

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 associate is 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, management accounts of the associate 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.

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 2020, was $610 million (Level 1 in the fair value hierarchy). The following table summarises the financial information of the Group's investment in BWP Trust.

	2020	2019
	$m	$m
Summarised balance sheet		
Current assets	**68**	50
Non-current assets	**2,419**	2,265
Current liabilities	**78**	92
Non-current liabilities	**506**	416
Net assets	**1,903**	1,807
Group's share of BWP Trust's net assets	**472**	448
Summarised income statement		
Revenue	**156**	156
Expenses	**(39)**	(40)
Unrealised gains in fair value	**94**	53
Profit attributable to the unit holders of BWP Trust	**211**	169
Group's share of profit for the period	**52**	42

Coles Group Limited

The Group has a retained interest of 4.9 per cent (2019: 15 per cent) in Coles following the sale of 4.9 per cent of its interest on 18 February 2020, and a further 5.2 per cent on 30 March 2020 for total proceeds of $2,109 million, net of transaction costs. The pre-tax gain on sale is $510 million ($357 million post-tax), which includes a pre-tax revaluation gain of $220 million ($154 million post-tax) upon cessation of equity accounting and the recognition of a financial asset measured at fair value. Prior to the sale of the 10.1 per cent interest in Coles, the Group's share of profit for the period 1 July 2019 to 30 March 2020 was $111 million and the Group received dividends from Coles of $111 million.

Following the demerger of Coles in November 2018, the Group's 15 per cent retained interest in Coles was accounted for using the equity method in the consolidated financial statements as the Group had determined that it had significant influence due to its voting power, representation on the Coles board, its influence on the dividend policy and the existence of an ongoing relationship formalised through a relationship deed. As a result of the sale of 10.1 per cent of the Group's interest in Coles, the Group no longer has significant influence and therefore the investment no longer meets the criteria to be accounted for as an associate. The retained interest in Coles is accounted for as a financial asset measured at FVOCI and is presented within other financial assets on the balance sheet.

Interests in joint arrangements

The Group recognises its share of the assets, liabilities, expenses and income from the use and output of its joint operations. 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 2020

21. 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	
				2020	2019
Associates	*Principal activity*	*Reporting date*	*Country of incorporation*	**%**	%
BWP Trust	Property investment	30 June	Australia	**24.8**	24.8
Coles Group Limited	Food and staples retailing	30 June	Australia	**(a)**	15.0
Gresham Partners Group Limited	Investment banking	30 September	Australia	**50.0**	50.0
Gresham Private Equity Funds[1]	Private equity fund	30 June	Australia	**-**	(b)
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
Wespine Industries Pty Ltd	Pine sawmillers	30 June	Australia	**50.0**	50.0
Joint operations					
Sodium Cyanide	Sodium cyanide manufacture	30 June	Australia	**75.0**	75.0
Mt Holland Lithium	Lithium development	31 December	Australia	**50.0**	-
Joint ventures					
BPI NO 1 Pty Ltd	Property management	30 June	Australia	**(c)**	(c)
Covalent Lithium Pty Ltd	Management company	31 December	Australia	**50.0**	-
Loyalty Pacific Pty Ltd[2]	Loyalty programs	28 June	Australia	**50.0**	50.0

1 Gresham Private Equity Fund No. 2 was wound up on 15 November 2019.

2 A wholly-owned subsidiary, Wesfarmers Loyalty Management Pty Ltd, has a 50.0 per cent interest in Loyalty Pacific Pty Ltd (flybuys).

(a) A wholly-owned subsidiary, Wesfarmers' Retail Holdings Pty Ltd, has a 4.9 per cent interest in Coles Group Limited. The retained interest in Coles no longer meets the criteria to be accounted for as an associate and is accounted for as a financial asset measured at FVOCI.

(b) Gresham Private Equity Funds: While the Group's interest in the unitholders' funds of Gresham Private Equity Fund No. 2 amounted to greater than 50.0 per cent, it was not a controlled entity as the Group did not have the practical ability to direct its relevant activities. Such control required a unitholders' resolution of 75.0 per cent of votes pursuant to the Funds' trust deeds.

(c) 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.

BACK

Notes to the financial statements: Group information

For the year ended 30 June 2020

22. Subsidiaries

The consolidated financial statements include the financial statements of Wesfarmers Limited and the subsidiaries listed in the following table:

Entity		2020 %	2019 %
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**	100
A.C.N. 008 734 567 Pty Ltd		**100**	100
A.C.N. 061 462 593 Pty Ltd		**100**	100
A.C.N. 092 194 904 Pty Ltd		**100**	100
A.C.N. 112 719 918 Pty Ltd		**100**	100
AEC Environmental Pty Ltd		**100**	100
ANKO Global Holdings Pty Ltd	+	**100**	100
ANKO Retail Incorporated	◤	**100**	100
Australian Gold Reagents Pty Ltd		**75**	75
Australian Graphics Pty Ltd		**100**	100
Australian International Insurance Limited	+	**100**	100
Australian Light Minerals Pty Ltd (formerly Kidman Resources Limited)	@	**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
Blacksmith Jacks Pty Ltd		**100**	100
Blackwoods 4PL Pty Ltd		**100**	100
Blackwoods Training Pty Ltd		**100**	100
Blackwoods Xpress Pty Ltd		**100**	100
BPI Management Pty Ltd		**100**	100
BrandsExclusive (Australia) Pty Ltd	@	**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 Manufacturing Pty Ltd		**100**	100
Bunnings Properties Pty Ltd	+	**100**	100
Bunnings Technologies India Private Limited	@ ●	**100**	-
BWP Management Limited	<	**100**	100
C S Holdings Pty Limited	+	**100**	100

Entity		2020 %	2019 %
Campbells Hardware & Timber Pty Limited		**100**	100
Casey Exploration Pty Ltd	@	**100**	-
Catch Essentials Pty Ltd	@	**100**	-
Catch Group Holdings Limited	@ +	**100**	-
Catch Group Share Holdings Pty Ltd	@	**100**	-
Catch.com.au Pty Ltd	@ +	**100**	-
CGNZ Finance Limited	■	**100**	100
Chemical Holdings Kwinana 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
Crowl Creek Exploration Pty Ltd	@	**100**	-
CSBP Ammonia Terminal Pty Ltd		**100**	100
CSBP Limited	+	**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
ECC Pty Ltd		**100**	100
ENV.Australia Pty Ltd		**100**	100
Environmental and Licensing Professionals Pty Ltd		**100**	100
FIF Investments Pty Limited		**100**	100
Forrestania Lithium Pty Ltd	@	**100**	-
Fosseys (Australia) Pty Ltd	+	**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
Geeks2U UK Limited	~ ▲	**-**	100
GPML Pty Ltd		**100**	100
Greencap Holdings Limited		**100**	100
Greencap Pty Ltd		**100**	100
HouseWorks Co Pty Ltd		**100**	100
Howard Smith Limited	+	**100**	100
Incorporatewear Limited	# ▲	**100**	100
Incorporatewear, Unipessoal LDA	< ❖	**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

Notes to the financial statements: Group information

For the year ended 30 June 2020

22. Subsidiaries (continued)

Entity		2020 %	2019 %
KAS International Sourcing Bangladesh Pvt Ltd	◣	**100**	100
KAS International Trading (Shanghai) Company Limited	►	**100**	100
KAS Pty Limited	♦	**100**	100
KAS Services India Private Limited	●	**100**	100
Kidman Barrow Creek Pty Ltd	@	**100**	-
Kidman Gold Pty Ltd	@	**100**	-
Kidman Mining Pty Ltd	@	**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
Liftco Pty Limited	+	**100**	100
Loggia Pty Ltd	+	**100**	100
Manacol Pty Limited	+	**100**	100
MC2 Pacific Pty Ltd		**100**	100
Meredith Distribution (NSW) Pty Ltd		**100**	100
Meredith Distribution Pty Ltd		**100**	100
MH Gold Pty Limited	@	**100**	-
Millars (WA) Pty Ltd		**100**	100
Modwood Technologies Pty Ltd		**100**	100
Montague Resources Australia Pty Ltd	@	**100**	-
Mumgo Pty Ltd	@	**100**	-
Neat N' Trim Uniforms Pty Ltd		**100**	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
Pailou Pty Ltd	+	**100**	100
Patrick Operations Pty Ltd		**100**	100
Petersen Bros Pty Ltd		**100**	100
Premier Power Sales Pty Ltd		**100**	100
Protector Alsafe Pty Ltd		**100**	100
Protex Healthcare (Aus) Pty Ltd		**100**	100
PT Blackwoods Indonesia	❍	**100**	100
R & N Palmer Pty Ltd		**100**	100
Rapid Evacuation Training Services Pty Ltd		**100**	100
Relationship Services Pty Limited		**100**	100
Retail Australia Consortium Pty Ltd		**100**	100
Retail Investments Pty Ltd		**100**	100
SBS Rural IAMA Pty Limited		**100**	100

Entity		2020 %	2019 %
Scones Jam n Cream Pty Ltd		**100**	100
Sellers (SA) Pty Ltd		**100**	100
Share Nominees Limited		**100**	100
Sotico 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
TheActive Pty Ltd	@	**100**	-
The Builders Warehouse Group Pty Limited		**100**	100
The Franked Income Fund		**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
Tincorp Holdings Pty Ltd	@	**100**	-
Trimevac Pty Ltd		**100**	100
Tyremaster (Wholesale) Pty Ltd		**100**	100
Ucone Pty Ltd	+	**100**	100
Validus Group Pty Ltd		**100**	100
Valley Investments Pty Ltd	+	**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 (formerly Wesfarmers Bengalla Limited)	+	**100**	100
Wesfarmers Bunnings Limited	+	**100**	100
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

Notes to the financial statements: Group information

For the year ended 30 June 2020

22. Subsidiaries (continued)

Entity		2020 %	2019 %
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 Online Retail Holdings Pty Ltd	+	**100**	100
Wesfarmers Provident Fund Pty Ltd		**100**	100
Wesfarmers Resources Pty Ltd (formerly Wesfarmers Resources Limited)	+	**100**	100
Wesfarmers Retail Holdings Pty Ltd	+	**100**	100
Wesfarmers Retail Pty Ltd	+	**100**	100
Wesfarmers Risk Management (Singapore) Pte Ltd	⌘	**100**	100
Wesfarmers Risk Management Limited	# ◀	**100**	100
Wesfarmers Securities Management Pty Ltd		**100**	100
Wesfarmers Superannuation Pty Ltd		**100**	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
WIS International Pty Ltd		**100**	100
WIS Solutions Pty Ltd		**100**	100
WIS Supply Chain Management (Shanghai) Co Ltd	▶	**100**	100
WPEQ Pty Ltd (formerly Wesfarmers Private Equity 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
XCC (Retail) Pty Ltd		**100**	100
Yakka Pty Limited		**100**	100

Entity acquired/incorporated during the year	@
Entity dissolved/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	+

All subsidiaries are incorporated in Australia unless identified by one of the following symbols:

Bangladesh	◣
Bermuda	◀
China	▶
Hong Kong	♦
India	●
Indonesia	❍
New Zealand	■
Portugal	❖
Singapore	⌘
United Arab Emirates	▼
United Kingdom	▲
United States of America	◤

All entities utilise the functional currency of the country of incorporation with the exception of Wesfarmers Risk Management Limited, which utilises 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 2020

23. Acquisitions

Business combination - Acquisition of Catch Group Holdings Limited

On 12 August 2019, Wesfarmers, through its wholly-owned subsidiary Wesfarmers Online Retail Holdings Pty Ltd, completed the acquisition of Catch for consideration of $230 million.

Catch is an established, profitable and cash-generative business that operates an online business model offering branded products on a first-party basis and a third-party online marketplace. The acquisition of Catch is expected to accelerate the digital and e-commerce capabilities of Kmart Group.

Details of the fair values of identifiable assets and liabilities as at the date of acquisition are:

Catch	Fair value recognised on acquisition $m
Assets	
Cash	5
Receivables - trade and other	2
Inventories	44
Property, plant and equipment	26
Right-of-use assets	26
Intangible assets	52
Other	15
Liabilities	
Trade and other payables	30
Lease liabilities	32
Provisions	7
Deferred tax liabilities	4
Other	10
Fair value of identifiable net assets	**87**
Goodwill arising on acquisition	140
Purchase consideration transferred	**227**
Cash outflow on acquisition	
Net cash acquired	(5)
Cash paid	227
Net cash outflow on acquisition	**222**

From the date of acquisition, the contribution to the Group's revenue from Catch was $364 million.

Had the acquisition of Catch occurred at the beginning of the financial year and had the same fair values detailed above applied, neither the profit nor revenue of the Group would have been materially different from that reported.

Acquisition of Kidman Resources Limited

On 23 September 2019, Wesfarmers, through its wholly-owned subsidiary Wesfarmers Lithium Pty Ltd, completed the acquisition of all the issued ordinary shares in Kidman. The cash payment of $1.90 per share to Kidman shareholders was funded from existing banking facilities.

Upon completion of the transaction, Wesfarmers holds a 50 per cent interest in the Mt Holland lithium project based in Western Australia.

The acquisition has been accounted for as an asset acquisition as the transaction did not meet the definition of a business combination in accordance with AASB 3 *Business Combinations*.

Details of the carrying values of identifiable assets and liabilities as at the date of acquisition are:

Kidman	Purchase price allocation $m
Assets	
Cash	33
Mineral rights	790
Deferred tax assets	2
Other	1
Liabilities	
Trade payables	50
Carrying value of identifiable net assets	**776**

Notes to the financial statements: Group information

For the year ended 30 June 2020

24. Parent disclosures

	Parent	
	2020	2019
	$m	$m
Assets		
Current assets	**11,194**	10,659
Non-current assets	**6,113**	6,088
Total assets	**17,307**	16,747
Liabilities		
Current liabilities	**1,235**	974
Non-current liabilities	**2,187**	2,640
Total liabilities	**3,422**	3,614
Net assets	**13,885**	13,133
Equity		
Equity attributable to equity holders of the parent		
Issued capital	**15,724**	15,724
Employee reserved shares	**2**	2
Retained earnings	**1,460**	723
Dividends reserve	**292**	292
Restructure tax reserve	**150**	150
Hedging reserve	**(23)**	(41)
Share-based payments reserve	**44**	47
Demerger reserve	**(3,764)**	(3,764)
Total equity	**13,885**	13,133
Profit attributable to members of the parent	**2,471**	7,251
Total comprehensive income for the year, net of tax, attributable to members of the parent	**2,464**	7,229
Contingencies		
Contingent liabilities at balance date, not included in this financial report, were as follows:		
Trading guarantees	**157**	196

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.

25. Deed of Cross Guarantee

The subsidiaries identified with a '+' in note 22 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.

The consolidated income statement and retained earnings of the entities that are members of the Closed Group is as follows:

	Deed	
Consolidated income statement and retained earnings	**2020 $m**	2019 $m
Profit from continuing operations before income tax	**2,542**	2,981
Profit from discontinued operations before income tax	**-**	5,270
Income tax expense	**(671)**	(833)
Net profit for the year	**1,871**	7,418
Retained earnings at beginning of year	**(304)**	172
Remeasurement gain on defined benefit plan, net of tax	**-**	(1)
Adjustment for companies transferred into/out of the Closed Group	**(481)**	(101)
Transfer of gain on demerger	**-**	(4,164)
Total available for appropriation	**1,086**	3,324
Dividends provided for or paid	**(1,734)**	(3,628)
Retained earnings at end of year	**(648)**	(304)

	Deed	
Consolidated statement of comprehensive income	**2020 $m**	2019 $m
Profit for the year	**1,871**	7,418
Other comprehensive income		
Items that may be reclassified to profit or loss:		
Exchange differences on translation of foreign operations	**-**	(2)
Changes in the fair value of cash flow hedges, net of tax	**(87)**	(49)
Items that will not be reclassified to profit or loss:		
Changes in the fair value of financial assets designated at FVOCI, net of tax	**16**	-
Remeasurement loss on defined benefit plan	**-**	(1)
Other comprehensive loss for the year, net of tax	**(71)**	(52)
Total comprehensive income for the year, net of tax, arising from:		
Continuing operations	**1,800**	2,202
Discontinued operations	**-**	5,164
	1,800	7,366

Notes to the financial statements: Group information

For the year ended 30 June 2020

25. Deed of Cross Guarantee (continued)

The consolidated balance sheet of the entities that are members of the Closed Group is as follows:

	Deed	
Consolidated balance sheet	**2020 $m**	2019 $m
Assets		
Current assets		
Cash and cash equivalents	**2,707**	621
Receivables - trade and other	**909**	842
Receivables - related parties	**956**	-
Inventories	**3,443**	3,870
Derivatives	**41**	101
Other	**206**	146
Total current assets	**8,262**	5,580
Non-current assets		
Receivables	**-**	134
Investment in controlled entities	**3,093**	3,570
Investment in associates and joint ventures	**239**	2,899
Other financial assets	**1,123**	-
Deferred tax assets	**727**	310
Property, plant and equipment	**3,313**	3,619
Goodwill and intangible assets	**3,739**	3,972
Right-of-use assets	**5,844**	-
Derivatives	**386**	393
Other	**2**	7
Total non-current assets	**18,466**	14,904
Total assets	**26,728**	20,484
Liabilities		
Current liabilities		
Trade and other payables	**3,590**	3,222
Interest-bearing loans and borrowings	**503**	350
Lease liabilities	**920**	-
Income tax payable	**384**	205
Provisions	**997**	814
Derivatives	**81**	7
Other	**158**	140
Total current liabilities	**6,633**	4,738
Non-current liabilities		
Payables	**973**	1,041
Interest-bearing loans and borrowings	**2,033**	2,523
Lease liabilities	**5,932**	-
Provisions	**328**	370
Derivatives	**4**	1
Other	**81**	89
Total non-current liabilities	**9,351**	4,024
Total liabilities	**15,984**	8,762
Net assets	**10,744**	11,722
Equity		
Issued capital	**15,809**	15,809
Reserved shares	**(89)**	(81)
Retained earnings	**(648)**	(304)
Reserves	**(4,328)**	(3,702)
Total equity	**10,744**	11,722

26. Related party transactions

	Consolidated	
	2020	2019
	$'000	$'000
Transactions with related parties		
Associates		
Lease rent paid	**140,982**	147,094
Operating lease rent received	**(13,255)**	(15,411)
Financial advisory fees paid	**9**	14,569
Management fees received	**(14,364)**	(13,457)
Sales of goods and services	**(36,546)**	(33,870)
Purchases of goods and services	**2,889**	2,512
Joint arrangements		
Lease rent paid	**25,202**	26,226
Payments for loyalty program	**24,507**	16,337
Receipts from loyalty program redemption	**(33,439)**	(26,022)
Sales of goods and services	**(1,402)**	(1,274)
Purchases of goods and services	**503**	-
Outstanding balances with related parties		
Associates		
Amounts receivable from associates	**10,528**	23,625
Amounts owing to associates	**(195)**	(5,845)
Joint arrangements		
Amounts receivable from joint ventures	**7,123**	6,013
Amounts owing to joint ventures	**(169,425)**	(164,964)

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 arrangement, BPI No. 1 Pty Ltd. Rent has been received from an associate for the sublease of rental space.
- 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.
- Amounts have been paid to and received from Loyalty Pacific Pty Ltd for the operation of the flybuys loyalty program.
- Partly-owned subsidiaries of an associate of the Group, Gresham Partners Group Limited, have provided office accommodation and advisory services to Wesfarmers and were paid fees of $9,159 in 2020 (2019: $14,568,706).
- Other related party transactions include sales and purchases to associates and joint arrangements on normal commercial terms and conditions.

Coles Group Limited was a related party for the period in which it was an associate, 1 July 2019 to 30 March 2020.

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Notes to the financial statements: Other

For the year ended 30 June 2020

27. Commitments and contingencies

	Consolidated 2020 $m	2019 $m
Operating lease commitments		
Group as lessor		
Within one year	21	25
Greater than one year but not more than five years	55	61
More than five years	23	32
	99	118
Capital commitments[1]		
Within one year	270	278
Commitments arising from agreements to invest in Gresham Private Equity Funds	-	2
	270	280
Other expenditure commitments[1]		
Within one year	85	112
Greater than one year but not more than five years	93	181
More than five years	75	161
	253	454
Contingencies[1]		
Trading guarantees	157	196

[1] Commitments arising for capital expenditure and other expenditure contracted for at balance date and contingent liabilities at balance date are not included in this financial report.

Guarantees

The Group has issued a number of bank guarantees to third parties for various operational and legal purposes. It is not expected that these guarantees will be called on.

Other

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's financial performance.

28. Events after the reporting period

Dividends

A fully-franked final dividend of 77 cents per share resulting in a dividend payment of $873 million and a fully-franked special dividend of 18 cents per share resulting in a payment of $204 million were determined with a payment date of 1 October 2020. The special dividend reflects the distribution of profits on the sale of the Group's 10.1 per cent interest in Coles during FY2020. These dividends have not been provided for in the 30 June 2020 full-year financial statements.

29. Auditors' remuneration

	Consolidated 2020 $'000	2019 $'000
Fees to Ernst & Young (Australia)		
Fees for the audit and review of the financial reports of the Group and any controlled entities	4,005	4,433
Fees for other assurance and agreed-upon-procedures services	588	2,731
Fees for other services		
- tax compliance	465	917
- other	-	115
	5,058	8,196
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	473	311
Fees for other assurance and agreed-upon-procedures services	215	129
Fees for other services		
- tax compliance	140	182
	828	622
Total auditors' remuneration	5,886	8,818

Other assurance and agreed-upon-procedures services and other services represent 23.9 per cent (2019: 25.7 per cent, excluding services provided to the Group in relation to the Coles demerger) of the total fees paid or payable to Ernst & Young and related practices for the year ended 30 June 2020.

Auditors' remuneration includes amounts reimbursed to the auditors for incidental costs incurred in completing their services. The remuneration for the comparative period has been restated to include these incidental costs.

Notes to the financial statements: Other

For the year ended 30 June 2020

30. Other accounting policies

(a) New and amended accounting standards and interpretations adopted from 1 July 2019

All new and amended Australian Accounting Standards and Interpretations mandatory to the Group as at 1 July 2019 have been adopted and include:

AASB 16 *Leases*

Prior to the adoption of AASB 16, the Group classified each of its leases (as lessee) at inception as either finance leases or operating leases under AASB 117. Operating lease payments were recognised as an expense in the income statement on a straight-line basis over the lease term. Fixed rate increases to lease payments, excluding contingent or index-based rental increases, were recognised on a straight-line basis over the lease term. An asset or liability was recognised for the difference between the amount paid and the lease expense recognised in earnings on a straight-line basis. Contingent rental payments that arose as a result of either turnover-based rentals or movements in relevant indices were recognised in the income statement as they were incurred.

AASB 16 introduced a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Wesfarmers, as a lessee under AASB 16, has recognised a right-of-use asset representing its right to use the underlying leased assets and a lease liability representing its obligations to make lease payments. The Group has separately recognised the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

The Group has remeasured the lease liability upon the occurrence of certain events (e.g. a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The Group recognises the amount of any remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under AASB 16 is substantially unchanged from the accounting under AASB 117. The Group, as a lessor, is not materially impacted by the adoption of AASB 16.

Impact on adoption of AASB 16

Wesfarmers has applied AASB 16 from 1 July 2019, using the modified retrospective transition method whereby there is an option on a lease-by-lease basis to calculate the right-of-use asset as either:

- its carrying amount as if AASB 16 had been applied since the lease commencement date, but discounted using the lessee's incremental borrowing rate at the date of initial application; or
- an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet immediately before the date of initial application.

Under this method, there is no requirement to restate comparatives.

When applying the modified retrospective approach to leases previously classified as operating leases under AASB 117, the Group elected, on a lease-by-lease basis, to apply a number of practical expedients on transition including:

- the application of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- applied the short-term exemption to leases with a lease term that ends within 12 months of 1 July 2019;
- the utilisation of previous assessments of onerous leases; and
- the use of hindsight in determining the lease term.

Wesfarmers has elected not to apply the practical expedient to combine lease and non-lease components for its property leases. As such, the calculated lease liability excludes an estimate of the gross lease payments allocated to non-lease components.

The effect of adopting AASB 16 as at 1 July 2019 is as follows:

	$m
Right-of-use assets	6,352
Deferred tax asset	222
Lease liabilities	(7,275)
Provisions	183
Leasing reserve	518

The following is a reconciliation of the Group's operating lease commitments under AASB 117 at 30 June 2019 to the lease liability recognised at 1 July 2019 on transition to AASB 16.

	$m
Operating lease commitments at 30 June 2019	8,541
Less: short-term leases	(87)
Less: non-lease components	(647)
Add: impact of reasonably certain lease extensions	361
Add: base rent escalations previously considered contingent	150
Add: other	104
Less: impact of discounting[1]	(1,147)
Lease liabilities recognised at 1 July 2019	7,275

[1] The weighted average IBR at the date of initial application was 3.4 per cent.

Other new and amended accounting standards and interpretations

The following other amendments and interpretations apply for the first time from 1 July 2019 but do not have a material impact on the Group:

- AASB Interpretation 23 *Uncertainty over Income Tax Treatments;* and
- AASB 2018-1 *Amendments to Australian Accounting Standards - Annual Improvements 2015-2017 Cycle.*

The Group has early adopted AASB 2020-4 *Amendments to Australian Accounting Standards - COVID-19-Related Rent Concessions* which would have been effective for the Group from 1 July 2020. The impact of the early application of this amendment is not material.

Notes to the financial statements: Other

For the year ended 30 June 2020

30. Other accounting policies (continued)

(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. The effects of these standards and interpretations are not expected to be material.

Reference	Description
AASB 2018-7 *Amendments to Australian Accounting Standards - Definition of Material*	The application of this Standard is effective from 1 January 2020, and will be adopted by the Group on 1 July 2020. This Standard makes amendments to the definition of 'material' to reference the effect of obscuring information to be similar to omitting or misstating information and states that an entity assesses materiality in the context of the financial statements as a whole.
Conceptual Framework for Financial Reporting	The application of this Standard is effective from 1 January 2020, and will be adopted by the Group on 1 July 2020. The revised Conceptual Framework includes a new chapter on measurement, guidance on reporting financial performance, improved definitions and guidance, in particular, the definitions of an asset and a liability and clarifications in important areas, such as the roles of stewardship, prudence and measurement uncertainty in financial reporting.
AASB 2019-1 *Amendments to Australian Accounting Standards - References to the Conceptual Framework*	The application of this Standard is effective from 1 January 2020, and will be adopted by the Group on 1 July 2020. The Standard makes amendments to a number of Australian Accounting Standards, Interpretations and other pronouncements to reflect the issuance of the *Conceptual Framework for Financial Reporting (Conceptual Framework)*.
AASB 2018-6 *Amendments to Australian Accounting Standards - Definition of a Business*	The application of this Standard is effective from 1 January 2020, and will be adopted by the Group on 1 July 2020. This Standard amends the definition of a business in AASB 3 *Business Combinations*.
AASB 2019-3 *Amendments to Australian Accounting Standards - Interest Rate Benchmark Reform*	The application of this amendment is effective from 1 January 2020, and will be adopted by the Group on 1 July 2020. These amendments to AASB 7 *Financial Instruments: Disclosures*, AASB 9 and AASB 139 *Financial Instruments: Recognition and Measurement* were issued in response to the effects of Interbank Offered Rates reform on financial reporting. They provide mandatory temporary relief enabling hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark with an alternative 'nearly risk-free' benchmark.
AASB 2019-5 *Amendments to Australian Accounting Standards - Disclosures of the Effect of New IFRS Standards Not Yet Issued in Australia*	The application of this amendment is effective from 1 January 2020, and will be adopted by the Group on 1 July 2020. This Standard amends AASB 1054 *Australian Additional Disclosures* by adding a requirement for entities complying with IFRS Standards to disclose the potential effect of an IFRS Standard that has not yet been issued by the AASB so that an entity complying with Australian Accounting Standards can assert compliance with IFRS standards.
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 2022, and will be adopted by the Group on 1 July 2022. 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 2022, and will be adopted by the Group on 1 July 2022. This amendment to AASB 101 *Presentation of Financial Statements* clarifies the requirements for classifying liabilities as current or non-current.
AASB 2020-3 *Amendments to Australian Accounting Standards - Annual Improvements 2018-2020 and Other Amendments*	The application of this amendment is effective from 1 January 2022, and will be adopted by the Group on 1 July 2022. This standard makes amendments to AASB 1 *First-time Adoption of Australian Accounting Standards*, AASB 3, AASB 9, AASB 116 *Property, Plant and Equipment*, AASB 137 *Provisions, Contingent Liabilities and Contingent Assets* and AASB 141 *Agriculture*.

(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.

Notes to the financial statements: Other

For the year ended 30 June 2020

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 the financial year to satisfy employee incentive schemes was 2,009,216 (2019: 3,572,448) at an average price of $41.79 (2019: $32.27) 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, and was the only variable remuneration plan the current executive key management personnel (KMP) were invited to participate in during the 2020 financial year.

Under the 2019 KEEPP, eligible executives were invited to receive performance shares and deferred shares in the company.

Performance shares - 2019 KEEPP

For the Group Managing Director (Group MD) and the Group Chief Financial Officer (Group CFO), the performance hurdles are Wesfarmers' total shareholder return (TSR) relative to the TSR of the ASX 100 (60 per cent weighting), portfolio management and investment outcomes (20 per cent weighting) and other strategic objectives (20 per cent weighting). For the divisional managing directors, the performance hurdles are cumulative EBIT and return on capital (ROC) performance against the divisional corporate plan (50 per cent weighting) and Wesfarmers' TSR relative to the TSR of the ASX 100 (50 per cent weighting).

The fair value of the performance shares with a TSR hurdle is determined using an option pricing model with the following inputs:

	Group MD	Group CFO and Divisional MDs
Grant date	14 Nov 2019	25 Oct 2019
Grant date share price ($)	41.16	41.05
Volatility (%)	17.79	17.98
Risk-free rate (%)	0.77	0.74
Fair value ($)	28.28	27.91

Equity-settled awards outstanding

Weighted average share price in 2020 was $39.62 (2019: $39.16). The following table includes shares subject to trading restrictions.

	KEEPP (shares)	WESAP (shares)	WLTIP (shares)	WLTIP (rights)	WESP (options)
Outstanding at the beginning of the year	1,500,504	7,464,746	199,092	668,680	205,799
Granted during the year	416,076	2,155,558	68,645	-	-
Exercised during the year	-	(2,574,791)	(96,226)	(483,188)	(16,795)
Lapsed during the year	-	(269,876)	-	(60,954)	-
Other adjustments	-	(18,137)	58,018	-	-
Outstanding at the end of the year	1,916,580	6,757,500	229,529	124,538	189,004
Exercisable at the end of the year	-	4,927,904	234,424	-	964,778

Notes to the financial statements: Other

For the year ended 30 June 2020

31. Share-based payments (continued)

Key Executive Equity Performance Plan (KEEPP) (continued)

Deferred shares - 2019 KEEPP

Eligible executives also received a deferred shares award under the KEEPP. If an executive resigns or is terminated for cause within a year, 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 deferred shares and the performance shares with EBIT and ROC hurdles, portfolio management and investment outcomes hurdles, or other strategic objectives hurdles.

Further details of the KEEPP and of the terms of the grants during the year 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 hurdle. 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. The average fair value of the equity instruments granted was $39.86 (2019 average: $39.91) and was determined with reference to the share price on the date of grant.

Wesfarmers Employee Share Acquisition Plan (WESAP) - Executives

In November 2016, WESAP was introduced to eligible executives. Under this offer, eligible executives are invited to receive an award of Wesfarmers' fully-paid ordinary shares subject to a three-year restriction.

If an executive resigns or is terminated for cause within three years, the Board may decide to cancel that share allocation. The average fair value of the equity instruments granted was $41.87 (2019 average: $32.46) and was determined with reference to the share price on the date of grant.

Wesfarmers Long Term Incentive Plan (WLTIP)

Long-term incentive

Under the WLTIP, eligible executives were invited to receive performance rights in the company, subject to testing at the end of the applicable four-year performance period. Prior to the demerger of Coles, the last issue under these terms was made in November 2016. WLTIP performance rights did not carry a right to participate in the demerger and participants did not receive Coles shares in respect of them. Additional performance rights were granted to eligible executives in December 2018, following the demerger of Coles from the Group, to preserve the overall value of the award and ensure they were not unfairly disadvantaged by the demerger.

Annual incentive

In August 2019, eligible executives received a restricted (mandatory deferred) share award under the WLTIP. 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.

31. Share-based payments (continued)

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 declared 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.

32. Director and executive disclosures

Compensation of key management personnel

The remuneration disclosures are provided in sections one to eight of the remuneration report on pages 92 to 116 of this annual report designated as audited and forming part of the directors' report.

	Consolidated	
	2020 $'000	2019 $'000
Short-term benefits	**13,054**	14,037
Long-term benefits	**127**	150
Post-employment benefits	**236**	280
Termination benefits	**256**	-
Share-based payments	**13,933**	10,987
	27,606	25,454

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.

33. Tax transparency disclosures

A reconciliation of Wesfarmers' accounting profit to its tax expense and material temporary and non-temporary 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	
Continuing operations	**2020 $m**	2019 $m
Tax paid or payable reconciliation		
Accounting profit	**2,374**	2,799
Income tax at the statutory rate of 30%	**712**	840
Non-deductible items	**156**	12
Temporary differences: deferred tax	**193**	(39)
Associates and other	**(49)**	(3)
Utilisation of previously recognised tax losses	**(80)**	-
Current year tax paid or payable	**932**	810
Effective tax rate		
Effective tax rate for Australian operations	**30.7%**	30.2%
Effective tax rate for global operations	**31.7%**	30.7%

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 2020 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 2020 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 123 of the 2020 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 2020.

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 22 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 25.

On behalf of the Board:

M A Chaney AO
Chairman

R G Scott
Managing Director

Perth
23 September 2020

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 statement of financial position as at 30 June 2020, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows 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 2020 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.

Independent auditor's report

To the Members of Wesfarmers Limited

1. Target restructure and impairment of non-current assets

Why significant	How our audit addressed the key audit matter
During the period to 30 June 2020, the Group announced a strategic review of the Target operations within the Kmart Group. As disclosed in the *Significant items in the current reporting period* section of the notes to the financial statements, the Group recognised restructuring provisions and costs of $110 million at 30 June 2020, primarily reflecting Target store closure costs and a restructure of the Target store support office. The Group also conducted impairment testing for Target on the basis of forecast cash flows incorporating the expected outcomes of the committed restructuring plan, recognising a total impairment charge of $525 million against the brand name, store plant and equipment, right-of-use assets and other assets as disclosed in Note 20 *Impairment of non-financial assets*. Impairment assessments are typically complex and judgmental, as they include the modelling of a range of assumptions and estimates that will be impacted by future performance and market conditions. The determination of the recoverable amounts of Target's tangible and intangible assets, as well as the nature and quantum of restructuring provisions to be recognised, required significant judgement by the Group. Key assumptions, judgements and estimates applied in the Target impairment assessment are set out in Note 20.	Our audit procedures included an assessment of the existence of constructive obligations at the balance date in relation to the restructure and evaluation of the assumptions and methodologies applied in the calculation of restructure costs. We evaluated the assumptions and methodologies applied in the impairment assessment, with emphasis on those relating to the determination of cash generating units ("CGUs"), forecast cash flows, growth rates, discount rates, comparative industry valuation multiples and other market evidence, including the impact of the adoption of AASB 16 *Leases* in the current year. We involved our valuation specialists to evaluate the appropriateness of key inputs, where relevant to the impairment tests, including: • Discount rates • Terminal growth rates • Market evidence of industry earnings valuation multiples • Long-term inflation and growth rate assumptions • Forecast exchange rate assumptions. We also considered the adequacy of the financial report disclosures regarding the recognition of restructuring costs and provisions, impairment testing approach, key assumptions and sensitivity analysis.

Independent auditor's report

To the Members of Wesfarmers Limited

2. WIS impairment of non-current assets

Why significant

As required by Australian Accounting Standards, the Group assesses at the end of each reporting period whether there are any factors indicating that an asset may be impaired. Goodwill and indefinite life intangibles are assessed for impairment at least annually.

During the 2020 financial year, an impairment test was conducted for the WIS CGU, resulting in an impairment charge of $310 million before tax, including impairment of goodwill and other assets, as disclosed in Note 20.

Key assumptions, judgements and estimates applied in the Group's impairment assessment for WIS are set out in Note 20.

How our audit addressed the key audit matter

Our audit procedures included an evaluation of the assumptions and methodology applied in the assessment, with emphasis on those relating to the determination of forecast cash flows, growth rate, discount rate, comparative industry valuation multiples and other market evidence.

We involved our valuation specialists to evaluate the appropriateness of key inputs, where relevant to the impairment test, including:

- Discount rate
- Terminal growth rate
- Market evidence of industry earnings valuation multiples
- Long-term inflation and growth rate assumptions
- Forecast exchange rate assumptions.

We also considered the adequacy of the financial report disclosures regarding the impairment testing approach, key assumptions and sensitivity analysis.

3. AASB 16 *Leases*

Why significant

The new accounting standard AASB 16 *Leases* ("AASB 16") was effective for the Group from 1 July 2019.

The adoption of the new standard has had a significant impact on the Group's financial position and performance, as disclosed in Note 11 *Leases* to the financial statements.

Adopting AASB 16 involved a number of key judgements and estimates, which are described in Note 11. In particular:

- The application of available practical expedients
- The estimation of lease terms for contracts where extension options exist
- The incremental borrowing rates applied
- The estimation of standalone prices for non-lease components.

How our audit addressed the key audit matter

Our audit procedures included the following:

- We assessed the Group's processes for implementing the standard and for the ongoing accounting for leases under AASB 16
- We evaluated the Group's key judgements and estimates applied in adopting the standard and assessed whether Wesfarmers' accounting principles comply with AASB 16, including application of available practical expedients
- We tested samples of both new and existing lease contracts to assess whether the associated balances had been calculated materially in accordance with contract terms and the requirements of AASB 16, including the identification of fixed and variable components of lease consideration
- We tested samples of lease reassessments and modifications during the period to assess whether they had been accounted for in accordance with the requirements of AASB 16
- We assessed the completeness of the Group's material identified lease arrangements
- We held discussions with representatives from divisional property management teams to understand the basis for estimated lease terms and non-lease component rates
- We agreed the data used in estimating the standalone prices of non-lease components to an external benchmark report released by an independent party
- We involved our capital and debt advisory specialists and actuarial specialists to evaluate the appropriateness of the Group's methodology and calculations used to determine the incremental borrowing rates applied to discount future lease payments to present value
- We considered the adequacy of the financial report disclosures.

Independent auditor's report

To the Members of Wesfarmers Limited

4. Inventory valuation and existence

Why significant

At 30 June 2020, the Group held significant inventory balances of $3,844 million, as disclosed in Note 6 *Inventories*.

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 variables affecting costs recognised in bringing 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 of 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 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 accuracy of the weighted average costing systems and performed overhead allocation testing on a sample of inventory
- We tested the costs incurred and the accuracy of 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 ageing and stock turnover
- We performed analysis of shrinkage results and provision calculations
- We considered the adequacy of the financial report disclosures.

5. Supplier rebates

Why significant

Rebates associated with its retail operations are received by the Group 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 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 assessing the significant agreements in place
- We assessed 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 2020 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 was appropriate
- We inquired of legal counsel as to the existence of other rebate contracts or contracts with unusual terms and conditions
- We inquired of 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.

BACK

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 2020 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.

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 95 to 116 of the directors' report for the year ended 30 June 2020.

In our opinion, the Remuneration Report of Wesfarmers Limited for the year ended 30 June 2020, 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 23 September 2020	J K Newton Partner Perth 23 September 2020

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Five-year financial history

All figures in $m unless shown otherwise[1]	Post-AASB 16 2020[3]	Pre-AASB 16 2019[4]	2018[5]	2017	2016[6]
Summarised income statement					
Revenue from contracts with customers	**30,753**	**44,485**	69,595	68,099	65,643
Other revenue	**93**	**199**	283	345	338
Total revenue	**30,846**	**44,684**	69,878	68,444	65,981
Operating profit before depreciation and amortisation, finance costs and income tax	**4,272**	**7,627**	4,079	5,668	2,642
Depreciation and amortisation	**(1,528)**	**(809)**	(1,283)	(1,266)	(1,296)
EBIT (after interest on lease liabilities)	**2,507**	**6,818**	2,796	4,402	1,346
Other finance costs	**(133)**	**(175)**	(221)	(264)	(308)
Income tax expense	**(677)**	**(1,133)**	(1,378)	(1,265)	(631)
Profit after tax from discontinued operations	**75**	**3,570**	(1,407)	-	-
Operating profit after income tax attributable to members of Wesfarmers Limited	**1,697**	**5,510**	1,197	2,873	407
Capital and dividends					
Ordinary shares on issue (number) 000's as at 30 June	**1,133,840**	**1,133,840**	1,133,840	1,133,840	1,126,131
Paid up ordinary capital as at 30 June	**15,818**	**15,809**	22,277	22,268	21,937
Fully-franked dividend per ordinary share (declared/determined) (cents)	**152**	**178**	223	223	186
Fully-franked special dividend per ordinary share (declared/determined) (cents)[2]	**18**	**100**	-	-	-
Financial performance					
Earnings per share (weighted average) (cents)	**150.0**	**487.2**	105.8	254.7	36.2
Earnings per share growth (%)	**(69.2)**	**360.5**	(58.5)	603.6	(83.2)
Return on average ordinary shareholders' equity (R12) (excluding significant items) (%)	**22.1**	**19.2**	11.7	12.4	9.6
Financial position as at 30 June					
Total assets	**25,425**	**18,333**	36,933	40,115	40,783
Total liabilities	**16,081**	**8,362**	14,179	16,174	17,834
Net assets	**9,344**	**9,971**	22,754	23,941	22,949
Net tangible asset backing per ordinary share ($)	**4.89**	**5.21**	4.33	4.44	3.45
Net debt to equity (%)	**(0.9)**	**25.1**	17.3	20.1	31.0
Total liabilities/total assets (%)	**63.2**	**45.6**	38.4	40.3	43.7
Stock market capitalisation as at 30 June	**50,830**	**41,000**	55,966	45,490	45,158

1 All figures are presented as last reported, including discontinued operations.

2 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.

3 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 WIS, 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.

4 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.

5 The summarised income statement for 2018 includes significant items relating to the following pre-tax (post-tax) items: $306 million ($300 million) non-cash impairment of Target, BUKI's writedown and store closure provision of $931 million ($1,023 million), $375 million ($375 million) loss on disposal relating to BUKI, partially offset by $120 million ($123 million) gain of the Curragh Coal Mine.

6 The summarised income statement for 2016 includes significant items relation to the following pre-tax (post-tax) items: $1,266 million ($1,249 million) non-cash impairment of Target; $850 million ($595 million) non-cash impairment of Curragh Coal Mine; and $145 million ($102 million) of restructuring costs and provisions to reset Target.

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; and
- The Vanguard Group, Inc. holding 6.00 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	381,378	10.92
1,001 – 5,000	88,083	16.20
5,001 – 10,000	9,879	6.03
10,001 – 100,000	5,025	8.92
100,001 and over	161	57.93

There were 12,643 shareholders that held less than a marketable parcel of Wesfarmers ordinary shares.

There were 1.04 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 23 September 2020 were:

Name	Number of shares	% of issued capital
HSBC Custody Nominees (Australia) Limited	258,627,814	22.81
J P Morgan Nominees Australia Pty Limited	182,605,556	16.11
Citicorp Nominees Pty Limited	59,955,587	5.29
National Nominees Limited	27,103,517	2.39
BNP Paribas Nominees Pty Ltd (Agency Lending DRP A/C)	21,011,386	1.85
BNP Paribas Noms Pty Ltd (DRP)	9,380,324	0.83
HSBC Custody Nominees (Australia) Limited (Nt-Comnwlth Super Corp A/C)	8,530,195	0.75
Australian Foundation Investment Company Limited	7,372,000	0.65
Citicorp Nominees Pty Limited (Colonial First State Inv A/C)	7,078,572	0.62
CPU Share Plans Pty Limited (WESAP DFE Control A/C)	5,087,149	0.45
Argo Investments Limited	5,040,027	0.44
CPU Share Plans Pty Limited (WES Exu Control A/C)	3,486,180	0.31
Milton Corporation Limited	2,877,375	0.25
Netwealth Investments Limited (Wrap Services A/C)	2,856,856	0.25
Goldman Sachs Australia + Nominee Holdings Pty Ltd (WES Ltd Div Inv Plan A/C)	2,661,826	0.23
HSBC Custody Nominees (Australia) Limited	2,257,511	0.20
BNP Paribas Nominees Pty Ltd Hub24 Custodial Serv Ltd (DRP A/C)	1,911,134	0.17
Australian Executor Trustees Limited (IPS Super A/C)	1,833,228	0.16
AMP Life Limited	1,750,973	0.15
Mr Peter Alexander Brown	1,552,825	0.14

The percentage holding of the 20 largest shareholders of Wesfarmers ordinary shares was 54.06.

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 the share registry 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

Wesfarmers Limited ABN 28 008 984 049

Registered office

Level 14, Brookfield Place Tower 2
123 St Georges Terrace
Perth, Western Australia 6000

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

Executive director

Rob Scott
Group Managing Director and Chief Executive Officer

Non-executive directors

Michael Chaney AO
Chairman

The Right Honourable Sir Bill English KNZM

Wayne Osborn

Mike Roche

Diane Smith-Gander AO

Vanessa Wallace

Sharon Warburton

Jennifer Westacott AO

Chief Financial Officer

Anthony Gianotti

Company Secretary

Aleksandra Spaseska (from 1 July 2019 to 2 March 2020)

Vicki Robinson (from 2 March 2020)

Share registry

Computershare Investor Services Pty Limited
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 and special dividends	26 August 2020
Final and special dividends paid	1 October 2020
Annual general meeting (virtual)	12 November 2020
Half-year end	31 December 2020
Half-year profit announcement	February 2021
Record date for interim dividend	February 2021
Interim dividend payable	April 2021
Year-end	30 June 2021

* Timing of events is subject to change.

Annual General Meeting

The 39th Annual General Meeting of Wesfarmers Limited will be a virtual meeting and will be held on Thursday 12 November 2020 at 1:00pm (Perth time). Shareholders will be able to participate in the meeting through an online platform. Further details will be provided in the 2020 Notice of Meeting.

Website

To view the 2020 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**

BACK

Wesfarmers

Wesfarmers businesses

Bunnings

Kmart Group

Officeworks

Chemicals, Energy and Fertilisers

Industrial and Safety

Other activities

coles	flybuys	bwp TRUST	GRESHAM	wespine
4.9%	50%	24.8%	50%	50%

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