Delivering today.
Value tomorrow.

Wesfarmers | Shareholder Review 2013

Every day brings with it the opportunity for growth; for reflection on methods and performance; improvement of practices and results; and above all, the opportunity to learn and improve.

Through sharing knowledge across diverse roles, locations and business portfolios, we can deliver on our commitment to provide value to our people, our shareholders and our communities.

Delivering today.
Value tomorrow.

Securities exchange listing

Wesfarmers is a company limited by shares that is incorporated and domiciled in Australia. Australian Securities Exchange (ASX) listing codes: Wesfarmers (WES) – Wesfarmers Partially Protected Shares (WESN)

Wesfarmers Limited ABN 28 008 984 049

Contents

About Wesfarmers

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

Our objective

Wesfarmers remains committed to providing a satisfactory return to shareholders.

Proud history, strong future

Steeped in a foundation of distribution and retailing since its formation, today Wesfarmers is one of Australia's leading retailers and diversified industrial companies.

Highlights summary

KEY FINANCIAL DATA

Year ended 30 June		2013	2012
Revenue	$m	**59,832**	58,080
Earnings before interest, tax, depreciation and amortisation	$m	**4,729**	4,544
Depreciation and amortisation	$m	**1,071**	995
Earnings before interest and tax	$m	**3,658**	3,549
Net profit after tax	$m	**2,261**	2,126
Operating cash flows	$m	**3,931**	3,641
Net capital expenditure on property, plant, equipment and intangibles	$m	**1,672**	2,351
Free cash flows	$m	**2,171**	1,472
Dividends paid	$m	**1,985**	1,789
Total assets	$m	**43,155**	42,312
Net debt	$m	**5,259**	4,904
Shareholders' equity	$m	**26,022**	25,627

KEY SHARE DATA

Earnings per share	cents	**195.9**	184.2
Operating cash flow per share	cents	**339.7**	314.6
Free cash flow per share	cents	**187.6**	127.2
Dividends per share (declared)	cents	**180.0**	165.0

KEY RATIOS

Return on average shareholders' equity (R12)	%	**8.9**	8.4
Fixed charges cover (R12)	times	**3.0**	2.9
Interest cover (R12) (cash basis)	times	**12.2**	10.8
Gearing (net debt to equity)	%	**20.2**	19.1

Wealth created by Wesfarmers

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

2013

12,910 $m

	%
Employees	59
Government	12
Lenders	3
Shareholders	16
Reinvested	10

2012

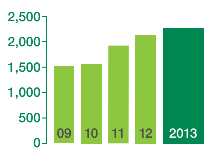
12,280 $m

	%
Employees	58
Government	12
Lenders	4
Shareholders	16
Reinvested	10

Key financial data

Net profit after tax

2,261 $m



2013	2,261
2012	2,126
2011	1,922
2010	1,565
2009	1,522

Financial highlights

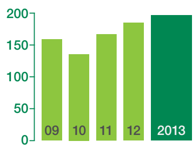
- Operating revenue of $59.8 billion, up 3.0 per cent
- Earnings before interest and tax (EBIT) of $3,658 million, up 3.1 per cent
- Net profit after tax of $2,261 million, up 6.3 per cent
- Earnings per share of $1.96, up 6.4 per cent
- Operating cash flows of $3,931 million, up 8.0 per cent
- Free cash flows of $2,171 million, up 47.5 per cent
- Fully-franked full-year dividend of $1.80 declared, up 9.1 per cent

Operational highlights

- **Coles** achieved strong EBIT (earnings) growth of 13.1 per cent to $1,533 million. This result was achieved through the provision of a better customer offer by enhancing stores, improving the broader Coles network and investing in lower prices which were funded principally by achieving operating efficiencies across stores, supply chain and store support functions.
- **Bunnings** recorded another good result with earnings growth of 7.5 per cent to $904 million. Bunnings continued to invest in better customer experiences, range innovation and category expansion, with improved stock flow achieved and increased value provided to customers through continued price investment.
- **Officeworks** recorded earnings growth of 9.4 per cent to $93 million, underpinned by strong transaction and unit growth across an expanding store network and online.
- **Kmart** recorded strong earnings growth of 28.4 per cent to $344 million, principally through improvements in sourcing, range assortment, inventory management and in-store execution.
- **Target** reported earnings of $136 million, below the $244 million achieved in the prior year, with sales and trading margins affected by price deflation due to increased competition and ongoing challenges in entertainment-related categories. There were significant management changes late in the year and high levels of clearance activity were required to be undertaken to reduce excess inventory, particularly given the late start to winter. Costs were also higher than planned, in part due to restructuring activities expected to provide future benefits.
- **Insurance** recorded earnings of $205 million, which was a significant increase on the $5 million achieved in the prior year, largely driven by higher premiums and a more favourable claims experience within the underwriting businesses.
- **Resources** reported earnings of $148 million or 66.3 per cent below last year due to lower export coal prices as the division experienced a progressively weakening export coal market. Positively, a strong focus on cost control resulted in reduced mine cash costs.
- **Chemicals, Energy and Fertilisers** reported earnings of $249 million which were in line with last year (after allowance for the termination payment of $9 million relating to the HIsmelt agreement received in the prior period). Earnings were supported by good plant production performances and product pricing in the chemicals business. Offsetting this was a poor harvest and a dry June which adversely affected fertiliser earnings and a reduced contribution from Kleenheat Gas due to lower gas content in the Dampier to Bunbury natural gas pipeline.
- **Industrial and Safety** delivered a solid result in a challenging market with earnings of $165 million, below the $190 million recorded in the prior year. This result was supported by a high level of focus on cost control, improved distribution capabilities, and the maintenance of strong service levels and customer retention.
- Other businesses, non-trading items and corporate overheads reported an expense of $119 million, compared to an expense of $137 million last year, with better results in the Gresham Private Equity Funds and the BWP Trust partially offset by lower interest revenue.
- Financing costs for the year of $432 million were $73 million lower than the previous year reflecting the benefits of refinancing activity and the progressive expiry of pre-global financial crisis interest rate hedges.
- Net capital expenditure of $1,672 million was 28.9 per cent below last year, in part driven by an increase in retail property disposal proceeds following higher levels of sale and leaseback activity.
- Given increased earnings, good free cash flow generation and a strong balance sheet, directors declared an increase in the fully-franked full-year dividend of 9.1 per cent to $1.80 per share, and announced the intention to make, subject to shareholder approval, a capital return of 50 cents per fully-paid ordinary share and partially protected share, accompanied by an equal and proportionate share consolidation.

Earnings per share

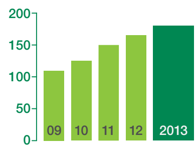
195.9 cents



2013	195.9
2012	184.2
2011	166.7
2010	135.7
2009	158.5

Dividends per share

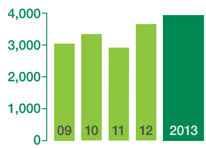
180 cents



2013	180
2012	165
2011	150
2010	125
2009	110

Operating cash flows

3,931 $m



2013	3,931
2012	3,641
2011	2,917
2010	3,327
2009	3,044

Chairman's message

As well as being our centenary, next year will be the 30th anniversary of our public listing in 1984. Much has changed over the three decades since we listed but one thing remains constant – our objective of providing a satisfactory return to shareholders.

It gives me great pleasure to introduce the 2013 Wesfarmers annual report. In a challenging environment, we have again delivered solid growth in revenue and earnings. This highlights once again the benefits of our conglomerate model, the portfolio of businesses we own and our long-term investment perspective. It also underlines the expertise, capability and dedication of the more than 200,000 employees working across our nine businesses and in our corporate office.

As well as being our centenary, next year will be the 30th anniversary of our public listing in 1984. Much has changed over the three decades since we listed but one thing remains constant – our objective of providing a satisfactory return to shareholders. Over the past 10 years, Wesfarmers has delivered compound annual growth in total shareholder return (TSR) of 12 per cent, 29 per cent more than the rate of TSR growth achieved by the market as represented by the ASX200 index. Creating value for our shareholders will remain the absolute focus of our efforts in the future.

The directors were pleased to declare a fully-franked final dividend of $1.03 per share at year's end. That took the full-year dividend to $1.80 per share, up 9.1 per cent.

Subject to shareholder approval at the 2013 Annual General Meeting, Wesfarmers also announced on 15 August 2013 that it will make a capital return of 50 cents per fully paid ordinary and partially protected share. Our earnings growth, continued strong cash flows and robust credit metrics mean we can take this step towards a more efficient capital structure without compromising our ability to grow.

Business performance

In 2013, our operating revenue grew three per cent to $59.8 billion and our net profit after tax increased 6.3 per cent to $2.26 billion. This includes strong earnings from five of the nine businesses but reduced earnings from those more exposed to the slowing in the resources sector.

I take this opportunity to compliment Ian McLeod and his team on their success in transforming Coles into a strongly performing business that is driven by delivering the best customer experience. When we acquired Coles in 2007 we outlined a five year strategy to turn this business around. We cautioned shareholders that it would take time and it is very satisfying that Coles has closely met the goals set in the original investment case and now has a strong foundation for further growth. I am pleased that we have made good progress but there remains a lot more to do that will continue to create value for shareholders.

Kmart also continued its remarkable turnaround and has become the best performing department store in the country.

While Target's results were disappointing, a new leadership team has taken action to progressively improve its performance over time.

The focus on the businesses which came with the Coles acquisition often overshadows the more longstanding divisions within the Group. It is a big challenge to keep a strong business growing and the Bunnings team has continued to deliver outstanding results though improvements in range, value and service.

After several years of unprecedented catastrophe claims, our Insurance division was rewarded with a significant lift in earnings from higher premiums, growth in targeted categories and reduced claims costs.

Our industrial businesses collectively were operating in a much more difficult external environment during the year. Lower export coal prices led to a fall in earnings from the Resources division; more positively, a strong focus on cost control and capacity expansion has positioned the business well to take advantage of any market improvement. Industrial and Safety was challenged by reduced activity and cost-cutting among its customer base and responded with a strong focus on cost control and customer service. Chemicals, Energy and Fertilisers maintained earnings in line with the previous year. The chemicals business increased earning's following good plant production performance and strong product pricing but lower earnings were recorded by Kleenheat Gas and fertilisers.

Sustainability

Our objective is sustainable success; in reality there is no other kind. We can only deliver value to our shareholders over the long-term if we make a sustained positive difference to our millions of customers, thousands of suppliers and the hundreds of communities in which we operate. That in turn is dependent on providing a rewarding and satisfying environment for our 200,000-plus employees who engage daily with all other stakeholders.

We genuinely believe there is no more important asset at Wesfarmers than our people, and there is no higher priority than their safety. We have a moral obligation to ensure our employees go home safely at the end of their working day. Safety is also good business. A safe workplace has more engaged employees and can expect regulatory, insurance, legal and reputational benefits.

Last year the leadership team took on the challenge of reinvesting in and reinvigorating our safety effort. It was an acknowledgement that, while our safety performance had improved, we still had a long way to go. A team from across the Group led by John Gillam took on the task of benchmarking our safety performance against the best in the world. The report received by the Board this year provided the Group's diverse businesses with valuable information on where they stand and clarity on priority areas for action to improve safety performance. We still have much to do and we have already taken action to lift our safety performance by implementing some of the priority actions recommended in the report, including increased divisional collaboration and the use of more effective safety performance indicators, targets and reporting.

One of the most pleasing aspects of our Group-wide study on safety was the collaboration evident across the Group. Our divisions operate very autonomously but, in areas such as safety, collaboration can provide many benefits. I believe we have seen a step change in our safety culture; it is a long journey but we have made a good start. During the year, our safety performance as measured by lost time injury frequency rate (LTIFR) has improved by 18 per cent from 10.9 to 8.9, but there was a three per cent increase in the total recordable injury frequency rate.

We remain highly motivated to make changes which benefit the environment in which we and our stakeholders live and work. This year, our Scope 1, 2 and 3 carbon emissions across the Group decreased by 13 per cent. This change was largely driven by further improvements from the use of nitrous oxide abatement technology in our ammonium nitrate business at CSBP and energy efficiency initiatives at Coles. We also continued to reduce our carbon emissions intensity, emitting 85 tonnes of carbon dioxide equivalent per million dollars revenue this year, down from 100 last year.

Across the Group, we are finding better ways to deal with our waste, decreasing our waste to landfill by nine per cent this year.

The Board

I thank my Board colleagues for their diligence and support throughout the year. Last year, I advised we had made provision in our remuneration settings to appoint up to two additional members to the Board to strengthen our succession and renewal planning.

We welcomed Paul Bassat to the Board in November 2012. Paul co-founded SEEK in 2007 and was its chief executive officer or co-chief executive officer until 2011. He has a track record of innovative leadership and operational success and has brought invaluable knowledge and expertise in online business and e-commerce to the Board.

In April, we welcomed Jennifer Westacott to the Board. Jennifer is well known for her work as chief executive of the Business Council of Australia and has brought extensive and valuable policy experience in both the public and private sectors to the Board.

Investing for the future

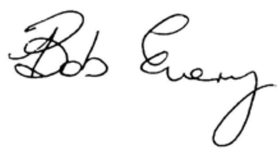
Volatility and uncertainty seem to have become fixtures in the environment in which we operate. Notwithstanding that, we remain confident and excited about the future that lies ahead for Wesfarmers.

We have a solid platform for future growth as a result of the bold but disciplined capital expenditure decisions we have made over successive years. In 2013, gross capital expenditure was $2.3 billion, representing continued strong investment in future growth.

This included the advancement of the ammonium nitrate expansion project in the chemicals, energy and fertilisers business and further growth and improvement of our retail networks. As we move further into the digital age, we are also investing more resources than ever into our digital strategies, platforms and capability.

Next year, we will celebrate 100 years since the formation of The Westralian Farmers Ltd at a meeting of West Australian farmers back in 1914. Wesfarmers may have dramatically changed its size and operations over that time but, thankfully, it has not greatly changed its culture. When I became Chairman five years ago, I considered my greatest responsibility was to be the custodian of that culture. By that I mean being bold but disciplined, taking a long-term approach to capital and commercial management, having a focus on innovation, performance and sustainable growth and a commitment to openness, accountability and integrity.

Under the outstanding leadership of Richard Goyder and his management team, I believe Wesfarmers is well-placed to meet the inevitable challenges that will confront us in the years ahead and continue to deliver satisfactory returns to you, our shareholders. Wesfarmers exists for your benefit and we thank you for your ongoing support of this great company.



Bob Every AO, Chairman

Managing Director's review

Wesfarmers' primary objective is to provide a satisfactory return to shareholders. Our portfolio of assets, the strength of our balance sheet, our strong focus on return on capital, and the calibre of our people leave us well positioned to enhance future returns.

Thanks to the efforts of more than 200,000 team members across the Group, your company achieved a pleasing improvement in performance in the 2013 financial year.

We increased turnover by three per cent to $59.8 billion, our profit after tax was $2,261 million, up 6.3 per cent, and our earnings before interest and tax, which is how we measure divisional performance, were more than $3,658 million. Our earnings per share were up 6.4 per cent and we achieved solid growth in cash flows.

Once again, the benefits of our conglomerate structure were evident. Five of our nine businesses recorded strong earnings growth, however, Target's performance was disappointing and two of our three industrial divisions felt the impact of a very difficult external environment. In aggregate, it was a pleasing outcome for shareholders and reinforced that our great portfolio of businesses has the capacity to perform well in most circumstances.

Business divisions

Coles delivered earnings growth of 13.1 per cent to $1,533 million, building on the 16.3 per cent and 21.2 per cent earnings growth in the 2012 and 2011 financial years respectively. The transformation of Coles since its acquisition in 2007 progressed, with operational efficiencies continuing to fund reinvestment in price. The continuing store renewal program, space expansion and further investment in developing Coles team members also benefited performance. The past five years have seen a sustained turnaround of the business, providing benefits for consumers, suppliers and employees and delivering a much stronger platform for future growth.

Bunnings' earnings increased 7.5 per cent to $904 million, a very strong result with growth across all key business segments as customers responded to improved value, range and service. Earnings were further supported by cost management initiatives and the upgrade and expansion of the store network, including the opening of 23 new locations. Pleasingly, growth was achieved across consumer and commercial areas, all key trading regions and all merchandising categories.

Officeworks' earnings increased 9.4 per cent to $93 million despite challenging market conditions and continued deflation in technology-related categories. The improved performance reflected increased customer participation, improved merchandising and disciplined cost management. The network expanded by 13 stores including, in June, the opening of the 150th Officeworks store.

Kmart delivered very strong earnings growth, up 28.4 per cent to $344 million, building on the previous year's 31.4 per cent growth. Customers responded positively to continued improvement in range and we were able to further reinvest in lower prices on everyday items as a result of operational efficiencies and better sourcing. During the year, Kmart achieved its fourteenth consecutive quarter of growth in transactions and units sold.

Target's performance was disappointing and below expectations. Earnings fell 44.3 per cent to $136 million following challenging trading conditions, increased costs and clearance activity needed to clear high levels of excess inventory. Under a new leadership team, Target has embarked on a significant transformation of its business. Earnings are expected to recover as it executes its transformation but improvement will take time.

Following disciplined risk selection and strong underwriting performance, the Insurance division was rewarded with strong earnings growth to $205 million, up from $5 million the previous year.

The Resources division's earnings fell 66.3 per cent to $148 million as a result of lower export coal prices and the continued strong Australian dollar. A strong focus on cost control at the Curragh mine did result in improved operational performance with better than expected unit mine-cash-cost results.

The Chemicals, Energy and Fertilisers division reported earnings of $249 million, in line with the previous year (after allowance for the termination payment of $9 million relating to the HIsmelt agreement received in the prior period). Increased product demand and good plant performance drove improved earnings in the chemicals business but fertiliser earnings were reduced due to a poor grain harvest and a dry June. Kleenheat Gas' contribution fell, mainly due to lower gas content in the Dampier to Bunbury natural gas pipeline.

The Industrial and Safety division contributed earnings of $165 million, compared with $190 million the previous year. It was a solid result given challenging conditions as customers reduced activity and focused on cost reduction.

Other businesses' earnings were above last year, despite lower interest revenue, as losses in the Gresham Private Equity Funds reduced to $11 million. In addition, the investment in BWP Trust earned $27 million, up from $16 million on the previous year.

Management changes

In April, Stuart Machin replaced Dene Rogers as Managing Director of Target. Stuart was an important member of the turnaround team at Coles and has the outstanding leadership and execution skills that are needed to transform Target's performance. In February, the Insurance division's Managing Director Rob Scott, was appointed Finance Director at Coles. Rob did an exceptional job during a difficult period in the insurance sector. Anthony Gianotti, the Insurance division's Finance Director stepped into the Managing Director's role on an acting basis and I was delighted to confirm Anthony's appointment on a permanent basis in July 2013.

Suppliers

There has been continued public comment this year on the relationship between Wesfarmers and its suppliers, both domestically and offshore. Coles' relationship with food and grocery suppliers in Australia has been the focus of considerable attention while several of our retail divisions have been drawn into wider scrutiny of workplace conditions in developing countries from where we import clothing, notably Bangladesh.

Our relationship with our suppliers is very important to us. We want to provide better value to our customers but in a way that is sustainable for our suppliers and their employees and helps them to grow with us.

Coles, a once iconic Australian business, was in a spiral of decline when we acquired it. Its product range was unwieldy and excessive, products were too often unavailable on shelves and the experience for customers was unfriendly and unsatisfying. We set out to rebuild trust with consumers by providing them with better value and a much improved in-store experience. Five years later, millions more Australians are choosing to shop with Coles each week, our customers collectively are saving around $1 billion a year and we are purchasing billions of dollars a year more fresh produce from Australian farmers. Deflation in food and grocery prices has been one of the few areas of relief for the many Australians struggling with the rising cost of living.

An essential element of the Coles turnaround has been increasing the efficiency and cost-competitiveness of our supply chain. This has been challenging for some individual suppliers but the supply chain in Australia does need to become more efficient to ensure its continued competitiveness. Coles is working closely with its suppliers to ensure we are getting fresher, better product in a more efficient way. This is not only good for consumers but a necessary transformation of the supply chain in Australia.

Ethical sourcing is also very important to us. All our retail divisions have ethical sourcing codes based on internationally accepted codes and guidelines. These cover proper working conditions, fair pay and labour standards, health and safety and business integrity and regular audits take place to verify factories are complying with code requirements.

The media coverage on the garment manufacturing industry in Bangladesh was disturbing. However, much of it overlooked the efforts Wesfarmers and its retail divisions – Kmart, Target and Coles – have made, and are continuing to make, to ensure we source our products from suppliers that operate to a standard we and our customers expect.

While there are many improvements still to be made, we are leading the way in Australia in some areas. Kmart and Target were the first Australian retailers to sign the Accord on Fire and Safety in Bangladesh. More recently, Kmart became the first Australian retailer to commit to publishing the addresses of all its clothing supplier factories in all countries.

Looking ahead

In 2014, Wesfarmers will celebrate both its centenary and the 30th anniversary of our public listing. Since 1914 we have grown from a small farmers' cooperative to one of Australia's biggest companies. Our size and operations today would be unrecognisable to the handful of farmers who were behind the formation of The Westralian Farmers Limited so long ago. We owe much to our cooperative roots: patience, boldness, resilience, disciplined investment, our commitment to the communities where we operate and, perhaps most importantly, a willingness to take a long-term view and stare through cycles.

As we go forward, we will retain a strong focus on growth through investing in our existing businesses. Our online revenues are now around the $1 billion mark, just one indication of how the digital age is impacting our businesses. The future holds much opportunity in this area as our businesses develop and implement digital strategies to lift efficiency and enhance the value we provide to customers. As always, we will also look to make appropriate changes to our portfolio but remain patient and disciplined in doing so.

I sincerely thank the Board, the leadership team and all of our 200,000-plus employees for their efforts and collaboration this year. I am delighted that the growth in our businesses meant we were employing an additional 4,000 people at the end of the year. Very good people at all levels are the key to our success; they are our only true competitive advantage and they are what will make the coming years even better than the past.

Richard Goyder

Richard Goyder AO, Managing Director

Finance Director's review

Results overview

Net profit after tax for the Group in the 2013 financial year increased 6.3 per cent to $2,261 million. In line with earnings growth, earnings per share of 195.9 cents were up 6.4 per cent, while average return on equity increased to 8.9 per cent for the year.

Cash flow

Strong cash flow generation during the year was a highlight. Cash flow from operations increased by 8.0 per cent to $3,931 million, with a cash realisation ratio of 118 per cent, driven by earnings growth and good working capital management.

Free cash flows increased to $2,171 million for the year, up 47.5 per cent on last year, despite the prior period benefiting from $402 million in cash proceeds associated with the sale of the Premier mine, the enGen business and other small divestments. Higher free cash flow was reflective of increased retail property sale and leaseback activity and exceeded cash dividends paid during the year, which totalled $1,985 million, up from $1,789 million in the previous year.

While 11.2 per cent down on last year, gross capital expenditure of $2,331 million remained well ahead of depreciation due to ongoing investment in growth opportunities within the Group, including retail network expansion and refurbishment activity, and good progress on the 260,000 tonne expansion of ammonium nitrate capacity in the Chemicals, Energy and Fertilisers division.

Net capital expenditure of $1,672 million was down 28.9 per cent after the inclusion of $659 million in property disposal proceeds. Included within this result was $400 million of proceeds from the sale and leaseback in May 2013 of 19 Coles-owned shopping centres to a newly established joint venture, owned 75 per cent by ISPT, a leading Australian property fund manager, and 25 per cent owned by Coles.

The current outlook is for property recycling activity to remain at high levels given more of Wesfarmers' retail property portfolio is entering a stage where return on capital can be optimised from its sale and leaseback. As part of this activity, the Group has begun using more innovative structures that retain operational flexibility, alongside its more traditional sale and leaseback approach. Consistent with this, in August 2013 Bunnings announced the sale and leaseback of 10 Bunnings stores to the BWP Trust and 15 Bunnings warehouses via a securitised lease transaction.

Balance sheet

The balance sheet remains strong and all key liquidity ratios improved during the year.

Total net debt at 30 June 2013 of $5,259 million was 7.2 per cent higher than the same time last year. Despite this increase, finance costs declined by 14.5 per cent to $432 million. This was due to a 118 basis point reduction in average effective borrowing costs to 6.65 per cent driven by strong refinancing outcomes and the progressive expiry of pre-global financial crisis interest swap hedges.

The value of property, plant and equipment increased over the year from $9,463 million to $10,164 million as at 30 June 2013, due to investment in growth capital expenditure mainly in Coles, Bunnings and the Chemicals, Energy and Fertilisers division.

Further improvements in working capital management were made, with capital employed in this area reducing by $542 million over the year. This result was driven by extracting efficiencies across the Group's retail supply chains which more than offset the impact of increased store numbers across these businesses.

Detailed impairment testing of non-current assets, including goodwill and other intangible assets recognised on business acquisitions, was carried out during the year. External experts were engaged to provide support on model inputs, including discount rates and long-term growth rates. Non-cash impairment charges totalling $49 million were made during the year, compared to $197 million in the prior year. The current year impairment charge largely related to retail property holdings. In all other cases, recoverable amounts of non-current assets determined for impairment testing exceeded their carrying values. Future impairment testing of non-current assets remains sensitive to changes in general trading conditions and outlook, as well as discount rates.

Debt management

Wesfarmers is committed to maintaining a strong investment-grade rating through prudent balance sheet management. At the end of the year the Group's credit rating from Standard & Poor's was A- (stable) while Moody's rating was upgraded during the year to A3 (stable).

The Group has continued to diversify its funding sources and extend its debt maturity profile, with an average tenor of 4.0 years at year end. Refinancing activity comprised Wesfarmers' first 10 year bond issue in August 2012, which raised €650 million (approximately $764 million) through European debt capital markets. In March 2013, the Group issued $350 million of seven year unsecured fixed rate medium term notes in the Australian market and, in the same month, issued US$750 million (approximately $728 million) of five year notes in the United States. Late in the year, the Group also achieved good outcomes through the renegotiation of approximately half of its term loan facilities. This activity collectively reflects an overall treasury strategy to proactively re-finance maturities when conditions are favourable.

As at 30 June 2013, the Group had available to it $520 million in cash at bank and on deposit and $3,050 million in committed but undrawn bank facilities.

Strong operating performance and debt management initiatives resulted in improvements in the Group's fixed charges cover ratio to 3.0 times and cash interest cover to 12.2 times. Net debt to equity at year end was 20.2 per cent.

Capital management

As a result of continued earnings growth and cash generation, together with a stronger balance sheet, Wesfarmers directors propose, subject to shareholder approval at the 2013 Annual General Meeting, that Wesfarmers makes a capital return of 50 cents per fully-paid ordinary share and partially protected share. The capital return, which would total $579 million if approved, will return surplus capital to shareholders and ensure that Wesfarmers maintains an efficient capital structure without adversely affecting its financial flexibility and growth objectives.

The capital return will be accompanied by an equal and proportionate share consolidation. This means Wesfarmers can provide an earnings per share outcome similar to that which would result from a share buy-back, whilst also ensuring that all shareholders receive an equal cash distribution per share and no change in their proportionate interest in Wesfarmers.

In order to properly reflect the impact of the capital return and share consolidation on Wesfarmers' partially protected shares, the floor price and conversion ratio attaching to the partially protected shares will be adjusted to $34.32 and 1.256 respectively.

Equity management

Over the year shares on issue were stable, with 1,157 million shares on issue at 30 June 2013, made up of 1,007 million ordinary shares and 150 million partially protected ordinary shares.

Dividend policy

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

Consistent with this policy, Wesfarmers directors declared a fully-franked, final dividend of 103 cents per share, bringing the full-year dividend to 180 cents per share, an increase of 9.1 per cent on last year. The final dividend, to be paid on 27 September 2013, is not provided for in the accounts.

Given a preference by many shareholders to receive dividends in the form of shares, the directors decided to continue the operation of the Dividend Investment Plan (the Plan). No discount applies to shares allocated under the Plan and in recognition of the Group's capital structure and strong balance sheet, all shares issued under the Plan will be acquired on-market by a broker and transferred to participants.

Risk management

The Group maintains and adheres to clearly defined policies covering areas such as liquidity risk, market risk (including foreign exchange, interest rate and commodity price risk) and credit risk.

It is, and has been throughout the year, the Group's policy that no speculative trading in financial instruments be undertaken.

The main sources of foreign exchange risk include: the sale of export coal, denominated in US dollars; purchases in foreign currency, mainly retail inventory in US dollars; and current US dollar and Euro denominated debt. Businesses exposed to foreign exchange risk use forward contracts to minimise currency exposure. US dollar and Euro denominated debt and associated interest costs are fully hedged at the time the debt is drawn down. The Group uses fixed rate debt and interest rate and cross currency interest rate swaps to manage interest rate risk. Fixed rate debt and interest rate swaps covering $2.5 billion of debt are currently in place for the 2014 financial year.

The annual corporate planning process includes an established framework for assessing broad business risk as well as considering appropriate risk mitigation strategies.

Internal control and assurance

The Group maintains an internal audit function with a Group-wide mandate that is fully independent of the business operations to monitor and provide assurance to the Board's Audit Committee, and ultimately the Board, as to the effectiveness of risk management and internal control systems. The annual internal audit plan is developed within a combined assurance framework and applies a risk-based methodology to ensure that the Group's key risks are appropriately and regularly reviewed.

The internal audit plan is approved by the Audit Committee. The internal audit function delivers the approved internal audit plan by engaging a single outsource audit provider.

As part of the annual operating cycle, each business is also required to review and report on: legal liabilities; financial controls; information systems; environment, health and safety planning; risk assessment and mitigation; and post implementation reviews on all major capital investment expenditure.

Terry Bowen, Finance Director

Coles

The Coles turnaround produced strong trading results in 2013 by improving quality, service and value. The business continued to out-perform the industry and successfully completed the final year of a five-year turnaround plan.

Contribution to operating divisional EBIT

41%

Operations

Coles is a national supermarket, liquor, fuel and convenience retailer in Australia. Its purpose is to give the people of Australia a shop they trust, delivering quality, value and service.

Coles has:

– 756 full service supermarkets
– 810 liquor outlets under three brands and 92 hotels
– 636 fuel and convenience stores
– More than 99,000 team members

Operating results and drivers

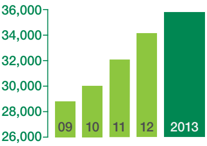
– Revenue of $35.8 billion, up 4.9 per cent
– EBIT of $1,533 million, up 13.1 per cent
– Return on capital of 9.5 per cent, up from 8.7 per cent
– Total food and liquor sales growth of 5.5 per cent and comparative store sales growth of 4.3 per cent
– Over four years of industry outperformance
– Continued investment in customer value funded from cost reductions and business efficiencies
– Continued investment in product quality particularly fresh categories
– Ongoing transformation of the supply chain
– Launch of 90 more stores in renewal format, opening of 6 larger format stores and net space growth of 1.6 per cent
– Good progress on multi-channel initiatives including trials of new Coles Online website
– Growth in financial services including Coles Insurance and flybuys loyalty program
– Strong customer response to fuel offers and better range and value in the convenience store network

Strategies and prospects

– Embark on second wave of transformation with a focus on quality, service and value
– Take advantage of further opportunities in store renewal, supply chain transformation and operating efficiencies
– Investment in category innovation, Coles brand development, multi-channel integration and a tailored loyalty offer
– Culture of continuous improvement

Revenue

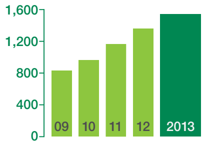
35,780 $m



2013	35,780
2012	34,117
2011	32,073
2010	30,002
2009	28,799

EBIT

1,533 $m



2013	1,533
2012	1,356
2011	1,166
2010	962
2009	831

Home Improvement and Office Supplies

Bunnings and Officeworks continued to create more value for customers and improve their experience. Bunnings extended brand reach and strengthened stock flow, productivity, and team aspects of the business. Officeworks added new products, expanded and renewed the store network and invested in online and business-to-business channels.

Contribution to operating divisional EBIT

26%

Operations

Bunnings

Bunnings is a retailer of home improvement and outdoor living products, servicing home and commercial customers in Australia and New Zealand.

- 210 warehouse stores
- 67 small format stores
- 36 trade centres
- More than 33,000 team members

Officeworks

Officeworks is a retailer and supplier of office products and solutions for home, business and education in Australia.

- 150 stores
- National online and mobile sales channels
- More than 6,000 team members

Operating results and drivers

Bunnings

- Revenue of $7.7 billion, up 7.0 per cent
- EBIT of $904 million, up 7.5 per cent
- Return on capital held at 25.9 per cent
- Total store sales growth of 7.2 per cent, with store-on-store sales increasing 4.4 per cent
- 10 new warehouse stores, 10 smaller format stores, and three trade centres opened
- Continued range innovation and category expansion

Officeworks

- Revenue of $1.5 billion, up 1.6 per cent
- EBIT of $93 million, up 9.4 per cent
- Return on capital of 8.1 per cent, up from 7.1 per cent
- Challenging market conditions
- Strong online sales growth
- 13 new stores opened

Strategies and prospects

Bunnings

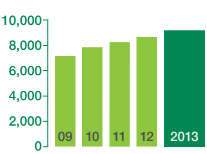
- More customer value through lowest prices
- Delivering better customer experiences
- Expanding brand reach
- Expanding commercial business through better capability
- More merchandising innovation
- Investment in the team, better stock flow, improved productivity and deeper community involvement
- Higher rate of property pipeline conversion
- Ongoing focus on capital recycling

Officeworks

- Enhancing customer offer by extended category reach, expanded print and copy and furniture offers, price leadership and store innovation
- Reducing complexity and cost of doing business

Revenue

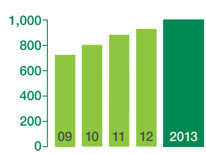
9,167 $m



2013	9,167
2012	8,644
2011	8,251
2010	7,822
2009	7,151

EBIT

997 $m



2013	997
2012	926
2011	882
2010	802
2009	724

Kmart

Kmart's sales growth for the full-year was underpinned by strong transaction and unit growth. The fourth quarter of the year represented the fourteenth consecutive quarter of growth in customer transactions and units sold.

Contribution to operating divisional EBIT

9%

Operations

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

Kmart has:

- 190 Kmart stores
- 263 Kmart Tyre & Auto Service centres
- More than 31,000 team members

Operating results and drivers

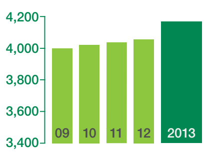
- Revenue of $4.2 billion, up 2.8 per cent
- EBIT of $344 million, up 28.4 per cent
- Return on capital of 25.9 per cent, up from 18.9 per cent
- Total store sales growth of 2.7 per cent with comparable store sales growth of 2.1 per cent
- 14 consecutive quarters of growth in customer transactions and units sold
- Improvements in sourcing, range assortment, inventory management and store execution
- Six new Kmart stores opened and 10 stores refurbished
- Five new Kmart Tyre & Auto stores opened

Strategies and prospects

- Continued focus on growth through volume retailing, operational excellence, adaptable stores and high performance culture
- Improve sourcing, stock flow and availability
- Continued focus on ethical sourcing and stronger supplier relationships
- Lower Australian dollar expected to affect margin growth
- Six new stores planned in 2014
- Team and customer safety a priority

Revenue

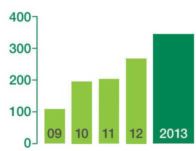
4,167 $m



2013	4,167
2012	4,055
2011	4,036
2010	4,019
2009	3,998

EBIT

344 $m



2013	344
2012	268
2011	204
2010	196
2009	109

Target

After a difficult year at Target, we have reset our business strategy with a focus on getting 'back to basics'. A key priority will be to strengthen our team to drive a transformation program to ensure the long-term sustainable success of the business.

Contribution to operating divisional EBIT

4%

Operations

Target is a department store retailer in Australia. Target's value proposition is to deliver style and quality every day at prices its customers love.

Target has:
- 183 Target stores
- 125 Target Country stores
- More than 24,000 team members

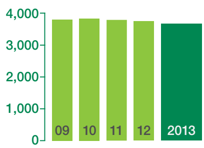
Operating results and drivers

- Revenue of $3.7 billion, down 2.1 per cent
- EBIT of $136 million, down 44.3 per cent
- Return on capital of 4.6 per cent, down from 8.4 per cent
- Total sales decreased 1.7 per cent and comparable stores sales growth fell 3.3 per cent
- Earnings affected by challenging trading conditions, strong competition, higher than expected shrinkage and clearance activity
- Stuart Machin appointed Managing Director on 15 April and initiated 'back to basics' focus
- Store support office restructured
- Leadership team strengthening underway
- 14 new stores opened and seven closed

Strategies and prospects

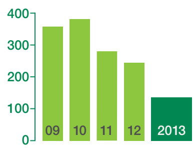
- Back to basics focus
- Commencement of transformation program
- Strengthening of leadership team to drive transformation
- Initiatives include rationalising range, improving direct sourcing, reviewing pricing architecture and improving the supply chain
- Trading environment remains challenging
- Earnings expected to recover but will take time

Revenue
3,658 $m



2013	3,658
2012	3,738
2011	3,782
2010	3,825
2009	3,788

EBIT
136 $m



2013	136
2012	244
2011	280
2010	381
2009	357

Insurance

Strong underwriting performance combined with continued income and earnings growth in broking produced the division's highest ever earnings result.

Contribution to operating divisional EBIT

5%

Operations

Wesfarmers Insurance is a provider of insurance solutions in selected market categories in Australia, New Zealand and the United Kingdom. It has general insurance underwriting businesses in the rural, SME and commercial sectors and a growing business in personal lines through Coles Insurance. Its broking operations focus on the SME and commercial sectors.

Insurance has:

- 89 WFI offices
- 26 Lumley offices
- 32 OAMPS offices
- 23 Crombie Lockwood offices
- More than 3,600 team members

Operating results and drivers

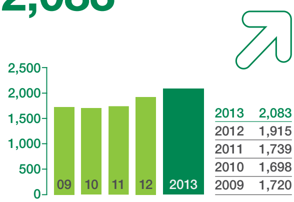
- Revenue of $2.1 billion, up 8.8 per cent
- EBIT of $205 million, up from $5 million
- Return on capital of 14.7 per cent, up from 0.4 per cent
- Higher premiums achieved and lower claims
- Underwriting combined operating ratio of 95.3 per cent
- Strong growth in Coles Insurance, Motor and Rural
- Continued investment in IT and efficiency
- Targeted reduction in exposure to higher risk regions and categories
- Strong growth in New Zealand broking

Strategies and prospects

- Further improvement in earnings expected in 2014 in the absence of significant catastrophe events
- Strong growth expected in personal lines
- Broking to grow through targeted recruitment, bolt-on acquisitions and productivity improvement
- Lower interest rates to constrain investment earnings
- Continued investment in broking systems upgrade

Revenue

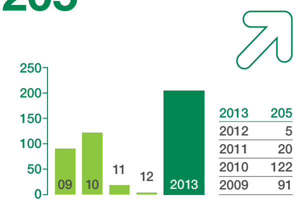
2,083 $m



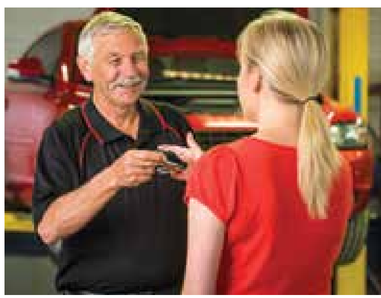
2013	2,083
2012	1,915
2011	1,739
2010	1,698
2009	1,720

EBIT

205 $m



2013	205
2012	5
2011	20
2010	122
2009	91



Resources

Production from both the division's mines was up compared to prior year and cost control was also strong. Earnings were down compared to prior year reflecting significantly lower export coal prices.

Contribution to operating divisional EBIT

4%

Operations

The Resources division owns and operates world-scale open-cut coal producing resources in Australia.

Resources has:

- Curragh in Queensland which produces metallurgical coal for export and steaming coal for domestic power generation
- 40 per cent of Bengalla in New South Wales, which is operated by Coal & Allied and produces export steaming coal for Asia
- More than 650 team members

Operating results and drivers

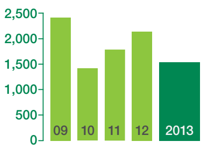
- Revenue of $1.5 billion, down 27.8 per cent
- EBIT of $148 million, down 66.3 per cent
- Return on capital of 10.0 per cent, down from 29.5 per cent
- Production of 13.7 million tonnes, up 10.4 per cent
- Curragh production up 5.3 per cent to 10.6 million tonnes
- Bengalla production up 32.6 per cent to 3.1 million tonnes
- Export revenue affected by low coal prices and high Australian dollar
- Strong cost control delivered a 12.5 per cent reduction in Curragh's unit mine cash costs (excluding carbon tax)

Strategies and prospects

- Continued focus on productivity and cost control
- Sales of Curragh metallurgical export coal in 2014 expected to be 7.5 to 8.5 million tonnes
- Global economic uncertainty expected to see variable short-term coal demand
- Long-term metallurgical coal outlook remains sound
- Expansion options exist for both mines with feasibility studies complete
- Consider acquisitions which could provide economies of scale and growth

Revenue

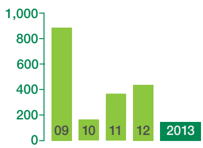
1,539 $m



2013	1,539
2012	2,132
2011	1,778
2010	1,416
2009	2,411

EBIT

148 $m



2013	148
2012	439
2011	369
2010	165
2009	885

Chemicals, Energy and Fertilisers

The division reported earnings of $249 million, supported by good production performances and strong product pricing in the chemicals business.

Contribution to operating divisional EBIT

7%

Operations

Wesfarmers Chemicals, Energy & Fertilisers (WesCEF) produces and markets chemicals, fertilisers and gas products.

WesCEF has:

– Ammonia and ammonium nitrate production facilities in Western Australia
– 50 per cent of QNP ammonium nitrate production facilities in Queensland
– Sodium cyanide production facilities in Western Australia
– PVC Resin and specialty chemicals production facilities in Victoria
– LPG and LNG distribution across Australia with LPG and LNG production facilities in Western Australia
– Fertiliser production and importation facilities in Western Australia
– More than 1,500 team members

Operating results and drivers

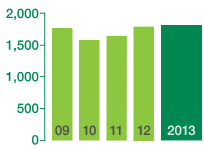
– Revenue of $1.8 billion, up 1.1 per cent
– EBIT of $249 million, down 3.5 per cent (in line with last year after allowance for termination payment of $9 million relating to the HIsmelt agreement received in the prior period)
– Return on capital of 17.8 per cent, down from 20.1 per cent
– Higher chemical earnings driven by good production performance and strong product pricing in ammonia, ammonium nitrate and sodium cyanide
– Lower gas earnings due to fall in feedstock LPG content and reduced volume
– Lower fertiliser earnings due to declining prices, a poorer grain harvest and a dry June
– Ammonium nitrate expansion from 520,000 tonnes to 780,000 tonnes per annum on track for first half calendar year 2014
– Launched natural gas retail business in Western Australia

Strategies and prospects

– Ongoing focus on completion of ammonium nitrate expansion and sodium cyanide debottlenecking projects in 2014
– Chemicals business well-placed to benefit from continuing strong resources demand
– LPG content in feedstock to remain challenging
– Cost and productivity improvement programs underway in LPG
– Fertiliser outlook remains dependent on seasonal and farming conditions

Revenue

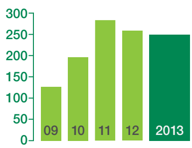
1,805 $m



2013	1,805
2012	1,786
2011	1,641
2010	1,570
2009	1,760

EBIT

249 $m



2013	249
2012	258
2011	283
2010	196
2009	127

Industrial and Safety

The division delivered a solid result in challenging market conditions and is well-placed to continue to grow market share and in new segments.

Contribution to operating divisional EBIT

4%

Operations

Industrial and Safety provides industrial and safety products and services in Australia and New Zealand. Its value proposition is to be a trusted provider of industrial and safety solutions to enable its customers to run, maintain and grow their businesses efficiently and safely.

Industrial and Safety has:
- 222 branches
- 145 additional gas distribution points
- More than 3,500 team members

Operating results and drivers

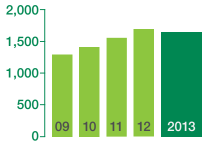
- Revenue of $1.6 billion, down 2.5 per cent
- EBIT of $165 million, down 13.2 per cent
- Return on capital of 14.7 per cent, down from 16.0 per cent
- Challenging environment as customers reduced activity and focused on costs
- Realigned cost base through business restructure and announced closure of 13 locations
- Business realigned along three customer-centric streams
- Maintained strong service levels including 95 per cent delivery in full on time
- Extended home brand ranges and services
- Launched online businesses in Australia and New Zealand

Strategies and prospects

- Continued focus on supply chain and operational efficiencies and lowering the cost of doing business
- Continued focus on service and value to customers, including product and service range development
- Continue to target diversification of the customer base
- Growth into new, related markets including services
- Consideration of targeted acquisitions to complement organic growth
- Trading environment expected to remain challenging

Revenue

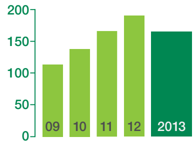
1,647 $m



2013	1,647
2012	1,690
2011	1,557
2010	1,412
2009	1,294

EBIT

165 $m



2013	165
2012	190
2011	166
2010	138
2009	114

Other activities

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

Gresham Partners

Wesfarmers has a 50 per cent shareholding in Gresham Partners Group Limited, the holding company for the Gresham Partners investment house operations. Gresham is a leading independent financial services business focused primarily on the provision of financial advisory services, structured finance, and property and private equity funds management, which contributed a profit of $1 million for the year.

Gresham participated in a number of significant corporate advisory transactions during the year, including mergers and acquisitions, corporate restructurings and refinancings on behalf of a range of domestic and international clients.

Its property funds management business, which is the manager of two established funds with total capital commitments of some $225 million, continued to support a range of projects primarily in New South Wales, Victoria and Queensland.

Wesfarmers is a participant in the Gresham Private Equity wholesale investment funds with underlying investments in mining services, logistics and other specialist sectors.

During the 2013 financial year, Wesfarmers' investment in those funds recorded a loss of $11 million due to downward realised and unrealised revaluations.

Wespine Industries

The 50 per cent-owned Wespine Industries, which operates a plantation softwood sawmill in Dardanup in Western Australia, contributed earnings of $5 million after tax, in line with last year.

An improved safety performance was achieved during the year with no lost time injuries and a 35 per cent reduction in the number of total recordable injuries. Wespine is targeting a further reduction in total recordable injuries in the coming year.

The local housing market is forecast to improve during the coming year, but with continued import competition and subdued housing construction in overseas markets. A continuation of the challenging market conditions is expected.

BWP Trust

Wesfarmers' investment in BWP Trust contributed earnings of $27 million, compared to $16 million last year.

The Trust was established in 1998 with a focus on warehouse retailing properties and, in particular, Bunnings warehouses leased to Bunnings Group Limited. BWP Management Limited, the responsible entity for the Trust, is a wholly owned subsidiary of Wesfarmers Limited.

Units in the Trust are listed on the Australian Securities Exchange and Wesfarmers holds, through a wholly owned subsidiary, 24.3 per cent of the total units issued by the Trust as at 30 June 2013.

During the 2013 financial year, the Trust completed the acquisition of a Bunnings warehouse with bulky goods showrooms, a new development site, and land adjoining a Bunnings warehouse.

The Trust's portfolio as at 30 June 2013 consists of a total of 74 properties: 62 established Bunnings warehouses; five Bunnings warehouses with other showrooms; one Bunnings distribution centre; two development sites for a Bunnings warehouse; three industrial properties; and one bulky goods showrooms complex.

Sustainability

Each of our divisions identifies the sustainability issues that are most relevant to our stakeholders.

Wesfarmers' sustainability approach

The creation of long-term value is only possible through considering the interests of all our stakeholders; our shareholders, employees, customers, suppliers, and the communities in which we operate.

Our reputation

Our reputation is based on our core values of integrity, openness, accountability and boldness. In order to protect this precious asset, we consult with our stakeholders regularly, and take their views into account in our business decisions. By understanding and addressing the needs of our employees, customers, suppliers and the communities in which we operate, we protect our reputation, ensuring we will be able to create value in the years to come.

Our people

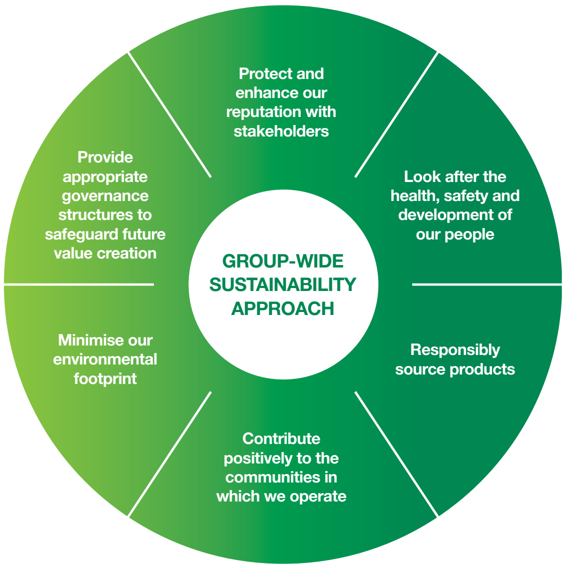
As one of Australia's largest private employers, with diverse domestic and international businesses, we consider our team members to be central to our success. Employing outstanding people and providing opportunities for them to apply their talents is critical to our sustainability. While strong assets and strategies are important, it is our people who deliver results.

This year, we invested 2.5 million hours in training and developing our workforce of more than 200,000 people. This year, the Group's lost time injury frequency rate decreased by 18 per cent, to 8.9, but there was a three per cent increase in the total recordable injury frequency rate from 42.7 to 43.9. This measure includes lost time injuries and medical treatment injuries. Details of our approach to gender diversity are set out on page 70 of the 2013 annual report.

Responsible sourcing

Long-term performance depends on Wesfarmers continuing to have access to responsibly sourced and competitively-priced products to deliver to our customers. The ongoing sustainability of supply is important for both local and international suppliers. At a local level, Coles increased its sourcing of fresh produce from Australia and continued to enter into longer-term contracts with preferred suppliers giving them greater certainty to support future investment. Internationally, our retail businesses all continued to implement their ethical sourcing policies, enforcing their required standards through risk-based factory audit processes. This year, we engaged 2,185 international direct suppliers in our ethical sourcing program.

Our sustainability approach covers six key areas



Sustainability

We strive to build the resilience of our business by protecting our reputation, looking after our people, responsibly sourcing products, contributing to our communities, minimising our environmental footprint and providing governance structures to safeguard future value creation.

Our community

Given the breadth of our businesses, we have an interest in supporting strong and vibrant communities. We do this through the products we sell and the jobs we provide, as well as through our direct and indirect contributions to the community.

This year, our direct and indirect community partnerships and contributions were $94.9 million. Our direct community contributions of $51.1 million equated to 1.4 per cent of earnings before interest and tax and 2.3 per cent of net profit after tax. Our total direct community contributions this year increased by 61 per cent from 2012, due to Coles' increased contributions to SecondBite, its new partnership with Redkite and the establishment of the Wesfarmers Chair in Australian History at the University of Western Australia.

Our environment

The scale and diversity of our businesses means we have a responsibility to the next generation to do what we can to minimise our impact on the environment. Focusing on resource efficiency is a win-win: making our business more resilient and reducing the impact of our business on the environment.

Our Scope 1, 2 and 3 greenhouse gas emissions, decreased by 13 per cent this year, largely due to further improvements from the use of nitrous oxide abatement technology in our ammonium nitrate business at CSBP and energy efficiency at Coles. Our energy use was in line with the previous year despite our growth.

Our waste to landfill decreased by nine per cent largely driven by an organics recycling program and the expansion of SecondBite at Coles. Our recorded water use this year was 17,682 megalitres, considerably higher than previous years due to reclaimed water use being captured for the first time at our Curragh coal mine.

Governance for value creation

Our 500,000 shareholders and more than 200,000 employees have an interest in the ongoing financial resilience of Wesfarmers. Approximately 70 per cent of our shareholders and 95 per cent of our revenue comes from Australia, so we have a significant economic impact on the Australian economy, as well as contributing to the economies of New Zealand and the countries from which we source products. We contributed $1,591 million to governments in the form of taxes, levies and royalties. This year, we provided $7,556 million in salaries, wages and other benefits to our employees and $2,083 million in dividends to our shareholders. For more detail on our governance, see pages 60 to 71 of the 2013 annual report.

Sustainability report

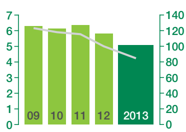
The Wesfarmers 2013 sustainability report will be published in November 2013, and contains much more detail and more specific data on all of the above areas.

Sustainability performance

Greenhouse gas emissions

5.066 Tonnes CO_2e:'000,000

■ Million tonnes CO_2e (LHS)
— Tonnes CO_2e per $m of revenue (RHS)

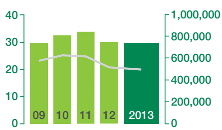


2013	5.066
2012	5.821
2011	6.350
2010	6.133
2009	6.299

Energy use

29.8 Petajoules

■ Petajoules (LHS)
— Megajoules per $m of revenue (RHS)

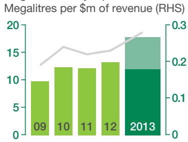


2013	29.8
2012	30.0
2011	33.8
2010	32.4
2009	29.8

Water use

17,682 Megalitres

■ Megalitres (LHS)
■ Megalitres newly reported reclaimed water (LHS)
— Megalitres per $m of revenue (RHS)



2013	17,682
2012	13,151
2011	12,108
2010	12,243
2009	9,704

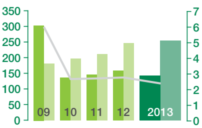
Energy efficiency initiatives across the Group aim to reduce the environmental footprint

Kon Valomandras, Project Manager, Store Development, with an energy saving LED ceiling light at Officeworks, Bayswater, Victoria.

Waste

399 Tonnes '000

Thousand tonnes (LHS)
Tonnes disposed per $m of revenue (RHS)

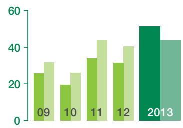


Disposed		Recycled	
2013	144	2013	255
2012	159	2012	248
2011	147	2011	213
2010	137	2010	198
2009	303	2009	182

Community contributions

94.9 $m

Million dollars

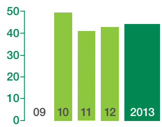


Direct		Indirect	
2013	51.1	2013	43.8
2012	31.8	2012	40.4
2011	33.8	2011	43.8
2010	19.6	2010	26.2
2009	25.8	2009	31.9

Safety incidents

43.9 Total recordable injury frequency rate

Lost time and medical treatment injuries divided by hours worked multiplied by 1,000,000



2013	43.9
2012	42.7
2011	40.9
2010	49.3
2009[1]	-

[1] Prior to 2010, we reported lost time injury frequency rate.

Board of directors

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

Bob Every AO, age 68

Chairman
BSc, PhD, FTSE, FAICD, FIE Aust

Term: Chairman since November 2008, director since 2006.

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

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

- Chairman of Boral Limited (since May 2010)
- Chairman of Iluka Resources Limited (resigned May 2010)
- Director of Western Australian Institute of Medical Research Incorporated
- Director of UNSW Foundation Limited

Richard Goyder AO, age 53

Managing Director
BCom, FAICD

Term: Director since 2002.

Skills and experience: Richard joined Wesfarmers in 1993 after working in various commercial roles at Tubemakers of Australia Limited.

He was Managing Director of Wesfarmers Landmark Limited in 1999 until he became Finance Director of Wesfarmers Limited in 2002 and then Deputy Managing Director and Chief Financial Officer in 2004. Richard assumed the role of Managing Director and Chief Executive Officer in July 2005.

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

- Director of Gresham Partners Holdings Ltd
- Chairman of Australian B20
- Australian Football League Commissioner

Terry Bowen, age 46

Finance Director
BAcct, FCPA

Term: Director since 2009.

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

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

- Director of Gresham Partners Holdings Ltd
- President of the National Executive of the Group of 100 Inc
- Deputy Chairman of the Western Australian Opera Company Incorporated

From left to right:
Tony Howarth AO
Jennifer Westacott
Charles Macek
Colin Carter AM
Diane Smith-Gander
James Graham AM
Richard Goyder AO
Terry Bowen
Bob Every AO
Vanessa Wallace
Paul Bassat
Wayne Osborn

Paul Bassat, age 45

B.Comm, LL.B. (Melb)

Term: Director since November 2012.

Skills and experience: Paul commenced his career as a lawyer in 1991. He co-founded SEEK Limited in 1997, and served as Chief Executive Officer and then as joint Chief Executive Officer until 2011. He is an active investor in early stage and growth companies. Paul is a director of the Peter MacCallum Cancer Foundation, the P&S Bassat Foundation, and Square Peg Capital Pty Ltd.

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

– SEEK Limited (resigned July 2011)
– Australian Football League Commissioner

Colin Carter AM, age 70

B.Comm (Melb), MBA (Harvard).

Term: Director since 2002.

Skills and experience: Colin has had extensive experience advising on corporate strategy and corporate governance and his consultancy career has included major projects in Australia and overseas.

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

– SEEK Limited (since 2005)
– Lend Lease Corporation Limited (since 2012)
– Director of World Vision Australia and the Ladder Project
– President of the Geelong Football Club Limited
– Ambassador to the federal government's Indigenous Employment Initiative

James Graham AM, age 65

BE (Chem)(Hons)(Syd), MBA (UNSW)

Term: Director since 1998.

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

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

– Chairman of the Advisory Council of the Institute for Neuroscience and Muscle Research
– Director of Wesfarmers General Insurance Limited

Board of directors

Tony Howarth AO, age 61

CitWA, Hon.LLD (UWA), SF Fin, FAICD

Term: Director since 2007.

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

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

– Chairman of Mermaid Marine Australia Limited
– Chairman of Home Building Society Limited (resigned July 2010)
– Deputy Chairman of Bank of Queensland Limited (resigned July 2010)
– AWB Limited (resigned December 2010)
– Chairman of International Chamber of Commerce, Australia Limited
– Director of Alinta Holdings

Charles Macek, age 66

B.Ec., M.Admin., FAICD, FCA, FCPA, SF Fin

Term: Director since 2001.

Skills and experience: Charles has a strong background in corporate governance and a long career in financial services working at a senior executive level. He brings extensive experience in formulating strategy and advising on investment opportunities. Charles is the Chairman of the Sustainable Investment Research Institute Pty Limited and the Vice-Chairman of the IFRS Advisory Council.

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

– Federation Centres Limited
– Chairman of Racing Information Services Australia Pty Ltd
– Member of the AICD Corporate Governance Committee

Wayne Osborn, age 62

Dip Elect Eng, MBA, FAICD, FTSE

Term: Director since 2010.

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

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

– Leighton Holdings Limited (resigned March 2013)
– Chairman of Thiess Pty Ltd (resigned September 2012)
– Iluka Resources Limited (since March 2010)
– Chairman of the Australian Institute of Marine Science
– Director of Alinta Holdings

Diane Smith-Gander, age 55

B.Ec, MBA (UWA), FAICD, FCSA

Term: Director since 2009.

Skills and experience: Diane has more than 11 years experience as a banking executive which culminated in her appointment as the head of Westpac Banking Corporation's Business and Technology Solutions and Services Division. She was also a Partner with McKinsey & Company in the USA.

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

– Transfield Services Limited (director since 2010 and will commence in the role of Chairman on 26 October 2013)
– Director of Co-operative Bulk Handling Limited and CBH Grain Limited
– Deputy Chairman of the NBN Co Limited (National Broadband Network) (resigned in September 2013)
– Commissioner of the Western Australian Tourism Commission

Vanessa Wallace, age 50

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

Term: Director since 2010.

Skills and experience: Vanessa is an experienced management consultant who has been with Booz & Company for more than 20 years. She currently leads the firm's financial services practice in Global Markets and previously held multiple governance roles at the highest level.

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

– Director of Booz & Company entities in Australia, New Zealand, Thailand and Indonesia (resigned February/March 2013)
– Executive Chairman of Booz & Company (Japan) Inc (since February 2013)
– Chairman's Council of the Australian Chamber Orchestra Pty Ltd

Jennifer Westacott, age 53

BA (Honours), FAICD, FIPAA

Term: Director since April 2013.

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

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

– Director of Urban Renewal Authority South Australia (retired 31 July 2013)
– Adjunct Professor at the City Research Futures Centre of the University of NSW

Corporate governance summary

The Board of Wesfarmers Limited is committed to providing a satisfactory return to its shareholders and fulfilling its corporate governance obligations and responsibilities in the best interests of the Company and its stakeholders.

Role and responsibilities of the Board and management

Functions of the Board

The role of the Board is to approve the strategic direction of the Group, guide and monitor the management of Wesfarmers and its businesses in achieving its strategic plans, and oversee good governance practice. The Board aims to protect and enhance the interests of its shareholders, while taking into account the interests of other stakeholders, including employees, customers, suppliers and the wider community.

The Board has a charter which clearly sets out the role and responsibilities of the Board, and describes the separate functions of management and delegated responsibilities.

Functions of management

The Wesfarmers Managing Director has responsibility for the day-to-day management of Wesfarmers and its businesses, and is supported in this function by the Wesfarmers leadership team (which comprises the direct reports to the Wesfarmers Managing Director, divisional managing directors, the Executive General Manager, Business Development and the Company Secretary). 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 bring an appropriate mix of skills, experience, expertise and diversity (including gender diversity) to Board decision making.

The Board is currently comprised of 12 directors, including 10 non-executive directors. The Board has determined that it benefits from a variety of perspectives and skills and remains of a size which facilitates effective decision making. In terms of composition, the Board is of the view that its current directors possess an appropriate mix of skills, experience, expertise and diversity to enable the Board to discharge its responsibilities and deliver the Company's corporate objectives.

Mr Archie Norman, who has significant retail experience, was appointed in 2009 as an adviser to the Board on retail issues. In this role, Mr Norman attends Board meetings as required. Mr Norman has had a major role in helping guide the turnaround of the former Coles group businesses.

Independence of the Chairman

The Chairman is elected from the independent non-executive directors. The responsibilities of the Chairman as set out in the Board Charter, are to:

- maintain effective communication between the Board and management;
- lead the Board;
- ensure the efficient organisation and conduct of the Board's function;
- brief all directors in relation to issues arising at board meetings;
- chair general meetings of the Company; and
- exercise such specific and express powers as are delegated to the Chairman by the Board from time to time.

Dr Bob Every is the present serving Chairman.

Director independence

Directors are expected to bring views and judgement to Board deliberations that are independent of management and free of any business or other relationship or circumstance that could materially interfere with the exercise of objective, unfettered or independent judgement having regard to the best interests of the Company as a whole.

Prior to accepting an invitation to become a director of an external company, each non-executive director is required to notify the Chairman. In considering the new appointment, the Chairman is to consider:

- any Board policies on multiple directorships;
- the terms of Wesfarmers' Conflicts of Interest Policy; and
- the time commitment required of the director to properly exercise his or her powers and discharge his or her duties as a director and member of any Board committees.

An independent director is a non-executive director who is not a member of management and free of any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the independent exercise of their judgement.

The Board regularly reviews the independence of each non-executive director in light of the information which each director is required to disclose in relation to any material contract or other relationship with Wesfarmers in accordance with the *Corporations Act 2001*, the Board Charter and Wesfarmers' Conflicts of Interest Policy. Each non-executive director may be involved with other companies or professional firms which may from time to time have dealings with Wesfarmers.

Corporate governance summary

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

- nine of the 10 non-executive directors are independent; and
- Mr James Graham is deemed not to be independent, by virtue of his position as Managing Director of Gresham Partners Limited (Gresham), which acts as an investment adviser to the Company.

Committees of the Board

The Board has established an Audit Committee, a Nomination Committee, a Remuneration Committee and a Gresham Mandate Review Committee as standing committees to assist with the discharge of its responsibilities.

All directors have a standing invitation to attend committee meetings where there is no conflict of interest. These committees review matters on behalf of the Board and (subject to the terms of the relevant committee's charter):

- refer matters to the Board for decision, with a recommendation from the committee (where the committee acts in an advisory capacity); or
- determine matters (where the committee acts with delegated authority), which it then reports to the Board.

Board succession planning

Appointment of new directors

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 make recommendations to the Board on their appointment. Where appropriate, external consultants are engaged to assist in searching for candidates.

Where a candidate is recommended by the Nomination Committee, the Board will assess that candidate against a range of criteria including background, experience, professional qualifications, personal qualities, the potential for the candidate's skills to augment the existing Board and the candidate's availability to commit to the Board's activities. If these criteria are met and the Board appoints the candidate as a director, that director must have their appointment approved by shareholders at the next annual general meeting.

During the year, the Board made two appointments.

Mr Paul Bassat was appointed on 14 November 2012, and has a track record of innovative leadership and achieving operational success at CEO level. Mr Bassat provides the Board with invaluable knowledge and expertise in online business and e-commerce.

Ms Jennifer Westacott was appointed on 3 April 2013, and brings extensive policy experience in both the public and private sectors. She has demonstrated outstanding leadership in refocusing and engaging the Business Council of Australia on the major economic challenges facing Australia, and brings particular knowledge and expertise in areas of importance to Wesfarmers' businesses, including economic policy, infrastructure, sustainability, and public sector policy and reform.

Evaluation of the Board and its committees

The Nomination Committee is responsible for scheduling formal performance reviews of the Board and its committees at least every two years. This includes the Audit and Remuneration Committees. The Board then undertakes an evaluation process to review its performance.

A Board performance review was conducted in July/August 2013, and the performance review of the Board committees was conducted in December 2012. Both were facilitated by an external consultant. Following the receipt by each director of a report with feedback on the Board's performance based on the survey results, the Board meets to discuss areas for improvement and identify actions to be taken for improvement. With respect to the Nomination Committee, the Board is responsible for periodically assessing its effectiveness, with a view to ensuring that its performance accords with best practice.

Evaluation of non-executive directors

The Nomination Committee is responsible for scheduling performance reviews of each non-executive director. In relation to the re-appointment of a non-executive director, the Nomination Committee reviews the performance of each non-executive director during their term of office and makes recommendations to the Board.

Annual performance reviews for each non-executive director for the 2013 financial year took place in July/August 2013. The performance review process comprises:

- completion by each director of a survey prepared and distributed by an external consultant; and
- an individual feedback session conducted by the Chairman with each non-executive director, covering his or her performance based on the survey results. A non-executive director is nominated by the Board to conduct a similar feedback session with the Chairman.

Governance policies

The Board believes that the governance policies and practices adopted by Wesfarmers during the reporting period for the year ended 30 June 2013 follow the recommendations contained in the ASX Corporate Governance Principles and Recommendations (ASX Principles). Wesfarmers compliance with the policy requirements of the ASX Principles, and details of the associated corporate governance documents are summarised in the following table.

ASX Principle	Corporate Governance document*	Aim of corporate governance document
Principle 1	Board Charter (Feb 2013)	Sets out the role and responsibilities of the Board, and describes the separate functions of management and delegated responsibilities.
Principle 2	Nomination Committee Charter (Sept 2011)	Sets out the role and responsibilities of the Nomination Committee.
	Conflicts of Interest Policy (Sept 2012)	Sets out the disclosure obligations of each director with respect to conflicts of interest and the procedures to be followed where: – a director has disclosed a conflict of interest in accordance with the policy; or – the Board has identified a matter which is, or is likely to be brought before the Board which may place a particular director in a position of conflict.
Principle 3	Code of Conduct (April 2012)	Details Wesfarmers' policies, procedures and guidelines aimed at ensuring anyone who is employed by or works in the Wesfarmers Group acts in a manner consistent with the principle of honesty, integrity, fairness and respect, including ethical behaviour.
	Group Whistleblower Policy (Feb 2013)	Promotes and supports a culture of honest and ethical behaviour. The policy encourages employees, contractors and suppliers to raise any concerns and report instances of unethical, illegal, fraudulent or undesirable conduct, either with management within his or her division (as applicable) or with a Protected Disclosure Officer.
	Anti-bribery Policy (April 2012)	Sets out the prohibition on all individuals who are employed by, act for, or represent Wesfarmers or its Group companies from engaging in activity that constitutes bribery or corruption, and provides guidelines as to what constitutes bribery or corruption.
	Diversity Policy (Sept 2011)	Designed to promote and facilitate diversity at all levels within the Group.
Principle 4	Audit Committee Charter (Sept 2012)	Sets out the role and responsibilities of the Audit Committee.
Principle 5	Market Disclosure Policy (Aug 2013)	Requires timely disclosure of market sensitive information. Appoints a disclosure officer to administer the Market Disclosure Policy, and a disclosure sub-committee to manage and make determinations with respect to the Group's continuous disclosure obligations.
Principle 6	Communications Policy (Aug 2013)	Establishes Wesfarmers' strategy for engaging and communicating with shareholders.
Principle 7	Risk Management Policy (Sept 2013)	Details the overarching risk management controls that are embedded in the Group's risk management framework and reporting systems.
Principle 8	Remuneration Committee Charter (May 2011)	Sets out the role and responsibilities of the Remuneration Committee.
	Share Trading Policy (Sept 2013)	Sets out the prohibition on all employees and directors of the Group from trading in Wesfarmers' securities, securities in other entities in which Wesfarmers has an interest, or any other securities, if they are in possession of 'inside information', and includes: – a prohibition on directors and certain senior executives trading without approval from the Chairman during blackout periods, and from the Company Secretary at other times; – prohibitions on directors and senior executives limiting risk exposure to remuneration; and – a requirement for directors and senior executives to give notice of margin lending or other security arrangements.

* Published in the Corporate Governance section of the Company's website at www.wesfarmers.com.au/about-us/corporate-governance.html

Corporate governance summary

Diversity Policy

As a diverse workforce is of significant social and commercial value, Wesfarmers recognises the importance of being an inclusive employer. Wesfarmers strives to create a work environment which is inclusive to all people regardless of gender, age, race, disability, sexual orientation, cultural background, religion, family responsibilities or any other area of potential difference. All areas of diversity are important and Wesfarmers pays particular attention to gender diversity and the inclusiveness of Aboriginal and Torres Strait Islander people.

Wesfarmers recognises the value that diversity can bring, which includes:

- broadening the skills and experience of the labour pool from which Wesfarmers can draw and attract top talent to our businesses;
- providing greater alignment to customer needs;
- improving creativity and innovation; and
- modelling responsible corporate citizenship.

Wesfarmers has developed and implemented a Diversity Policy that aims to foster diversity at all levels within the Group.

Integrity in financial reporting

Role of the Audit Committee

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

The Audit Committee maintains direct, unfettered access to external auditors, Group Assurance (internal audit) and management.

The Wesfarmers Managing Director, Finance Director, Group General Counsel, Executive General Manager Group Accounting, Assurance and Risk, General Manager Group Assurance and Risk, Company Secretary, the external auditor (Ernst & Young) and any other persons considered appropriate attend meetings of the Audit Committee by invitation.

Role of the external auditor

Appointment and rotation of auditor

The Company's external auditor is Ernst & Young. The effectiveness, performance and independence of the external auditor is reviewed annually by the Audit Committee.

Mr Greg Meyerowitz was appointed as the lead audit partner for Ernst & Young on 3 June 2009, and retired on 30 June 2013 in accordance with the requirement under the *Corporations Act 2001* to rotate the lead audit partner after five years. Mr Darren Lewsen (Assurance and Advisory Business Services Partner, Ernst & Young) was appointed as the new lead audit partner from 1 July 2013. The 2013 financial year annual review of the effectiveness, performance and independence of the external auditor focused on Ernst & Young's ability to transition to a new lead audit partner.

Independence declaration

Ernst & Young has provided the required independence declaration to the Board for the financial year ended 30 June 2013.

Risk management

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

Key focus areas of the Board

Key focus areas of the Board during the 2013 financial year included:

- Approving policies to improve the Group's system of corporate governance, including approving amendments to the Board Charter, Audit Committee Charter, Market Disclosure Policy, Share Trading Policy and Whistleblower Policy, all of which have Group-wide application, and adopted a specific Conflicts of Interest Policy for directors
- Focusing on strategies aligned to the Company's responsibilities to employees and the communities in which it operates, including overseeing management's initiatives to improve in the areas of safety, ethical sourcing, diversity and reconciliation with the Aboriginal and Torres Strait Islander people
- Monitoring the implementation of risk management plans to address identified operational, financial and reputational risks for Group businesses
- Considering the Group's digital strategy, with a particular focus on opportunities to enhance online retailing

Key focus areas of Nomination Committee

Key focus areas of the Nomination Committee during the 2013 financial year included:

- Seeking shareholder approval to increase the maximum number of directors (board limit) to allow for board renewal through succession planning and continuity
- Identifying and nominating two new directors for election to the Board bringing skills, experience and expertise to augment those of current directors, culminating in the appointment of Mr Paul Bassat and Ms Jennifer Westacott
- Scheduling a formal performance review of the Board and each non-executive director

Key focus areas for Remuneration Committee

Key focus areas of the Remuneration Committee during the 2013 financial year included a review, and recommendation to the Board of:

- Fixed, annual and long-term incentive awards for the Group Managing Director and his direct reports
- Senior executive remuneration framework and policies
- The Long Term Incentive Plan, in particular the performance metrics
- Non-executive director fees and enhancements to their minimum shareholding requirements

Key focus areas of Audit Committee

Key focus areas of the Audit Committee during the 2013 financial year included:

- Monitoring how the divisions ethically source products for resale from globally dispersed geographical locations, and ensuring that there are appropriate safeguards, processes and cross-Group education in place so that these activities are conducted in accordance with Wesfarmers' core principles of honesty, integrity, fairness and respect
- A broad risk review for all divisions and the corporate office of Wesfarmers to ensure that all significant risks across the Group, at a macro and micro level, are being identified, rated and managed appropriately
- A specific information technology risk review at a divisional and Group level, given the importance of this infrastructure to the Group's operations
- Review of regular reports from the Group General Counsel on significant litigation or regulatory matters involving Group businesses
- Monitoring the Group's implementation of the Anti-bribery Policy
- Overseeing the policies and procedures for ensuring the Group's compliance with relevant regulatory and legal requirements

The complete corporate governance statement is included on pages 60 to 71 of the 2013 annual report.

Remuneration overview

This summary provides an overview of Wesfarmers' executive remuneration framework and key changes for the 2013 financial year.

The Wesfarmers Limited Board is committed to an executive remuneration framework that is focused on driving a performance culture and linking executive pay to the achievement of the Group's strategy and business objectives and, ultimately, generating satisfactory returns for shareholders. The remuneration report, which can be found on pages 77 to 94 of the 2013 annual report, explains how Wesfarmers' performance for the 2013 financial year has driven remuneration outcomes for senior executives.

Key changes

A summary of the key changes to remuneration-related matters approved for the 2013 financial year is set out below:

Executive directors and senior executives

Fixed remuneration

- The Board determined that no increase would be made to the fixed remuneration for the Group Managing Director for the 2013 financial year and 2014 financial year, as the current level of remuneration is considered appropriate.
- Senior executive fixed remuneration increased during the 2013 financial year, based on business and individual performance. The average fixed remuneration increase for key management personnel for the 2013 financial year was less than two per cent.

Variable remuneration

- A comprehensive review of the senior executive remuneration framework and policies was undertaken during the year, with the Board confirming that the current arrangements continue to be appropriate.
- As part of this broad review, the transitional arrangements for participants in the Coles Long Term Incentive Plan (CLTIP) were also considered, given 2013 was the final year of the plan, with the Board determining that participants would transition to the Wesfarmers Long Term Incentive Plan (WLTIP) for the 2014 financial year to align with the incentive plan offered to other senior executives.
- The Board continued to review the WLTIP during 2013, in particular the long-term incentive performance metrics. For the 2013 WLTIP (to be granted during the 2014 financial year), the Board reaffirmed that growth in return on equity remains a key financial metric to measure Wesfarmers' long-term success as it contains clear links to shareholder value creation, and the use of total shareholder returns ensures alignment between shareholder return and reward for executives.

Non-executive directors

- The Board determined that no increase would be made to non-executive director fees for the 2013 financial year.
- The Board approved enhancements to the shareholding requirements for non-executive directors. In addition to the requirement for directors to hold a minimum of 1,000 Wesfarmers shares within two months of appointment, directors are expected to increase their holdings in Wesfarmers shares to a number which is equivalent in approximate value to the gross annual base fee paid at the relevant time within a five-year period of appointment.
- Remuneration Committee membership changed during the year, with Wayne Osborn taking over the role of committee chairman from Bob Every, and Vanessa Wallace joining the committee as an additional member.
- Two new non-executive directors, Paul Bassat and Jennifer Westacott, were appointed to the Board during the year, which is reflected in the overall increase in non-executive director remuneration from the 2012 to 2013 financial year.

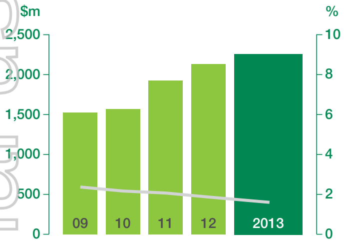
Link to 2013 financial performance

Annual incentive plan

The Wesfarmers Group had a solid performance for the 2013 financial year, which resulted in overall positive growth on the prior year. The financial performance for the Coles, Home Improvement and Office Supplies, Kmart, Insurance, Resources and Chemicals, Energy and Fertilisers divisions met or exceeded the annual financial targets set by the Board for 2013, resulting in the annual incentive plan delivering at or above target awards for the executive directors and for senior executives in those divisions. For executives in the other divisions, annual incentive awards reflect performance against threshold financial and non-financial targets.

The graph below shows the link between company performance and reward, and measures Wesfarmers' net profit after tax (NPAT) against the total remuneration for the executives directors and senior executives who are considered to be key management personnel of the Group, as reported in the 2009 to 2013 annual reports.

Group NPAT against senior executive total remuneration



	Group NPAT $m	Group NPAT %inc.	Exec REM % of NPAT
2013	2,261	6.3	1.6
2012	2,126	10.6	1.9
2011	1,922	22.8	2.1
2010	1,565	2.8	2.2
2009	1,522	43.2	2.4

Group NPAT ($m)
Senior executive remuneration as a % of NPAT

Wesfarmers Long Term Incentive Plan

A number of senior executives received an allocation of performance rights during the year under the 2012 WLTIP, which is subject to Wesfarmers achieving strong growth in return on equity (ROE) and relative total shareholder return (TSR).

In accordance with the shareholder approval received at the 2012 Annual General Meeting, the Group Managing Director received an allocation of 100,000 performance rights under the 2012 WLTIP award and the Finance Director received an allocation of 50,000 performance rights. These performance rights are subject to a four-year forward-looking performance period and judged against two relative performance hurdles.

During the 2013 financial year, shares vested under the 2010 WLTIP for participating senior executives, with Wesfarmers' compound average growth rate in ROE over the three-year performance period to 30 June 2013 at the 82nd percentile of the S&P/ASX 50 Index.

Remuneration overview

Remuneration policy and principles

The Remuneration Committee has adopted four core guiding principles that are used as a reference when considering remuneration plans and policies that apply to senior executives. The Committee reviewed these principles during the 2013 financial year and agreed that they remained relevant and appropriate.

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

These guiding principles also reaffirm the Board's commitment to communicating key management personnel remuneration arrangements to key stakeholders in an open and transparent manner. The key principles used to guide Wesfarmers' remuneration policy for senior executives are:

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

Overview of remuneration components

Details of the remuneration framework and actual outcomes for the 2013 financial year are set out in the remuneration report, which can be found on pages 77 to 94 of the 2013 annual report.

Remuneration component		Participants			
		Group Managing Director	**Finance Director / senior executives**	**Managing Director, Coles division**	**Non-executive directors**
Fixed	Fixed Annual Remuneration	Page 83	Page 83	Page 83	
	Fees				Page 92
Annual incentive		Page 84	Page 84	Page 84	
Long-term incentive		WLTIP - Page 86	WLTIP - Page 86	CLTIP - Page 89	
Post-employment arrangements	Superannuation	Page 83	Page 83	Page 83	Page 93

Components and mix of executive remuneration

The executive remuneration framework consists of the following components:

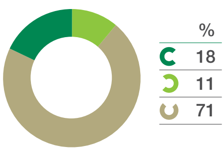
Base salary	**At risk components**	
	Short-term incentives (STI)	**Long-term incentives (LTI)**
Fixed Annual Remuneration (FAR)	The Board considers that a significant portion of executives' remuneration should be 'at risk' in order to provide a strong alignment with the interests of shareholders.	
In setting FAR, consideration is given to: • business and individual performance as well as the ability to retain key talent • internal and external relativities, with remuneration set at competitive levels	• based on the achievement of annual performance conditions • performance conditions: – heavily weighted to return and earnings-based measures – include non-financial performance measures set to drive leadership performance and behaviours consistent with achieving the Group's long-term objectives in areas including safety, diversity and succession planning and talent management • vested incentive comprises both: – a cash component – paid following the end of the performance year – a restricted (mandatory deferred) share component – subject to forfeiture in the 12 months following allocation and restricted for a minimum of three years – the opportunity to elect upfront to voluntarily defer a portion of the cash award into shares (i.e. in addition to the mandatory deferral arrangement) restricted for a minimum of three years	• based on achievement of performance conditions over a four-year period • performance rights plan • performance conditions comprise growth in ROE and relative TSR, in order to ensure a strong link with the creation of shareholder value • the opportunity of requesting upfront that an additional one or three year trading restriction apply to any shares allocated • one-off specific plan operated for select Coles executives, the performance conditions for which are linked to the turnaround of the Coles division

Within this framework, the Board considers it essential to have remuneration arrangements that reflect the diversified nature of the Wesfarmers business and are structured to reward executives for performance at a Group level and, for divisional executives, also at a divisional level.

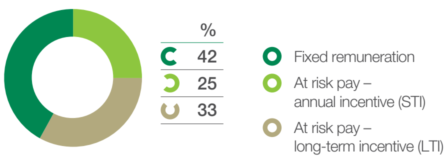
Wesfarmers' mix of fixed and at risk components for each of the executives disclosed in the remuneration report, as a percentage of total target annual remuneration for the 2013 financial year, is as follows:

Group Managing Director

Managing Director Coles



Other Senior Executives



Five-year financial history

Wesfarmers Limited and its controlled entities

All figures in $m unless shown otherwise	2013	2012	2011	2010	2009
SUMMARISED INCOME STATEMENT					
Sales revenue	**59,422**	57,685	54,513	51,485	50,641
Other operating revenue	**410**	395	362	342	341
Operating revenue	**59,832**	58,080	54,875	51,827	50,982
Operating profit before depreciation and amortisation, finance costs and income tax	**4,729**	4,544	4,155	3,786	3,803
Depreciation and amortisation	**(1,071)**	(995)	(923)	(917)	(856)
EBIT	**3,658**	3,549	3,232	2,869	2,947
Finance costs	**(432)**	(505)	(526)	(654)	(951)
Income tax expense	**(965)**	(918)	(784)	(650)	(474)
Operating profit after income tax attributable to members of Wesfarmers Limited	**2,261**	2,126	1,922	1,565	1,522
CAPITAL AND DIVIDENDS					
Ordinary shares on issue (number) '000s as at 30 June	**1,157,194**	1,157,072	1,157,072	1,157,072	1,157,072
Paid up ordinary capital as at 30 June	**23,290**	23,286	23,286	23,286	23,286
Fully-franked dividend per ordinary share (declared) (cents)	**180**	165	150	125	110
FINANCIAL PERFORMANCE					
Earnings per share (weighted average) (cents)	**195.9**	184.2	166.7	135.7	158.5
Earnings per share growth	**6.4%**	10.5%	22.8%	(14.4%)	(9.0%)
Return on average ordinary shareholders' equity (R12)	**8.9%**	8.4%	7.7%	6.4%	7.3%
Fixed charges cover (R12) (times)	**3.0**	2.9	2.8	2.5	2.2
Net interest cover - cash basis (R12) (times)	**12.2**	10.8	9.5	6.8	5.0
FINANCIAL POSITION AS AT 30 JUNE					
Total assets	**43,155**	42,312	40,814	39,236	39,062
Total liabilities	**17,133**	16,685	15,485	14,542	14,814
Net assets	**26,022**	25,627	25,329	24,694	24,248
Net tangible asset backing per ordinary share	**$4.69**	$4.45	$4.12	$3.61	$3.13
Net debt to equity	**20.2%**	19.1%	17.1%	16.3%	18.3%
Total liabilities/total assets	**39.7%**	39.4%	37.9%	37.1%	37.9%
STOCK MARKET CAPITALISATION AS AT 30 JUNE	**45,936**	34,846	36,913	33,171	26,337

Group structure

Wesfarmers

Retail operations

Coles	coles; coles.com.au; coles express; Vintage Cellars; first choice liquor; BI-LO; Liquorland
Home Improvement and Office Supplies	Bunnings; Bunnings Trade; Bunnings warehouse; Officeworks
Kmart	Kmart; Kmart Tyre & Auto Service
Target	Target.; Target. Country

Industrial and other businesses

Insurance	Wesfarmers Insurance; wfi; OAMPS; Lumley; crombie lockwood New Zealand's Insurance Brokers
Resources	Wesfarmers Resources; Curragh; Bengalla
Chemicals, Energy and Fertilisers	Wesfarmers Chemicals, Energy & Fertilisers; CSBP; Australian Vinyls; AGA; QNP; EVOL LNG; Air Liquide Western Australia; Kleenheat Gas; ModWood
Industrial and Safety	Wesfarmers Industrial and Safety; Blackwoods; Protector Alsafe; NZ Safety; Bullivants Handling Safety; coregas; Blackwoods Protector; Safety Source; Total Fasteners; Packaging House
Other activities	Gresham; Wespine; bwp Trust

Corporate directory

Wesfarmers Limited ABN 28 008 984 049

Registered office

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Western Australia 6000

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

Executive directors

Richard Goyder AO
Group Managing Director and Chief Executive Officer

Terry Bowen
Finance Director

Non-executive directors

Bob Every AO, Chairman
Paul Bassat
Colin Carter AM
James Graham AM
Tony Howarth AO
Charles Macek
Wayne Osborn
Diane Smith-Gander
Vanessa Wallace
Jennifer Westacott

Company Secretary

Linda Kenyon

Share registry

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

Telephone

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International:	(+61 3) 9415 4631

Facsimile

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

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

Financial calendar+

Record date for final dividend	26 August 2013
Final dividend paid	27 September 2013
Annual general meeting	7 November 2013
Half-year end	31 December 2013
Half-year profit announcement	February 2014
Record date for interim dividend	February 2014
Interim dividend payable	March 2014
Year end	30 June 2014

+Timing of events is subject to change.

Annual general meeting

The 32nd Annual General Meeting of Wesfarmers Limited will be held at the Perth Convention and Exhibition Centre, Mounts Bay Road, Perth, Western Australia on Thursday 7 November 2013 at 1:00 pm (Perth time).

Website

To view the 2013 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**

Further information

For more information about Wesfarmers' activities, including financial updates, sustainability reports, ASX announcements, key dates and other Wesfarmers corporate reports, visit the **Investor Centre** at **www.wesfarmers.com.au** or alternatively, scan this QR code which will take you to **Wesfarmers Investor Centre**.

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