

WESFARMERS SUSTAINABILITY REPORT 2018



Wesfarmers

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This is an edited extract of our 2018 Sustainability Report. Our full sustainability report contains numerous case studies and data available for download. It is prepared in accordance with the Global Reporting Initiatives Standards and assured by Ernst & Young.

It is available at sustainability.wesfarmers.com.au

SUSTAINABILITY AT WESFARMERS



WESFARMERS CONSIDERS SUSTAINABILITY AS AN OPPORTUNITY TO DRIVE STRONG AND LONG-TERM SHAREHOLDER RETURNS

This Sustainability Report presents Wesfarmers Limited (ABN 28 008 984 049) and its wholly owned subsidiary companies** sustainability performance for the year ended 30 June 2018, how we performed, the value we created and our plans for the future. The Report focuses on what matters most to our stakeholders and our business, namely the material issues.

“We aim to achieve satisfactory return for shareholders by looking after our employees and giving them safe and fulfilling working environments; taking care of our customers and meeting all of their needs; looking after our suppliers; taking care of the environment and making sure that we are environmentally conscious in all of our activities; by acting ethically and honestly in all of our dealings; and by making substantial contributions to the communities in which we operate. The fact is you’ll never achieve satisfactory returns for your shareholders unless you do all of those other things. That’s what corporate sustainability is all about.”

– Michael Chaney AO, Chairman, Wesfarmers

At Wesfarmers we believe long-term value creation is only possible if we play a positive role in the communities we serve. Sustainability is about understanding and managing the ways we impact our community and the environment, to ensure we continue to create value in the future.

Wesfarmers is committed to minimising our footprint and to delivering solutions that help our customers and the community do the same. We are committed to making a contribution to the communities in which we operate through strong partnerships and providing direct and indirect employment. We endeavour to continuously improve our performance and publicly report on our progress and challenges.

Sustainability is a critical, Board level, governance and strategic issue at Wesfarmers. Management is responsible for assessing and managing sustainability risks and opportunities and both the divisional boards and the Board of Wesfarmers have oversight of these risks and opportunities. We do not have a sustainability committee at a parent company Board level as it is considered a critical, whole Board issue.

Our reports are aimed at a broad range of audiences, including employees, customers, suppliers, investors, governments and opinion formers in the fields of sustainability and business responsibility.

Wesfarmers divisions use a Greenhouse Gas Protocol Standard environmental management system to gather, analyse and report data.

Our previous reports can be viewed [here](#).

All dollar figures are expressed in Australian dollars (AUD) unless otherwise stated.

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




In March 2018, Wesfarmers announced the completion of the sale of its Curragh coal mine and this Report includes data for that business until 29 March 2018.

*A full list of entities included in Wesfarmers’ consolidated financial statements can be found [here](#).



OUR MATERIAL ISSUES

This year customer privacy emerged as a new material issue. Human rights and ethical sourcing increased significantly in importance. All other material issues maintained their position on the matrix.



Our people

-  We maintain a relentless focus on providing safe workplaces.
-  We provide opportunities for our people to enhance their job performance and develop their careers.
-  We strive to create an inclusive work environment, with particular attention to gender diversity and the inclusion of Aboriginal and Torres Strait Islander peoples.



Sourcing

-  We commit to strong and respectful relationships with our suppliers.
-  We strive to source products in a responsible manner while working with suppliers to improve their social and environmental practices.


Community

-  We make a positive contribution to the communities in which we operate.
-  We are committed to providing consumers with safe products and protecting their privacy.

Environment

-  We strive to reduce the emissions intensity of our businesses and improve their resilience to climate change.
-  We strive to reduce our waste to landfill and water use where possible.

Governance

-  We maintain robust corporate governance policies in all our businesses.

Our performance

We are proud of our progress in the following areas:

<p><i>We maintain a relentless focus on providing safe workplaces</i></p> <p>SAFETY</p> <hr/> <p>Total Recordable Injury Frequency Rate</p> <p>↓15%</p> <p>Reduced our Total Recordable Injury Frequency Rate by 15 per cent to 24.4.</p>	<p><i>We strive to source products in a responsible manner</i></p> <p>HUMAN RIGHTS</p> <hr/> <p>Factories in our audit program</p> <p>4,003</p> <p>A focus on understanding our supply chain and validating work practices in our suppliers' factories.</p>
<p><i>We strive to create an inclusive work environment</i></p> <p>DIVERSITY</p> <hr/> <p>Indigenous employees</p> <p>5,228</p> <p>Worked to promote diversity in our workplaces, with a 24% increase in employees identifying as Indigenous.</p>	<p><i>We make positive contributions to the communities in which we operate</i></p> <p>COMMUNITY CONTRIBUTIONS</p> <hr/> <p>Community contributions</p> <p>\$86.6M</p> <p>Contributed a further \$60.9 million from customers and employees to community organisations.</p>

We acknowledge that we can improve our performance.

- We will continue to focus on ethical sourcing and human rights, especially supply chain transparency. Identifying critical breaches in the factories which supply to our businesses and require remediation is an important step in this process.
- Wesfarmers' workforce is made up of 54 per cent women and 46 per cent men. A key opportunity for the Group is to increase the percentage of leadership positions held by women. Over the last five years there has been a 5 per cent increase in women in management roles and a 5.5 per cent increase in women in senior roles.
- We will continue to focus on climate change resilience, especially energy efficiency. We are proactive about managing risks associated with climate change because we believe this will deliver significant long term benefits for us all.
- Year on year reductions in waste is hard to achieve as our businesses continue to grow. This year our waste to landfill decreased by four per cent.

MANAGING DIRECTOR'S WELCOME

Video transcript

WELCOME TO THE 2018 SUSTAINABILITY REPORT FOR WESFARMERS

Long-term value creation is only possible if we play a positive role in the communities we serve. At Wesfarmers, sustainability is about understanding and managing the ways we impact our community and the environment, to make sure that we'll still be creating value in the future. We believe sustainability is an opportunity to drive strong and long term shareholder returns.

And we maintain our commitment to the UN Global Compact's 10 sustainability principles which underpin our sustainability strategy.

We are proud of our performance this year.

We improved our safety performance with a 15% decrease in our total recordable injury frequency rate. While we're seeing the benefits of our relentless focus on making our workplaces safer, we acknowledge that while any team member is injured at work, our safety performance still requires improvement.

We're the largest employer of Indigenous people in Australia...we now have more than 5,000 Indigenous team members. As Australia's largest private sector employer, we believe we can provide Indigenous people with greater opportunities to participate in sustainable employment, and this remains the primary goal of our diversity policy.

This year, 4,000 factories across our supply chain have been audited to make sure they were operating ethically. Where we identify breaches we act swiftly to remediate because any supplier not complying with our ethical sourcing policy is unacceptable.

Directly and through our customers and team members, our community contributions were around \$150 million. Wesfarmers has always believed that a strong business environment is underpinned by a cohesive and inclusive community environment.

Gender balance has been a focus for some time and this year there was a 5% increase in women in management roles and a 5.5% increase in women in senior management. But with more than 54% of our workforce female and only 35% of management roles held by women, we still have an opportunity to increase the number of women in leadership.

Our commitment to sustainability is ongoing and we're always looking for opportunities to improve.

We're striving to look for more opportunities to save on energy and reduce our carbon footprint. We are proactive about managing risks associated with climate change because responding will deliver significant economic, social and environmental benefits for all of us.

I'd like to thank all the team members that have contributed to our sustainability outcomes for the year and I hope you enjoy this report.



ROB SCOTT
Managing Director

PEOPLE



Safety

We maintain a relentless focus on providing safe workplaces.



CSBP Process Operators Ken Twaddle and Brad Ripp.

Wesfarmers is a business driven by people. As Australia's largest private sector employer, some 217,000 people come to work in our offices, shops, plants and facilities every day. The safety of team members, customers, suppliers and visitors across all our sites is our highest priority. We continue to make improvements to safety.

WE ARE FOCUSED ON CONTINUAL IMPROVEMENTS IN SAFETY LEADERSHIP, STRATEGIES TARGETING RISK REDUCTION AND IMPROVING THE PHYSICAL AND MENTAL HEALTH OF OUR TEAM MEMBERS.

We are seeing the benefits of this relentless focus on making our workplaces safer, but we acknowledge that as long as team members are injured at work, our safety performance still requires improvement.

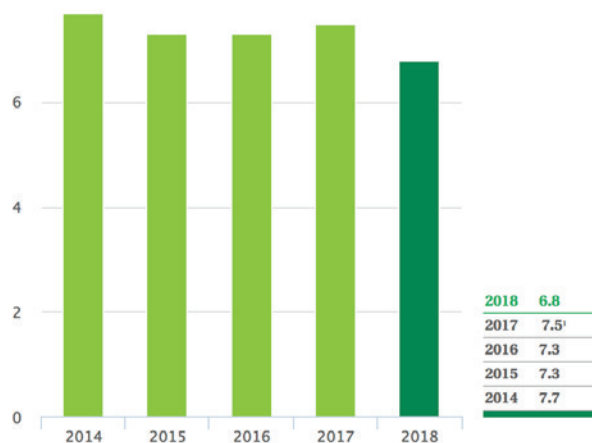
Safety performance

To monitor our safety performance, we use total recordable injury frequency rate (TRIFR) and lost time injury frequency rate (LTIFR), which show injuries per million hours worked by employees and long-term contractors. This year, our TRIFR decreased by 15 per cent from 28.7¹ to 24.4, with improvements across most divisions. Our LTIFR decreased nine per cent this year compared to last year.

We were pleased that our workers' compensation claims decreased by more than 500 to 5,863. In line with our commitment to improving our safety reporting processes, work was undertaken this year to improve the validation of all safety data with particular attention on workers compensation claims.

Lost Time Injury Frequency Rate

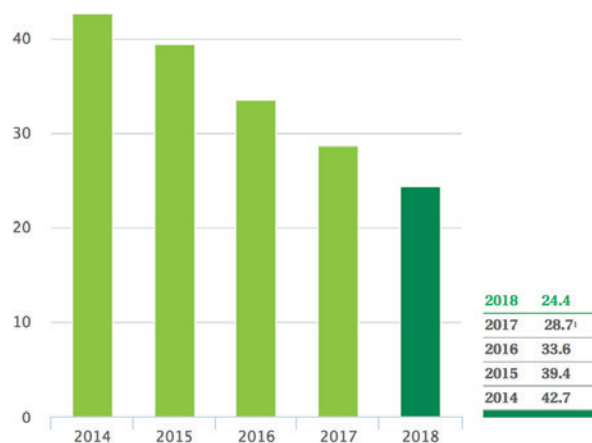
LTIFR is the number of lost time injuries per million hours worked.



Total Recordable Injury Frequency Rate

24.4 total recordable injury frequency rate

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



¹ Restated due to the maturation of data

PEOPLE

Safety initiatives

Each of our businesses has undertaken safety initiatives this year that target their particular safety risks. Some of those initiatives include:

- Bunnings launched a new cut-resistant glove for all team members to use as part of the 'Protect Your Hands' focus. Retractable barriers were deployed to reduce injury risk associated with falling stock at height. Forklift safety continued to be high on the agenda, with virtual reality experiences showcased to the team at the Bunnings Expos to help the team identify and manage forklift safety risks in all locations.
- Coles focused on safety leadership and culture with more than 77,000 team members participating in role-specific safety training. Due diligence training was also provided for senior leaders emphasising the importance of proactive safety management and the role of senior leaders in influencing safety improvements. Safety training was also reviewed to enable it to be more accessible and interactive.
- Kmart introduced a new governance model to help target opportunities for improvement and increase supervision and monitoring through zone manager safety health checks. Accountability has been increased through a combination of leading and lagging performance metrics and auditing.
- Target's key safety projects delivered for the year included the provision of due diligence training for senior leaders, the Target Asia Sourcing safety program and the maturation of Supply Chain Safety Management Processes. The focus for this coming year is to implement Safety Leadership Training for operational managers and improvements to the hazard reduction program to further improve Target's safety performance.
- Officeworks implemented its Safety Starts with You training program, incorporating the Safety FIRST behaviours. These identify how every team member can promote safety whilst highlighting unacceptable behaviour. The Stay Safe system, which is the Officeworks health and safety management system, was reviewed and updated to both simplify and better align the system to business requirements. This included the incident investigation process incorporating the Safety FIRST behaviours.
- WIS implemented a 10,000-step physical activity challenge and delivered a health and wellbeing survey to inform program developments. In the operational excellence program, difficult to manoeuvre magnetic hoops which are used in embroidery processes were swapped in Blackwoods to reduce hazardous manual tasking on heavy garments. The initial scoping of distribution centre upgrades was completed utilising an ergonomic expert to inform design of tasks and physical environments.
- WesCEF's Safe Person Commitments program launched last year remains a primary tool to reinforce behavioural expectations for all employees when completing high-risk tasks. High potential hazard reporting increased by 53 per cent in the year.



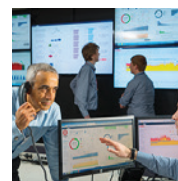
COMMUNITY

Wesfarmers becomes a White Ribbon workplace



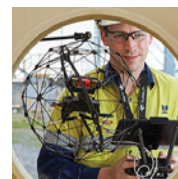
PEOPLE

Officeworks develops a safety first framework



ENVIRONMENT

Managing electricity price risk exposure



ENVIRONMENT

Innovative technologies automate inspections at CSBP

PEOPLE



People development

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



Wesfarmers corporate office team member Vivian Chiam.

Wesfarmers is Australia's largest employer with approximately 217,000 employees. Our businesses provide employment to approximately one in 60 working Australians.

During the year, we distributed \$9.3 billion in salaries, wages and benefits to our employees.

OUR GREATEST COMPETITIVE ADVANTAGE IS OUR PEOPLE AND WE ARE COMMITTED TO PROVIDING THEM WITH OPPORTUNITIES TO IMPROVE THEIR PERFORMANCE AND THEIR CAREERS.

Our employees

As at June 2018, we employed approximately 217,000 people globally, including around 210,000 in Australia, making the Wesfarmers Group Australia's largest private-sector employer. Of our people, approximately 64 per cent are employed on a permanent basis and 36 per cent are employed on a casual basis.

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

In the 12 months to 30 June 2018, we employed 66,310 new people across the Group in a range of permanent, part-time and casual roles. Over the same period we have had a net decrease in our overall employee numbers of approximately 5,600 people. A decrease in numbers resulting from the divestment of the UK Homebase business was offset in part by increases in employees at Coles and Officeworks.

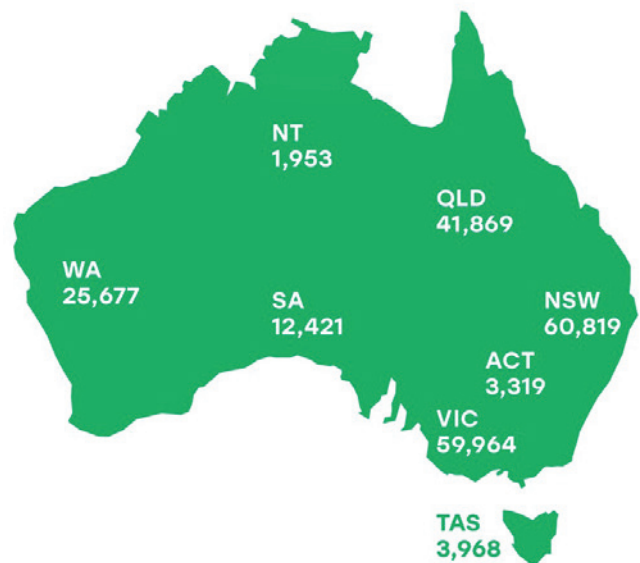
Our voluntary turnover rate for permanent employees across the Group was 15 per cent (2017:18 per cent).

Where headcount reductions are necessary, our divisions seek redeployment opportunities and where this is unsuccessful, they offer redundancy packages and outplacement services to affected employees. We pay at least minimum wage in all locations in Australia as required by law and in no areas of operation does minimum wage vary by gender.

Our 217,000 people are mostly located in Australia, with around 6,500 in New Zealand and 815 in other global communities.

Our 217,361 people are mostly located in Australia, with 6,556 located in New Zealand.

Numbers as at 30 June 2018



PEOPLE

Training and development

Wesfarmers' divisions provide numerous job-specific and career development training opportunities that cover technical skills, customer service, team work, leadership, and much more. These programs are available to full-time, part-time and casual employees.

At a Wesfarmers Group level, the talent team focus is on the potential and capability of our leadership teams and general managers, ensuring that they have the capabilities we require for today and for the future, as reflected in our values and leadership model below.



We expect all of our leaders to become role models for our Values:



The Leadership Model describes the capabilities that are most important for our success, today and tomorrow:

Engaging People Bringing the best out of self and others	Being Commercial Delivering financial returns today and into the future	Delivering Results Making it happen in the right way
Inspiring teams through clarity, trust, challenge and support	Achieving sustainable financial performance, balancing today and tomorrow	Driving results through goals, prioritised activity and pace
Developing self and others to achieve high performance and growth	Applying customer and market insight to drive decisions and plans	Leading and thriving in change
Leading collaboratively across networks/teams to harness diverse capabilities	Adapting and innovating for commercial advantage	Keeping our people and our reputation safe

Wesfarmers Leadership is about self-awareness and continual learning, not perfection.

We use this model for talent reviews, succession planning and development investment. For the individual leader, the model helps to focus their ongoing development. We don't expect our leaders to be perfect, but we do expect them to be aware of their strengths and development areas and to keep learning.

We focus on setting standards for talent, leading cross-divisional talent development processes and supporting the individual development of our most critical and highest potential leaders.

This year Wesfarmers has also launched a Group-wide investment in awareness and capability building associated with data analytics, in line with one of our strategic focus areas.

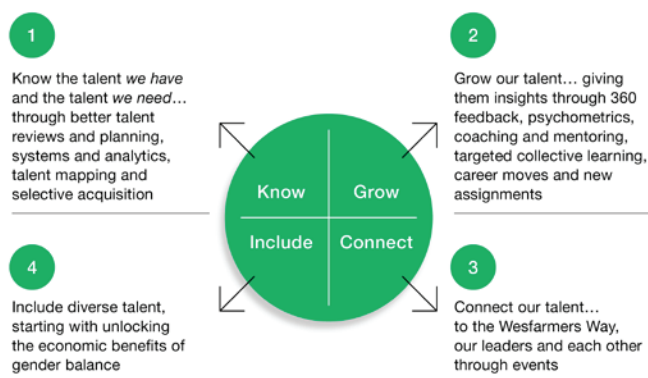
Our processes for identifying, developing and retaining talent are categorised into four work streams: Know, Grow, Connect, and Include, as shown below.



Our focus



Our work streams



Guiding principles: innovation, simplicity, flexibility, collaboration

Our key Group leadership development and talent management-related activities for 2017/18 include:

- Facilitating twice yearly divisional talent reviews, focused on divisional leadership team bench-strength and succession; chaired by the Managing Director and Chief Human Resources Officer
- Providing bespoke 360 degree assessments and individual development plans for more than 60 general managers and leaders in critical divisional leadership team roles
- Developing a leader-led Wesfarmers Commercial Leadership program to be rolled out to all divisional leadership team members and GMs in FY 2018/19
- Providing training on analytics for leaders and a new role of 'translators' across all businesses
- Delivering and distributing WEstalks – 15 talks on leadership challenges and personal storytelling accessible to all team members via a mobile platform
- Launching an HR community of practice across the Group to share and strengthen practices

PEOPLE

Workplace relations

More than 87 per cent of our workforce is covered by collective agreements. We recognise the right of those we employ to negotiate either individually or collectively, with or without the involvement of third parties. Collective agreements typically include provisions for notice periods and provisions for consultation and negotiation. We also believe in maximising the flexibility of workplace arrangements available to our employees and their managers.

During the year, workplace relations at Coles received some public attention. In 2017, Coles reached agreement with bargaining representatives for a new Store Team Enterprise Bargaining Agreement covering over 80,000 supermarket team members. The 2017 Agreement was approved by 90 per cent of participating team members in a ballot which concluded in February 2018, and subsequently by the Fair Work Commission in April 2018. The 2017 Agreement provides:

- for team members to be paid more than the Award at all times
- certainty about future pay increases for each year of the Agreement
- protections around take-home pay for existing team members
- choice of superannuation fund
- the right to request increased contract hours or to be made permanent
- access to additional benefits, including a number that are above the Award, such as two days paid Domestic Violence Leave and paid Compassionate Leave of up to five days.



GOVERNANCE

Wesfarmers Chairman on how superior shareholder returns are consistent with being a good corporate citizen



PEOPLE

Blackwoods helps team members plan for the 'time of their life'



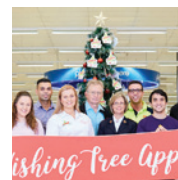
PEOPLE

Officeworks invests in career pathways and balanced leadership



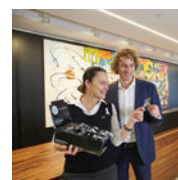
PEOPLE

Target your Mind: Target's mental health program



COMMUNITY

The Kmart Wishing Tree Appeal turns 30



COMMUNITY

Wesfarmers becomes a White Ribbon workplace

GOAL
DECENT WORK AND ECONOMIC GROWTH

PEOPLE



Diversity

We strive to create an inclusive work environment, with particular attention to gender balance and the inclusion of Indigenous people.



Officeworks believes diversity supports the development of an enhanced talent pipeline by enabling access to a broader pool of talent.

Wesfarmers is committed to building an inclusive culture that harnesses the power of diversity of thought and experience in our teams.

DIVERSITY ENABLES US TO BEST DELIVER ON THE NEEDS OF EACH OF OUR CUSTOMERS AND THUS DELIVER FOR OUR SHAREHOLDERS.

While our commitment extends to all individuals, Wesfarmers is particularly focused on continuing to build gender balance and Indigenous representation across its workforce. Wesfarmers has developed and implemented a Diversity Policy that aims to foster diversity at all levels across the Group.

Our businesses have policies that are right for their workplace. Coles, for example, has introduced its Gender Affirmation and Transition guidelines to ensure a supportive working environment for its transgender and gender diverse team members. Coles participated in the Australian Workplace Equality Index in 2017 and was awarded a Bronze Employer status, recognising its actions to improve Lesbian, Gay, Bisexual, Transgender and Intersex (LGBTI) workplace inclusion. Areas identified for improvement included updating policies to reflect inclusive language, clearly defining the LGBTI strategy and accountability, LGBTI training for team members and participation in community LGBTI events.

WESFARMERS SUPPORTS THE RIGHTS OF ALL OUR EMPLOYEES AND CUSTOMERS TO LIVE AND WORK FREE OF PREJUDICE AND DISCRIMINATION.

Gender balance

While our workforce is balanced with 54 per cent of our team members female, there is room to strengthen the gender balance in management roles. 'Gender balance' means that teams have a minimum of 40 per cent of any gender and at this time 28 per cent of senior management roles are held by women.

Building a more gender-balanced business that appreciates and caters to the different strengths, preferences and needs of different team members and different customers is a source of competitive advantage. A more gender balanced business helps enable us to deliver on our objective of satisfactory returns to shareholders.

Our board of non-executive directors comprises three women and six men. There is an opportunity to improve at the senior executive and management/professional level where women hold 28 per cent and 34 per cent of positions, respectively.

Female representation across the Group

Level	2014 %	2015 %	2016 %	2017 %	2018 %
Wesfarmers Limited non-executive directors	30	33	38	38	33
Senior executive positions (general manager or above) ¹	25	25	23	24	28
All management and professional roles ¹	29	29	30	32	34
Total workforce	56	55	55	54	54

¹ These positions are defined through job evaluation methodology

Wesfarmers supports its divisions to build a gender-balanced workforce in a number of ways. In 2018, independent external gender audits identified opportunities to improve gender balance. Wesfarmers' has developed its own gender tool kit which is a resource to help our businesses identify opportunities to better harness the strength of male and female talent and capture the business opportunities by better catering to both genders across our customer base. The launch of a Wesfarmers cross-divisional Gender Balance Working Group, sponsored by our Group Managing Director, has enabled our divisions to share practices across the Group as well as hear from external experts.

Each Wesfarmers division has developed its own gender diversity plan in line with the Wesfarmers Gender Diversity Policy, tailored to the specific circumstances of that division. The Policy outlines four core objectives which are used to measure our progress in this area. The objectives and progress in achieving these objectives are reviewed annually by the Board.

The four objectives and indications of progress achieved for all roles at manager level and above are outlined below, along with some illustrative examples:

1. Foster an inclusive culture:

This objective seeks to leverage each individual's unique skills, background and perspectives.

At Wesfarmers, rather than fitting all team members to a traditional notion of a leader, our focus is on developing and rewarding the different strengths and leadership styles that people bring to our workplaces. By doing so, not only do we know that our team members feel comfortable bringing their best selves to our workplaces, but also that we're drawing on the power of diversity of thought across teams. Understanding the different needs – both personal and professional – of our male and female team members is also critical to ensuring we give our team members the career path, flexibility, and support they need in order to be their most fulfilled and productive.

PEOPLE

Women are not equally represented in senior operations roles. By way of example, to build greater gender balance within its operations team, Target has taken a number of steps to actively support working parents as they are promoted into more senior roles. Team members are encouraged to discuss any perceived challenges with a broad group of colleagues and work through a sustainable approach to ensure they are set up for success. Where team members are required to relocate for a promotion, visits have been arranged ahead of accepting the promotion to help assess whether the move was the right decision for the team member's family. Once promoted, team members were provided additional support, face to face coaching, and feedback from across the team.

Flexible working in all its forms is encouraged at Wesfarmers, and as at 30 June 2018, 57 per cent of our permanent workforce is employed on a part-time basis. Some of our divisions provide competitive paid parental leave allowances, and of all managers that took parental leave in the 12 months prior to 30 June 2018, 92 per cent of these returned to our business.

2. Improve talent management:

This objective seeks to embed gender diversity initiatives into our broader talent management processes in order to support the development of all talent.

Wesfarmers is taking a number of steps to ensure that our development and promotion processes identify, support, and encourage a diversity of strengths, styles, and working arrangements for each of our male and female team members.

The Group Managing Director meets twice a year with each division to discuss succession plans and the pipelines of high-potential leaders and ways to ensure divisions are successfully attracting, retaining, and promoting current and future female leaders. In the 2018 Succession Updates/Divisional Talent reviews:

- 36 women (25 per cent of all nominees) were nominated as successors to a divisional leadership team roles¹
- 4 women (30 per cent) were nominated to divisional Managing Director roles²
- Resulting in a combined 40 women (26 per cent) being nominated to these divisional Leadership roles³

For each of our divisions and across the Group as a whole, we closely monitor the gender balance of our teams by level as well as the proportion of General Manager promotions, new hires and exits that are female.

To give visibility across the business and facilitate regular discussion on progress, Kmart discusses gender balance data with its leadership team and Managing Director once per quarter. The data is broken down by department and region to a granular level so that all managers can be made aware of where there is opportunity to improve in the talent management process.

To support team members as they transition back to work following a leave of absence, Coles conducts a quarterly Return to Work Governance Forum in which the head of People and Culture reviews and discusses the return to work plan for all team members due to return in the upcoming three months. As well as providing greater opportunity for team members to move into roles that further develop their skills as they return from leave, since its inception, team members have cited a more positive return to work experience and have used more Keep In Touch days to attend team days and key stakeholder meetings.

3. Enhance recruitment practices:

This objective is a commitment to hiring the best person for the job, which requires consideration of a broad and diverse talent pool.

Across the Wesfarmers Group, our businesses use a variety of tools to ensure hiring processes highlight the capabilities of all applicants and their potential to enhance the existing skills in our teams.

In its Hiring for Leadership Process (HFL), Officeworks has implemented a number of processes to ensure that the strengths of both men and women are clearly visible throughout each applicant's journey. Hiring panels are designed to mitigate for bias to ensure the best hiring decision for Officeworks. Interview guides shift some of

the focus away from experience. An emphasis on balanced candidate pools ensure careful consideration of non-traditional candidates. Careful monitoring of candidate data throughout the applications, shortlist, interview, preferred candidate, and offer stages of the process has shown the HFL process has resulted in a proportion of offers that is balanced even when the proportion of applicants is not.

To attract women into roles that typically receive fewer applications from women than men, Wesfarmers Chemicals, Energy & Fertilisers has innovated its job advertisements by de-emphasising experience requirements and highlighting leadership values, detailing training provided on the job, and using job titles that resonate with a broad set of candidates. When its Kleenheat business made these changes and changed the job title of a "Ramp Hand" to a "Production Worker" it received nearly three times as many job applications overall and increased female applications from 5.6 per cent to 13.2 per cent.

IN THE 2018 FINANCIAL YEAR, 50 PER CENT OF EXTERNALLY RECRUITED POSITIONS WERE FILLED BY WOMEN (2017: 49 PER CENT) AND 39 PER CENT OF EXTERNALLY RECRUITED MANAGER AND ABOVE ROLES WERE FILLED BY WOMEN (2017: 37 PER CENT).

4. Ensure pay equity:

This objective aims to ensure that women and men receive equal pay for equal work across our workforce.

Since 2010, a Group review of gender pay equity has been conducted annually, with results reviewed by the Board and divisional Managing Directors.

The 2018 review showed gaps of:

Level	Gender pay gap %
General managers	9.6
Senior managers	3.4
Managers and senior professionals	5.0

Any apparent gaps are analysed to ensure that such gaps can be explained with reference to market forces which may include, for example, different rates of pay in different industries, location and the relative supply and demand for different qualifications, individual performance and experience.

Every year, Wesfarmers businesses lodge their annual compliance reports with the Workplace Gender Equality Agency (WGEA). A copy of these reports may be obtained via the WGEA website [here](#).

Wesfarmers is a signatory to the United Nations Women's Empowerment Principles. Our support of the principles is consistent with our ongoing commitment to gender diversity and aligned to the work we are currently doing across the Group.

Employee standards

Wesfarmers is deeply committed to treating all employees with respect and fairness. The policies and frameworks that support the Group's day to day operations are designed to ensure that all relevant universally recognised human rights are observed and safeguarded. Each division must comply with the principles of the Wesfarmers Equal Employment Opportunity Policy or incorporate these principles into their policies and procedures.

- 1 Divisional leadership team roles consist of roles which are direct reports of the divisional Managing Director as well as other major roles (Director and/or General Manager roles). Does not include the division's Managing Director role. Nominees only counted once, regardless of the number of nominations received.
- 2 Nominees only counted once, regardless of the number of nominations to a divisional Managing Director role received.
- 3 Roles considered part of the divisional leadership team, or a divisional Managing Director role. Nominees only counted once, regardless of the number of nominations received.

PEOPLE



Birpai dancers perform during the Welcome to Country and smoking ceremony, outside the Kmart Port Macquarie Store.

Indigenous engagement

Wesfarmers' diversity strategy includes a commitment by every division to make its businesses places where Indigenous people feel welcome and valued, as employees, customers and suppliers. To do this, Wesfarmers prepared and committed to its first Reconciliation Action Plan (RAP) in 2009. Our current RAP produced in 2017 outlines specific measurable actions to be undertaken across the Group, targeting Indigenous employment, business engagement, community partnerships and team member volunteering with Indigenous organisations. Our latest RAP report and commitments can be found [here](#).

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

Indigenous employment

Since the launch of its RAP nearly ten years ago, Wesfarmers has sought to achieve a level of Indigenous representation in its workforce which reflects the communities in which it operates.

As Australia's largest private sector employer, we believe we can provide Indigenous people with greater opportunities to participate in sustainable employment, and this remains our primary goal. This year we employed 997 more Indigenous team members, and Indigenous team members now total 5,228 which is 2.5 per cent of Wesfarmers' Australian workforce.

MORE THAN 5,200 INDIGENOUS TEAM MEMBERS EMPLOYED

Wesfarmers is the largest private employer of Indigenous people in Australia. Full Indigenous employee numbers can be found in the table below.

BUSINESS UNIT	2018	2017	2016	2015	2014
Coles	3,581	2,872	2,318	1,765	862
Bunnings	637	516	423	410	336
Kmart	539	429	333	278	279
Target	175	155	136	161	107
Officeworks	198	161	65	73	67
WesCEF	27	29	19	17	13
WIS	69	50	13	35	28
Resources	NR	17	19	20	18
Corporate	2	2	1	3	1
Group total	5,228	4,231	3,327	2,762	1,711

NR means data was not recorded due to the sale of the Resources business during the year

PEOPLE

Indigenous procurement

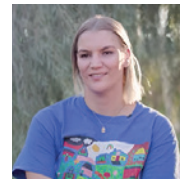
In addition to direct employment, Wesfarmers has created Indigenous employment opportunities through engaging local and national Indigenous suppliers. For example, Wesfarmers businesses work with Young Guns Container Crew, an Indigenous owned business specialising in the packing and unpacking of shipping containers. We are a founding member of Supply Nation, Australia's leading supplier diversity accreditation organisation.

Indigenous partnerships

Wesfarmers is committed to establishing community partnerships with organisations focused on improving the lives of Indigenous people.

We have supported The Clontarf Foundation since 2001 to improve the education, discipline, life skills, self-esteem and employment prospects for young Indigenous men using football as a foundation. In 2015 we increased our financial contribution to assist the Foundation's national expansion. A number of our businesses are also engaged with Clontarf across Australia.

We continued to support Australian Indigenous Mentoring Experience (AIME) and The Graham (Polly) Farmer Foundation. Wesfarmers also entered into the second year of its partnership with Reconciliation WA. Many divisions also have partnerships with organisations that support Indigenous communities, such as New Start Australia, The Fred Hollows Foundation and The Australian Literacy & Numeracy Foundation.



PEOPLE

Kmart Ignites the Wonder with Indigenous art in Kmart stores



PEOPLE

Officeworks invests in career pathways and balanced leadership



COMMUNITY

Bunnings' support for women in need at Christmas



PEOPLE

Blackwoods works towards a more inclusive workplace



PEOPLE

WesCEF creates opportunities for Indigenous people in its supply chain



SOURCING



Suppliers

We commit to strong and respectful relationships with our suppliers.



Queensland vegetable grower Matt Hood from Rugby Farms worked with Coles to launch three new Coles own brand vegetable products - zucchini noodles, sweet potato noodles and sweet potato chips, utilising vegetable pieces that typically would not be sold at retail level.

Our relationships with approximately 18,000 suppliers across the Group are very important to us. This year we paid approximately \$47 billion to our suppliers. We want to provide value to our customers and sustainable growth for our suppliers and their employees. Striving for better efficiency in our consumer supply chains ensures their continued competitiveness.

BUILDING STRONG AND COLLABORATIVE RELATIONSHIPS WITH SUPPLIERS IS KEY TO DELIVERING RESPONSIBLY SOURCED PRODUCTS TO OUR CUSTOMERS WHICH SAFEGUARD ANIMAL WELFARE AND MINIMISE ENVIRONMENTAL IMPACTS.

Some of our supplier initiatives this year include:

- WesCEF has engaged its contractors and suppliers to seek new ways to provide opportunities for Indigenous people.
- Coles announced the successful applicants from round four of the Coles Nurture Fund. These included farmers from Coolac (New South Wales), Goulburn Valley (Victoria), Ovens Valley (Victoria), Gippsland (Victoria), Ringarooma (Tasmania), Launceston (Tasmania) and Kununurra (Western Australia) as well as a manufacturer in Sydney.
- Coregas worked with Hydrogen Mobility Australia to accelerate the commercialisation of new hydrogen and fuel cell technologies for transportation, export, storage and stationary applications in Australia.

Australian-first at Coles

Coles is committed to building strong and collaborative relationships with Australian farmers, producers and growers.

Coles has an Australian-first sourcing policy to provide Australian-grown fresh produce as a first priority.

IN FY18, 96 PER CENT OF FRESH PRODUCE AND 100 PER CENT OF FRESH LAMB, PORK, CHICKEN, BEEF, MILK AND EGGS WAS SOURCED FROM AUSTRALIAN SUPPLIERS.

In line with the Australian-first sourcing policy, this year Coles announced its aim to become the first Australian national grocery retailer to sell only Australian-grown lemons all year round. The business is working with a Queensland supplier to fill the seasonal gap when Australian lemons were previously not available for Coles' customers.

Coles also supports Australian producers and growers with long-term contracts. In April 2018, Coles signed a 10-year agreement with Laurent to provide Coles supermarkets with a range of artisan-style stone-baked sourdough bread. In recent years, Coles has also signed ten-year agreements with TOP Pork Pty Ltd and Sundrop Farms, a nine-year contract with milk supplier Norco and an eight-year agreement with Manbulloo Mangoes. Coles also has a long term contract with Simplot to supply Australian-grown vegetables which were previously sourced overseas.

Coles complies with country of origin labelling requirements which came into effect in July 2018, to provide transparency around product origin.

SOURCING

Sustainable timber and paper sourcing

Bunnings' annual timber supply chain survey conducted in the 2017 calendar year identified and risk-assessed 375 timber product suppliers, representing over \$1 billion of purchases annually. This survey confirmed more than 99 per cent of business-wide timber products originate from low-risk plantation, verified legal, or certified responsibly sourced forests. Within that, more than 79 per cent of its total timber products are sourced from independently certified forests or sourced with demonstrated progress towards achieving independent certification, such as that provided by the Forest Stewardship Council (FSC) and the Programme for the Endorsement of Forest Certification (PEFC).

BUNNINGS CONTINUED TO COLLABORATE WITH ENVIRONMENTAL NON-GOVERNMENT ORGANISATIONS ON RAISING AWARENESS OF RESPONSIBLY SOURCED TIMBER AND WAS THE PARTNER FOR FSC FORUMS IN MELBOURNE AND AUCKLAND.

Coles' Sustainable Timber and Paper Products Policy sets out Coles' expectations regarding the use and supply of timber and timber pulp-based paper products for Coles own brand products. Customer receipts at all Coles supermarkets, Coles Express and liquor outlets are certified to the Forest Stewardship Council Standard. Coles has committed to working towards using only timber or paper sourced from sustainable forestry operations independently certified by the Programme for the Endorsement of Forest Certification (PEFC), Forest Stewardship Council (FSC) or recycled fibre by 2020.

Officeworks is a leading retailer of office supplies so understands the importance of sustainable sourcing of products that contain wood-fibre. Officeworks requires suppliers of paper and wood-based products to disclose detailed information, including timber species, before products can be ordered to ensure that no illegal timber enters the supply chain. In addition, Officeworks supports FSC-certified products, which promotes responsible and sustainable management of the world's forests, providing traceability via the chain of custody process to the origin of the raw materials. During the last year, 68 per cent of all paper products sold were either FSC certified or 100 per cent recycled.

Officeworks commitment to the sustainable sourcing of wood-fibre products has enabled the business to launch Restoring Australia, an Australian-first initiative which aims to plant two trees for every one used, based on the weight of paper-based products purchased by Officeworks customers. Launched in July 2017, during the past 12 months Officeworks, in partnership with Greening Australia, has planted 197,000 trees throughout sites in Tasmania, NSW, Victoria and South Australia. This work is designed to restore degraded landscapes by planting native species that will, in turn, encourage wildlife to return and help protect seven threatened animal species around Australia. This initiative also helps landholders and farmers improve their land by re-establishing trees that provide shade and shelter for livestock.

Coles' support for Farmers' fund

In September 2016, Coles helped to establish an independent industry fund managed by the Victorian Farmers Federation (VFF) to provide practical support to dairy farmers in southeast Australia. To generate proceeds for the fund, Coles and VFF jointly launched Farmers' Fund milk exclusively in most Coles Supermarkets across Victoria, with 40 cents from the sale of two-litre skim and full cream milk directed to the Fund. In addition, \$1 million was donated to the Farmers' Fund from the Coles Nurture Fund in FY17. By 30 June 2018, 135 dairy farmers had been provided grants of close to \$1.8 million.

Coles also sells South Australian Dairyfarmers Association (SADA) Fresh Milk and Western Australian Farmers Federation WA Farmers First milk where 20 cents a litre is provided to industry funds to support dairy farmers.

SINCE 2015, COLES HAS SOLD OVER 6.4 MILLION LITRES OF SADA FRESH MILK AND NEARLY 4.1 MILLION LITRES OF WA FARMERS FIRST MILK.

Farm animal welfare

Coles cares about how the food it sells is produced and sourced. The business is committed to working towards a sustainable future that supports local farmers and food producers, while looking after the welfare of animals.

Coles' Animal Welfare Policy, which is based around the five freedoms (freedom from hunger and thirst; freedom from discomfort; freedom from pain, injury or disease; freedom to express normal behaviour; and freedom from fear and distress), sets out Coles' expectations regarding the treatment of animals and aquaculture species in the meat, fresh produce and grocery products supply chains for all Coles own brand products. The Policy details Coles' commitment to source animal and aquaculture products from farming operations that have a high standard of animal welfare and, where appropriate, hold animal welfare certification. It also specifies that no Coles own brand products are to be tested on animals.

The Coles Farm Program provides a mechanism for Coles to work with its suppliers to support continuous improvement. Under the Program, species and product-specific steering committees have been established. Each year farmers complete a self-assessment identifying challenges and opportunities to be addressed, such as on-farm energy management, animal welfare measures and integrated pest management. Suppliers are audited under the Coles Farm Program against the information they have provided including animal welfare practices such as low stress handling practices. Coles undertakes audits of a minimum of 10 per cent of supplier sites each year under the Coles Farm Program.

Coles works with the RSPCA Approved Farming Scheme to offer customers a range of humanely farmed Coles own brand products including fresh chicken, free range pork and turkey. The RSPCA Approved Farming Scheme establishes higher welfare standards (above the legislative requirements) and commercially achievable production standards for pigs, chicken and turkeys. Coles was the first national supermarket to launch RSPCA-Approved Coles own brand chicken in 2014, following with other products including turkey.

SOURCING

IN 2014, COLES WAS ALSO THE FIRST AUSTRALIAN SUPERMARKET TO DELIVER ALL COLES OWN BRAND FRESH PORK AS SOW STALL FREE AND FREE FROM ARTIFICIAL GROWTH PROMOTANTS. COLES OWN BRAND FREE RANGE PORK IS THE ONLY RSPCA-APPROVED FRESH PORK STOCKED NATIONALLY BY AN AUSTRALIAN SUPERMARKET.

All Coles own brand eggs have been cage-free since 2013. They are either barn-laid or free range. Coles is also working with proprietary egg suppliers to increase production of cage-free eggs.

All Coles own brand beef in the meat departments has been 100 per cent Australian sourced with no added hormones since 2011. Graze, Coles beef speciality range, is 100 per cent Australian, grass-fed, free to roam and with no added hormones.

Coles also understands that the responsible use of antibiotics in agriculture is an important issue for animal and human health. In 2014, Coles was the first Australian supermarket retailer to implement a policy to remove the use of antibiotics for the purposes of promoting growth in livestock and it only allows suppliers to use antibiotics for animal health purposes under veterinary supervision.

Responsibly sourced seafood

Coles understands that well-managed and responsible fishing is essential to maintaining healthy fish populations and habitats, and to ensure the future sustainability of marine ecosystems.

All Coles own brand seafood has been responsibly sourced since 2015. Different programs and certifications ensure potential impacts on marine health and the environment are carefully monitored. All Coles own brand seafood products have Marine Stewardship Council (MSC) or Aquaculture Stewardship Council certification, or meet Coles Responsibly Sourced Seafood criteria.

Coles was awarded the MSC's Best Sustainable Seafood Supermarket in Australia in September 2017.

Certified products and labelling

Where Coles sources tea, coffee, cocoa and palm oil, for Coles own brand, it is committed to using independent and internationally recognised certification programs in order to support ethical practices and environmental protection in these supply chains.

Coles' Palm Oil Policy outlines its commitment to support the production of sustainable palm oil through the use of certified sustainable palm oil and palm derivatives. Coles is a member of the Roundtable of Sustainable Palm Oil and has embraced its principles and criteria for sustainable palm oil production. All Coles own brand food and drink products now contain or support sustainable palm oil through the physical supply chain options including Identity Preserved, Segregated and Mass Balance. Coles is also pursuing sustainable palm oil and palm derivatives in Coles own brand homecare, health, beauty and baby products. While these changes are being made, palm oil in Coles own brand non-food products is offset through PalmTrace certificates which support sustainable palm oil farmers and processes.

Coles utilises independent certification programs in sourcing cocoa, coffee and tea to ensure that these commodities are sourced ethically and sustainably, and to help grow a market for independently certified products such as Fairtrade, Rainforest Alliance and UTZ. All Coles own brand loose tea and tea bags are from certified sources, and the business is committed to using certified coffee and cocoa in all Coles own brand coffee, cocoa and chocolate products by 2020.

KMART AND TARGET HAVE IMPLEMENTED THEIR SUSTAINABLE MATERIALS ROADMAP. KMART AND TARGET HAVE SET A TARGET TO SOURCE 100 PER CENT OF COCOA SUSTAINABLY BY 1 JULY 2019.

Building on this commitment, the first chocolate products marked with the UTZ sustainable cocoa certification were sold at Target at Christmas 2017 and at Kmart at Easter in 2018.

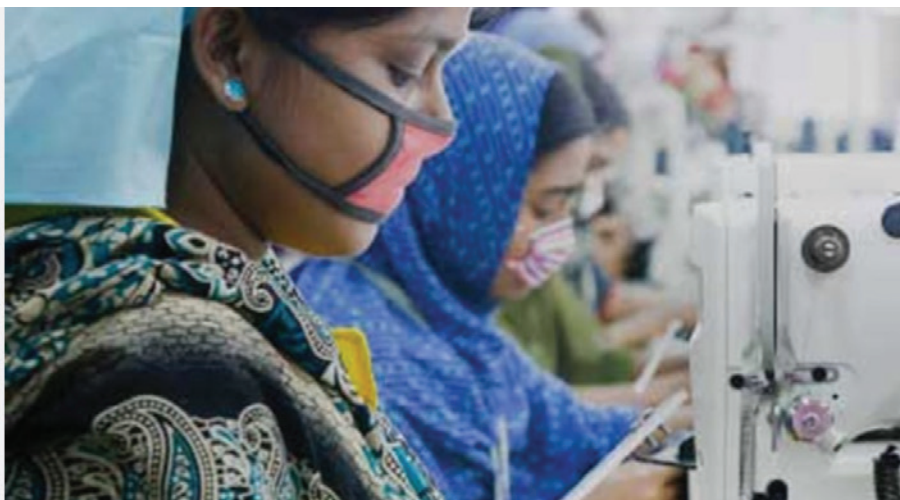
In mid-2017, Kmart announced its intention to source more sustainable cotton by 1 July 2020. Target followed this announcement by launching a project in late 2017 to source more sustainable cotton.

SOURCING



Ethical sourcing and human rights

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



A factory supplying Kmart in Bangladesh.

ETHICAL SOURCING AND HUMAN RIGHTS HAS BEEN IDENTIFIED AS WESFARMERS MOST MATERIAL SUSTAINABILITY ISSUE.

Our businesses directly source products from more than 18,000 suppliers in Australia, China, Bangladesh, New Zealand, India, Thailand, Vietnam and other countries. While our operations and supply chains are complex, our aim is to ensure that human rights are understood, respected and upheld. We expect our partners and stakeholders to adhere to ethical business conduct consistent with our own, and are committed to working with them to fulfil this common goal.

We have a Group-wide Ethical Sourcing Policy, which sets the minimum standards expected of our divisions who sell goods for resale. Bunnings, Coles, Kmart, Target, Officeworks and Wesfarmers Industrial and Safety have their own ethical sourcing policies appropriate to their businesses.

WesCEF has commenced a review of its supply arrangements to facilitate development of an ethical sourcing policy.

During the year Wesfarmers continued to voice its support for establishing a Modern Slavery Act in Australia. We believe the Act will improve transparency in corporate and public sector activities, and ultimately help to eliminate modern slavery across Australian entities' operations and their supply chains. Our third Modern Slavery Statement is available [here](#).

Increasing supply chain transparency

Global supply chains are inherently complex, diverse and dynamic. During the year we continued to focus on supply chain transparency as the key to ensuring modern slavery is not occurring in our supply chains. Our due diligence process has revealed unfair working conditions is a risk in supply chains all over the world including OECD countries such as Australia.

DURING THE YEAR TARGET, KMART AND COLES MAINTAINED THEIR COMMITMENT TO SUPPLY CHAIN TRANSPARENCY BY CONTINUING TO PUBLISH THE DETAILS OF THE FACTORIES THAT DIRECTLY PRODUCE THEIR OWN BRAND PRODUCTS.

Kmart has published details of all factories that directly produce Kmart apparel and general merchandise on its website.

Coles has published details of the factories that supply its Mix clothing range on its website.

Target has published details of all factories that directly produce Target apparel and general merchandise on its website.

Coles, Bunnings, Officeworks and Wesfarmers Industrial and Safety use Sedex (Supplier Ethical Data Exchange) to streamline ethical compliance and monitoring, and provide efficiencies to their suppliers. Sedex facilitates risk assessments and information-sharing across its platform for social compliance audits. This maintains visibility and drives consistency across supply chains.

Kmart and Target have a three-year ethical sourcing (ES) program roadmap. The road map identifies six strategic areas and associated tasks to be actioned over the next three years. This is transitioning Kmart and Target's program from an audit and compliance approach to a model with more focus on factory capacity building, supplier compliance ownership and industry partnerships.

During the year our businesses undertook a number of initiatives to further their ethical sourcing programs:

- Bunnings direct supplier base increased by 4.3 per cent and 100 per cent were screened through its Ethical Sourcing Program. Bunnings enhanced its Code of Conduct by expanding from product suppliers to also include service providers. The business also conducted a review into green life supplier labour contract hire, cleaning services, and commenced work on raw materials such as stone.
- Coles developed supplier capabilities to better manage risk within Australian agricultural and meat processing supply chains. Coles also worked with Australian suppliers to support their understanding of the Federal and New South Wales governments' modern slavery bills, and the Queensland, South Australian and Victorian state governments' labour hire licensing legislation.
- This year Target joined Kmart to become a buyer partner of the International Labour Organisation/International Finance Corporation Better Work Program. The Better Work program aims to make sustainable improvements in working conditions within the garment industry and make the sector more competitive overall. At the end of this year, 45 out of 60 of Kmart's eligible factories had been engaged in the Better Work program. Kmart aims to have transitioned all eligible apparel factories in Bangladesh, Cambodia and Indonesia to the program by the end of next year. Meanwhile, Target commenced transition of its eligible factories to Better Work in June 2018 and aims to have transitioned all eligible apparel factories in Bangladesh to the program by the end of next year. The focus will then shift to transitioning Target factories in Cambodia, Indonesia and Vietnam. Kmart and Target's ethical sourcing teams will work in partnership with the Better Work program on long-term improvement plans for factories. No critical issues have yet been identified to date.

SOURCING

- Officeworks developed a three-fold approach to ensure that suppliers are complying with its Ethical Sourcing Policy. Firstly, Officeworks seeks to understand what policies and mechanisms suppliers have in place to ensure that they are adequately monitoring and addressing human rights within their own supply chain, and that it aligns to the Officeworks Ethical Sourcing Policy. Secondly, if these policies don't meet the same standards and requirements, suppliers are required to register with Sedex, and complete the self-assessment questionnaire. This gives Officeworks an insight into the working conditions at the site where the goods are produced. Finally, Officeworks may request third party audits that provide an independent detailed assessment of the conditions in the factory. Upon review of these audits, Officeworks seeks to work with its suppliers and factories to address any issues through a remediation process, which involves a follow-up audit to ensure that corrective actions have been implemented.
- Wesfarmers Industrial and Safety established a full-time team to execute its Ethical Sourcing (ES) strategy, which conducted monthly meetings with the ES Governance group to ensure that the strategy met divisional requirements and 271 team members participated in ES training activities.

Ethical sourcing and human rights audit programs

To mitigate the risk of unethical practices occurring in our supply chains, the Wesfarmers businesses procuring goods for resale apply a human rights and ethical sourcing audit program to certain suppliers. Suppliers are considered lower risk if they are supplying recognised international brands.

THIS YEAR, OUR AUDIT PROGRAM COVERED 4,003 FACTORIES OR SUPPLIER SITES IN AUSTRALIA AND OVERSEAS USED TO PRODUCE PRODUCTS FOR RESALE ACROSS OUR RETAIL BUSINESSES.

Ethical sourcing audit program findings



Factories in the audit program are required to have undertaken an assessment as mandated by our business. They may then be required to undertake further assessments including having a current audit certificate, which means they have been audited by us or another party whose audits we accept. The audits identify a range of non-compliances, from minor non-compliances such as minor gaps in record keeping to critical breaches, such as incidences of forced labour or bribery.

MORE THAN 4,000 FACTORIES IN THE AUDIT PROGRAM

Factories are 'conditionally approved' if non-critical non-compliances have been identified and notice has been given that they must be fixed, or if it is a recently on-boarded factory that has not yet been audited. If a factory then addresses a non-compliance, it can move to becoming an 'approved' factory. If critical breaches are identified, they must be addressed immediately. If they are addressed satisfactorily, a factory can then become approved. In this way, our audit process is contributing to improving conditions for workers by working with factory owners to address any issues. If a factory is not willing or able to address a critical breach, our business will cancel its order and not continue to buy from that factory.

At the end of this reporting period, there were 1,849 approved factories in our audit program. A further 1,815 factories were conditionally approved and 257 were due to be re-audited.

During the year, we identified 114 critical breaches across 82 factories in our audit program. The major critical breaches identified included excessive overtime, transparency, safety, unpaid wages and unauthorised subcontracting. Where a non-compliance is identified, the factory is required to fix the issue, within an appropriate period of time, depending on the nature of the non-compliance.

We were able to remedy 43 of these issues immediately, 50 had action plans that were on-track at the end of the reporting period, one was exited immediately and no further supply orders were placed at the remaining 20.

Our businesses regularly engage with workers in tier one factories in our supply chain through factory visits (either announced and unannounced), our audit program and our grievance mechanisms. Through these engagements, we seek feedback on how well the policies and procedures outlined in our Modern Slavery Statement work in practice.

Ethical sourcing and human rights training

Wesfarmers businesses deliver training on ethical sourcing requirements to our team members, third-party auditors and suppliers to ensure they understand ethical sourcing risks and the standards expected by our divisions.

OUR DIVISIONS DELIVERED MORE THAN 3,500 HOURS OF TRAINING TO MORE THAN 2,500 PEOPLE DEMONSTRATING OUR COMMITMENT TO IMPROVING OUR TEAMS' UNDERSTANDING OF THIS ISSUE.

Our divisions continuously review and make enhancements to ensure our ethical sourcing programs run effectively and meet industry standards and the expectations of our customers and stakeholders. The ethical sourcing teams in the divisions participate in forums and seminars and have regular discussions with other stakeholders including retailers, industry associations, non-government organisations and third-party audit firms to understand emerging trends and risks.

Our cross-business ethical sourcing forum meets quarterly to share best practice and audit program outcomes, and ethical sourcing practices are reported regularly to the Wesfarmers Audit and Risk Committee, a subcommittee of the Wesfarmers Board.

We train 100 per cent of team members who work in ethical sourcing roles as well as key personnel. Training and capacity building is an area that requires ongoing focus.

SOURCING

2018 Modern Slavery Statement for Wesfarmers

Wesfarmers Limited (Wesfarmers/the Group) opposes slavery in all its forms. This statement, which is intended to meet the requirements of s54 of the United Kingdom’s *Modern Slavery Act 2015*, s12 of the proposed Australian Modern Slavery Bill¹ and s24 of the Modern Slavery Act 2018 (NSW)², describes the steps taken by Wesfarmers and all its wholly owned subsidiary businesses and divisions during the financial year ending 30 June 2018 to seek to minimise the risk of modern slavery³ occurring in our businesses or their supply chains.

At Wesfarmers we acknowledge our role and responsibility in seeking to safeguard human rights through ethical and sustainable business practices. We also recognise that human rights is an area of growing importance to our employees, shareholders, customers, and the communities where we operate. There is therefore both a business and a moral case for seeking to ensure that human rights are respected across the Group’s operations and supply chains.

We recognise we are on a journey to improve our modern slavery risk identification and mitigation and we are committed to continuous improvement.

We support the following globally recognised declarations, principles and goals:

- Universal Declaration on Human Rights
- United Nations Guiding Principles on Business and Human Rights
- United Nations Global Compact
- International Labour Organisation Declaration of Fundamental Principles and Rights at Work
- United Nations Women’s Empowerment Principles
- United Nations Sustainable Development Goals

A consultation process with our wholly owned subsidiary businesses was undertaken to draft this statement. Our businesses prepare an annual ethical sourcing report including details of factories audited, ethical sourcing training undertaken and any significant changes to their ethical sourcing programs. Information from those reports as well as examples of initiatives undertaken during the year, then feed into this statement. This statement was then reviewed by the senior management of each business as well as the Wesfarmers Board during our 2018 Sustainability Report approval process. Modern Slavery disclosures formed part of Ernst & Young’s Assurance of our 2018 Sustainability Report, as detailed [here](#).

Wesfarmers’ businesses have adopted a risk-based approach to modern slavery due diligence and have primarily focused on the human rights of direct employees and the human rights of those in the tier one factories (factories producing the final product for resale) of our supply chains who are supplying our own brand products for resale. When we began our ethical sourcing journey five years ago, we recognised this was the area where we could make the most significant contribution. Goods not for resale and services supply chains have been identified as potentially carrying modern slavery risks and although some of our businesses are already working on human rights in our goods not for resale and services supply chains as well as tier two and three factories, there is further work to be undertaken. Unless otherwise specified, this statement refers to goods for resale and our direct operations.

Our structure, operations and supply chain

This statement extends to all Wesfarmers’ wholly owned businesses described on our website [here](#).

From its origins in 1914, as a Western Australian farmers’ cooperative, Wesfarmers has grown into one of Australia’s largest listed companies. With headquarters in Western Australia, our diverse business operations cover: supermarkets, liquor, hotels and convenience stores; home improvement; office supplies; department stores; and an industrials division with businesses in chemicals, energy and fertilisers and industrial and safety products.

Wesfarmers employs more than 217,000 people in Australia, New Zealand, the United Kingdom, Portugal, and several countries in Asia including Bangladesh and China. In the financial year ending 30 June 2018, Wesfarmers paid its more than 18,000 suppliers AU\$47 billion. Wesfarmers’ businesses work within large, diverse supply chains

of partners and stakeholders. Each entity in this chain has its own independent duty to respect human rights in all areas of its operations.

Our businesses directly source products for resale and not for resale from a range of locations with the largest volume sourced from Australia, China, Bangladesh, New Zealand, India, Thailand and Vietnam. With the exception of Australia and New Zealand, global risk and strategic consulting firm Verisk Maplecroft classify these countries as ‘high’ or ‘extreme risk’ for human rights risks.⁴

While our operations and supply chains are complex, our aim is to ensure that human rights are understood, respected and upheld. We expect our partners and stakeholders to adhere to ethical business conduct consistent with our own, and are committed to working with them to fulfil this common goal.

The policies and frameworks that support the Group’s day to day operations are designed to make sure all relevant universally recognised human rights are safeguarded. Consistent with the principles detailed in our Code of Conduct and Ethical Sourcing Policy, Wesfarmers is committed to making positive economic, social and environmental contributions to society, consistent with the principles of honesty, integrity, fairness and respect. We prohibit discrimination and forced, trafficked and child labour and are committed to safe and healthy working conditions, including the right to freedom of association and collective bargaining. We have a Group-wide Ethical Sourcing Policy, which sets the minimum standards expected of our divisions who sell goods for resale. Coles, Bunnings, Kmart, Target, Officeworks and Wesfarmers Industrial and Safety have their own ethical sourcing policies appropriate to their businesses. During the year Wesfarmers Chemicals, Energy and Fertilisers (WesCEF) commenced a review of its supply arrangements to facilitate development of an ethical sourcing policy.

A key focus of the Group is ensuring that each of our divisions has a strong management capability that is accountable for strategy development and execution, as well as day-to-day operational performance. Each division is overseen by a divisional board of directors or steering committee that includes the Wesfarmers Managing Director and Chief Financial Officer, and is guided by a Group-wide operating cycle and governance framework.

Our governance of modern slavery risks is set out below.



Potential modern slavery risks

We recognise that we must take steps to identify and address any actual or potential adverse impacts with which we may be involved whether directly or indirectly through our own activities or our business relationships. This table outlines the potential modern slavery risks for our business.

SOURCING

Table 1: Potential modern slavery risks for our business

POTENTIAL MODERN SLAVERY RISK	HOW WE IDENTIFIED THE MODERN SLAVERY RISK
Non-compliance with our labour standards in the supply chain including health and safety, working hours, wages, forced labour and child labour, and freedom of association.	<p>Our businesses have different modern slavery risks depending on various factors, including the level of human rights protection and enforcement in the countries where they operate or source from. With a high number of suppliers in countries where the level of maturity in the protection of human rights in regard to labour conditions is low, there is risk of harm to people.</p> <p>Previously we considered non-compliance with our labour standards to be high-risk in all regions except for Western Europe, Australia and New Zealand,⁴ however, our due diligence process has revealed unfair working conditions such as the underpayment of sub-contracted workers and poor health and safety standards are potential risks in any region including Australia.</p> <p>Our due diligence process has revealed that there is an increased risk of unfair working conditions for people who are employed by third party labour hire companies. These third party labour hire companies are often contracted to provide agricultural harvest, call centre and cleaning services.</p>
Non-compliance with broader human rights which can be connected to or indicative of modern slavery risk, including employee rights to equality, fair pay, safety and privacy.	<p>We have identified that some level of discrimination based on gender, age, race, disability, sexual orientation, cultural background, religion, family responsibilities or other areas of potential difference is a potential risk in any business.</p> <p>Australia has a gender pay gap of 15.3 per cent⁵. Since 2010, a Group review of gender pay equity has been conducted annually, with results reviewed by the Board and divisional Managing Directors. Over this period the company has moved to close any pay equity gaps. Any apparent gaps are analysed to ensure such gaps can be explained with reference to market forces which may include, for example, different rates of pay in different industries, location and the relative supply and demand for different qualifications, individual performance and experience.</p> <p>We recognise the right of those we employ to negotiate their wages either individually or collectively, with or without the involvement of third parties. We also believe in maximising the flexibility of workplace arrangements available to our employees.</p> <p>Employee safety is our highest priority and while we are seeing the benefits of a relentless focus on making our workplaces safer, we acknowledge that if team members are injured at work, our safety performance still requires improvement.</p> <p>During the year, privacy has been raised as a material issue. We have systems and procedures in place to protect privacy but acknowledge that privacy protection requires ongoing significant resources.</p>

Actions taken to address modern slavery risks

We regularly undertake the following actions to mitigate the potential modern slavery risks in Table 1.

Table 2: Actions to mitigate potential modern slavery risks

POTENTIAL MODERN SLAVERY RISK	ACTION
Non-compliance with our labour standards in the supply chain including health and safety, working hours, wages, forced labour and child labour, and freedom of association.	<p>Action: Establishing which suppliers to work with</p> <p>Most of our businesses take a risk-based approach when making the decision to conduct detailed due diligence on a supplier of goods for resale, based on the goods or services, country of origin and vendor. Before we contract with a new supplier we assess its risk against our criteria and require high-risk suppliers to complete a risk assessment questionnaire and/or be audited. We investigate the supplier to understand risks of human rights breaches. We also consider whether there may be any sanctions that may be in place against that supplier or the country in which it is located.</p> <p>Coles, Bunnings, Officeworks and Wesfarmers Industrial and Safety are at various stages of utilising the Supplier Ethical Data Exchange (Sedex) to streamline ethical risk assessment and monitoring, and provide efficiencies to their suppliers. Sedex facilitates risk assessments and information and social compliance audit sharing across its platform. This maintains visibility and drives consistency across supply chains. Coles requires suppliers of fresh produce, meat and Coles brand products to register on Sedex and complete the self-assessment for each site before the supplier is approved to supply Coles.</p> <p>Kmart and Target have a three-year ethical sourcing (ES) program roadmap. The road map identifies six strategic areas and associated tasks to be actioned over the next three years. This is transitioning Kmart and Target’s program from an audit and compliance approach to a model with more focus on factory capacity building, supplier compliance ownership and industry partnerships.</p>

POTENTIAL MODERN SLAVERY RISK
ACTION
Action: Communicating our Ethical Sourcing Policy to suppliers who supply goods for resale

We have a Group-wide Ethical Sourcing Policy, which sets the minimum standards expected of our divisions who sell goods for resale. Coles, Bunnings, Kmart, Target, Officeworks and Wesfarmers Industrial and Safety have their own Ethical Sourcing Policy appropriate to their business. During the year WesCEF commenced a review of its supply arrangements to facilitate development of an ethical sourcing policy. All suppliers engaged by our divisions to supply goods for resale must take all reasonable steps to comply with our minimum standards. Some of our businesses also apply their policies to suppliers providing goods not for resale while others are working towards this. Bunnings, for example has enhanced its Code of Conduct by expanding from product suppliers to also include service providers.

We will only work with suppliers to supply goods for resale who operate in line with the divisions' Ethical Sourcing Policies. Under the relevant Policy, all suppliers producing goods for resale must agree to comply with the following minimum standards in their agreements with our businesses:

- No forced or bonded labour
- No child labour
- Transparent record-keeping of wages and benefits
- Working hours must comply with applicable local laws
- No discrimination
- No harassment or abuse
- Freedom of association
- Working conditions: suppliers shall provide a safe and hygienic working environment that is without risk to health, taking into consideration knowledge of the relevant industry and any specific hazards
- No bribery
- Approved sub-contracting: there shall be no sub-contracting unless previously approved by Wesfarmers and/or divisions/business units⁶
- Environmental compliance

While not all of these minimum standards are directly relevant to modern slavery, they are important to Wesfarmers' holistic Ethical Sourcing Policy.

Action: Mapping our supply chain

To manage business and sustainability issues with such a complex supply chain we map our tier-one suppliers. Where possible, we are mapping tier-two and three suppliers (suppliers producing components which go into a final product) for high-risk products. For example:

- Coles is engaging with its suppliers and mapping its supply chain beyond direct suppliers including sites that significantly contribute to the final form of the product. Examples of processes considered to significantly contribute to the final form of the product include (but are not limited to):
 - Embellishing, pressing, fabric finishing;
 - Partial garment cut and trim;
 - Peeling, trimming, husking, de-hulling, filleting;
 - Harvesting of fresh fruit, vegetables or seafood;
 - Grow produce for retail sale;
 - Pack produce for retail sale;
 - Operate as an aggregator, distributor, broker or agent supplying produce for retail sale; and
 - A direct supplier, a subcontract supplier or a co-packer.
- Bunnings is mapping and engaging with suppliers for raw materials such as timber, and during the year commenced this process with stone.
- Kmart and Target are mapping and engaging with cotton fabric suppliers.
- Target, Kmart and Coles are continuing to publish the details of the factories that directly produce some of their own brand products.

POTENTIAL MODERN SLAVERY RISK
ACTION
Action: Building long-term relationships

We aim to build long-term direct relationships with suppliers to work with them to safeguard human rights. This may have a number of additional benefits. For example, a long-term relationship may provide increased certainty for their businesses, may lead to increased efficiencies and productivity, and may result in the delivery of enhanced services and products.

For example:

- In 2016 Coles signed a 10 year deal with Sundrop Farms to provide sustainable truss tomatoes exclusively to Coles customers 365 days of the year for the next 10 years.
- Coles formed the Coles Agronomy Group with approximately 20 growers volunteering their time to work together with Coles to address industry challenges around labour practices in the fresh produce industry, varietal development, sustainable farm practices and water use.
- Bunnings merchandising team and buying agents are responsible for building long-term relationships with suppliers with a common vision towards a responsible and sustainably sourced supply chain.
- Kmart and Target have joined the ILO/IFC Better Work Program as a buyer partner. The Better Work program aims to make sustainable improvements in working conditions within the garment industry and make the sector more competitive overall. Kmart and Target's ethical sourcing team will work in partnership with the Better Work program on long-term improvement plans for factories.
- Industrial and Safety is committed to building long-lasting supplier relationships that harbour a continuous improvement methodology. This is sustained by an established off-shore office in China (47% of WIS own-brand spend is China-centric), and partnered sourcing offices in Bangladesh and India further supporting the Industrial and Safety sourcing model by facilitating supplier interaction in local language wherever possible.

Action: Collaborating with other businesses, government and non-government organisations

Collaboration with industry-wide initiatives, government and non-government organisations is an important part of managing modern slavery risks.

- Coles works with Australian suppliers to support their understanding of the Federal¹ and New South Wales² modern slavery bills, and the proposed Queensland, South Australian and Victorian state governments labour hire licensing legislation.
- Bunnings is a key signatory to the European DIY Retailer Association (EDRA), linking DIY retailers together to share ideas on best practice in ethical and sustainable sourcing. The initiative allows retailers to come together to promote better labour and environmental conditions in the global home improvement supply chain.
- Kmart and Target have continued their participation in the Action, Collaboration, Transformation (ACT) living wage collaboration.
- Kmart, Target and WIS along with other brands and global unions, have signed an extension of the Accord on Fire and Building Safety in Bangladesh to 2021.
- Industrial and Safety, Coles, Officeworks and Bunnings gain access to a number of Australian and world leading business as part of their Sedex membership. By attending member events, the businesses are able to connect, and share insights into ethical sourcing with other brands, retailers and suppliers alike.
- Industrial and Safety, Bunnings and Officeworks have signed a letter of support to the Association of Professional Social Compliance Auditors (APSCA). APSCA's mission is to govern and improve the standards and techniques used within the social auditing space. Governing this area enables auditors to reliably identify and remediate risks.
- Workwear Group is a member of Ethical Clothing Australia (ECA®) an accreditation body that works collaboratively with local textile, clothing and footwear (TCF) companies manufacturing in Australia. The ECA voluntary accreditation program offers practical and affordable assistance to these businesses, and ensures that their Australian supply chains are fully transparent and legally compliant.

Action: Auditing our suppliers

To mitigate the risk of unethical practices occurring in our supply chains, the relevant Wesfarmers businesses (Coles, Bunnings, Target, Kmart, Officeworks; and Industrial and Safety) apply a human rights and ethical sourcing audit program to certain suppliers.

Where non-compliance with our Ethical Sourcing Policy identified, the supplier is required to fix the issue within an appropriate period of time depending on the nature and severity of the non-compliance. Suppliers are 'conditionally approved' if non-critical non-compliances have been identified and notice has been given that they must be remedied. If a supplier then addresses non-compliance, it is deemed to be an 'approved' supplier site. In this way, our audit process is contributing to remediating supplier non-compliance and improving conditions for workers by working with supplier site owners to address any issues. If a supplier site is not willing or able to address a critical breach, our business will stop buying from that supplier site.

SOURCING

POTENTIAL MODERN SLAVERY RISK **ACTION**

Action: Training and capacity building

We keep our buying and sourcing teams up-to-date on our ethical sourcing and human rights commitments and how their actions may impact workers' rights. The findings from our audit program and stakeholder engagements are fed into this training to ensure that our teams improve their understanding of ethical sourcing and human rights. We train relevant employees on how to incorporate respect for human rights into all business decisions, making employees aware of the impact their actions can have on human rights. For example, we train relevant team members about the implications of making short notice purchasing decisions on potential human rights risks.

We deliver training on ethical sourcing requirements to relevant team members, third party auditors, suppliers and factories so that they understand ethical sourcing risks and the standards expected by our divisions.

Cross-functional teams in our businesses regularly collaborate, as in regular ethical sourcing forums, to share lessons learned and continue to improve their knowledge. Training and capacity building is an area that requires ongoing focus.

Action: Reporting and monitoring of grievance mechanisms

We have established specific grievance mechanisms for workers in our supply chain.

- Coles has set up the Coles Wages and Conditions Hotline for workers in Coles supply chains, including farms, factories and service providers. In Australia, employees who work for a Coles supplier can call 1300 532 515 between 8am and 8pm, seven days a week to understand more about their conditions of employment or to report unfair labour practices. For workers where English is not a first language, there is an email, wageline@coles.com.au. Workers can provide their telephone number, preferred language and a brief description of their concerns.
- Bunnings buying agents are responsible for building relationships with suppliers and providing grievance channels. This is introduced within their Trading Terms, which includes specific expectations on Modern Slavery.

Non-compliance with broader human rights which can be connected to or indicative of modern slavery risk, including employee rights to equality, fair pay, safety and privacy.

Action: Developing employee policies and standards

We have policies which embed the importance of "respect for the rights of all", including our employees. Wesfarmers strives to create a work environment which is inclusive of all people regardless of gender, age, race, disability, sexual orientation, cultural background, religion, family responsibilities or other areas of potential difference. Each division/ business unit must establish and communicate policies, procedures and programs that are in line with our Equal Opportunity Policy.

Some of our businesses have gone beyond the minimum expectations set out by Wesfarmers' Equal Opportunity and Diversity policies, to develop policies specific to their workplace.

- Coles, for example, has Gender Affirmation and Transition Guidelines in place to promote a supportive working environment for its transgender and gender diverse team members.
- Bunnings has an established Respectful Workplace Policy, as its culture is founded on values that go hand in hand with diversity: respect and innovation. Bunnings recognises that a diversity of cultures, backgrounds, experiences and education provides for a diversity of thought.

We have worked to grow the number of women at senior levels throughout the organisation and to close the gender pay gap by conducting a review of gender pay equity annually, with results reviewed by the Board and divisional Managing Directors. Any apparent gaps are analysed to ensure such gaps can be explained with reference to market forces which may include, for example, different rates of pay in different industries, location and the relative supply and demand for different qualifications, individual performance and experience.

We recognise the right of those we employ to negotiate their wages either individually or collectively, with or without the involvement of third parties. We also believe in maximising the flexibility of workplace arrangements available to our employees.

Employee safety is our highest priority and we continue to make improvements to safety in all our operations.

Assessing the effectiveness of actions

We measure Wesfarmers businesses' performance in respect of ethical and sustainable practices through a number of mechanisms including:

Table 3: Evaluating our performance

MECHANISM FOR ASSESSING EFFECTIVENESS OF ACTION **ACTION**

Ethical sourcing audit programs: We measure the coverage including the total number of factories in the audit program; the number and nature of critical breaches; and the speed of remediation and improvement.

Total factories in audit program

This year, our audit program covered 4,003 supplier sites used to manufacture own brand products for resale, across our international and local supply chain. Audits are undertaken by third party audit firms or by our team. Factories in the audit program are required to have a current audit certificate, which means they have been audited by us or another party whose audits we accept.

Depending on the division's policy for auditing high-risk suppliers, these audits are typically completed before an order is placed with a supplier and if no findings are made, it will be repeated each year. If critical breaches are found, an audit will be repeated within six months depending on the situation to confirm that any findings have been addressed.

Total number and nature of critical breaches and remediation

During the year, we identified 114 critical breaches across 82 factories in our audit program. The major critical breaches identified included excessive overtime (37 per cent), transparency (16 per cent), safety (12 per cent), unpaid wages (11 per cent) and unauthorised subcontracting (10 per cent). As set out in Table 2, where a non-compliance is identified, the factory is required to fix the issue, within an appropriate period of time, depending on the materiality of the non-compliance.

We were able to remedy 43 of these issues immediately, 50 had action plans that were on track at the end of the reporting period, one was exited immediately and no further supply orders were placed at the remaining 20.

SOURCING

MECHANISM FOR ASSESSING EFFECTIVENESS OF ACTION	ACTION
<p>Training and capacity building: We measure the number of training hours on human rights delivered and the number of people reached.</p>	<p>We deliver training on ethical sourcing requirements to relevant team members, third party auditors, suppliers and factories so that they understand ethical sourcing risks and the standards expected by our divisions. During the financial year ending 30 June 2018, our divisions delivered more than 3,500 hours of training.</p> <p>Cross-functional teams in our businesses regularly collaborate, as in our regular ethical sourcing forums, to discuss what types of goods which we procure may present higher risks for modern slavery.</p>
<p>Effectiveness of complaints or grievance mechanisms: We measure the number of people who use our grievance mechanisms and the nature of their grievances.</p>	<p>We place importance on the provision of effective company-based complaints or grievance mechanisms to escalate issues wherever human rights impacts occur in our operations. We continue to build the awareness and knowledge of our employees on human rights, encouraging them to voice their concerns without fear of retribution and with full confidentiality if required. Each division has external whistle blower grievance channels and the number and nature of the calls are reported regularly to the Wesfarmers Audit and Risk Committee. We also promote the provision and implementation of effective grievance mechanisms by our suppliers.</p> <p>Our company-based complaints or grievance mechanisms are accessible by our employees, the external community and stakeholders.</p>
<p>Stakeholder engagement: We regularly engage with our stakeholders to understand their expectations about our performance.</p>	<p>Our stakeholders regularly provide feedback about our performance.</p> <p>Non-government organisations</p> <p>Our divisions work collaboratively with non-government organisations (NGOs) on a range of projects. This year NGOs engaged with us on ethical sourcing and human rights generally as well as formally through collaborations. Our stakeholders regularly provide feedback about our performance and help to drive our program to improve our modern slavery risk and identification and mitigation.</p> <p>Suppliers</p> <p>Our businesses are committed to building strong and collaborative relationships with suppliers. By supporting our suppliers and producers, and helping them to grow their businesses and become more efficient, we are further enabling the delivery of great products to our customers.</p> <p>Our businesses regularly engage with workers in tier-one factories in our supply chain through factory visits (both announced and unannounced), our audit program and our grievance mechanisms. Through these engagements, we seek feedback on how well the policies and procedures outlined in Table 2 work in practice.</p> <p>For example:</p> <ul style="list-style-type: none"> • Coles' Agronomy Group was active during the year, with approximately 20 growers volunteering their time to work together with Coles to address industry challenges around varietal development, sustainable farm practices, water use and labour practices in the fresh produce industry. • Kmart and Target's membership of the ILO/IFC Better Work program as Buyer Partners sees the companies working even closer with suppliers. Together they will make sustainable improvements in working conditions within the apparel industry and make the industry more competitive overall.

We are committed to continuous improvement and recognise we are on a journey to improve our modern slavery risk identification and mitigation. We will continue to track and publicly report on our progress annually in our Sustainability Report.



Rob Scott
Managing Director

13 September 2018

¹ At the time of publishing, the Australian Modern Slavery Bill was before the Australian Federal Parliament.
² At the time of publishing, the Modern Slavery Act 2018 (NSW) was not yet in force and the proposed regulations under the Act had not been published.
³ Modern slavery is an umbrella term used to describe human trafficking, slavery and slavery-like practices, such as forced labour and forced marriage.
⁴ Verisk Maplecroft, 2016, 'Human Rights Risk Index 2016'. Verisk Maplecroft is a global risk and strategic consulting firm.
⁵ Workplace Gender Equality Agency (WGEA)
⁶ Note this does not extend to Coles proprietary brand suppliers

COMMUNITY



Community contributions

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



Coles donated two million bananas to local Little Athletics centres across Australia during the year, helping to give little athletes a nutritional boost at training.

Wesfarmers is a successful company, and one that creates value for all its stakeholders. As a result, we have a significant positive impact on the Australian economy.

THE WEALTH CREATED BY THE GROUP DURING THE YEAR WAS \$69.9 BILLION WHICH, IN ONE FORM OR ANOTHER, WAS DISTRIBUTED TO OUR VARIOUS STAKEHOLDERS.

Wesfarmers is Australia's largest private sector employer with more than 217,000 employees. The vast majority of our shares are held in Australia, and we invest in the local communities where our businesses operate.

In 2018, the Wesfarmers Group contributed \$86.6 million in direct funding to community organisations across Australia and New Zealand and other regions where we operate. The Group also facilitated donations from customers and employees totalling \$60.9 million this year.

Wesfarmers is among Australia's top 10 taxpayers paying more than \$2.1 billion in taxes and royalties. Our Tax Contribution Report is available [here](#).

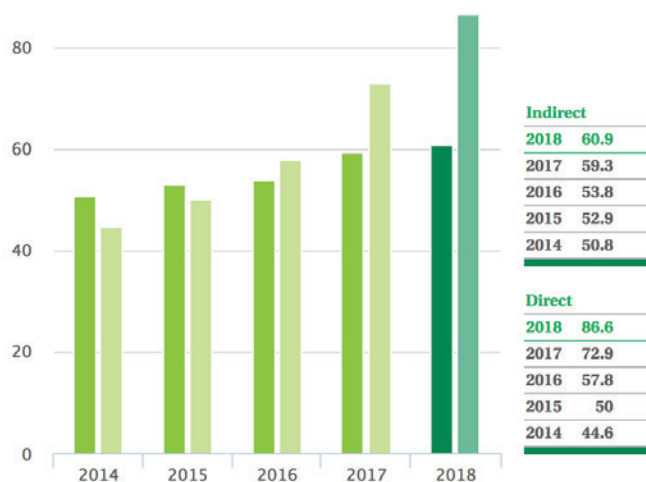
WESFARMERS HAS ALWAYS BELIEVED THAT A STRONG BUSINESS ENVIRONMENT IS UNDERPINNED BY A COHESIVE AND INCLUSIVE COMMUNITY ENVIRONMENT.

Reflecting the divisional autonomy of the Wesfarmers Group, each of our businesses has its own approach and strategy to community investment. Information about each business' community partnership program is contained in their sections of this Report, as well as in Our data.

Community contributions

147.5 \$m

■ Indirect (million dollars)
■ Direct (million dollars)

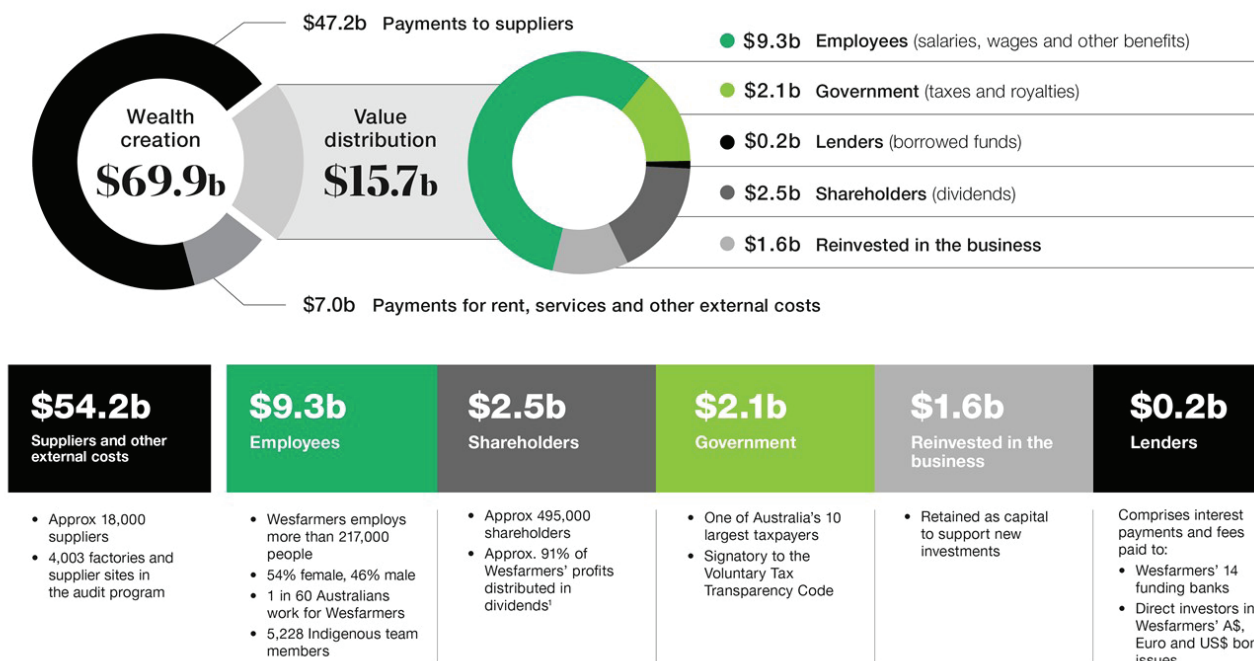


COMMUNITY

Economic contribution to the community

Below is a summary of how we distribute the wealth we create. Further details on our financial performance for the year can be found in our 2018 Annual Report.

Wesfarmers plays a vital role in the broader community.



¹ Calculated as percentage of net profits including discontinued operations and excluding the following significant items (pre-tax): \$931m of impairments, write-offs and store closure provisions in Bunnings United Kingdom and Ireland (BUKI); a \$375m loss on disposal of BUKI; \$306m of non-cash impairments in Target; and a \$120m gain on disposal of Curragh.

Our divisional contribution

Directly and through support from our customers and team members, our community contributions were nearly \$150 million.

Reflecting the Group's divisional autonomy, our approach to community engagement is driven and managed by our businesses to ensure that contributions are made in ways that best fit with their operations and geographic spread.

Wesfarmers has a local footprint in many communities. Many of our divisions have major, long-term partnerships at a national level, such as the enduring partnership between Kmart and The Salvation Army through the Kmart Wishing Tree Appeal, or Coles' relationship with national food relief charity SecondBite.

In addition to these major partnerships, a significant part of our community investment is directed to smaller, not-for-profit organisations operating locally. For example, Bunnings has supported thousands of local community groups throughout the year by participating in activities such as fundraising sausage sizzles, hands-on projects, community workshops and product contributions.

Our retail businesses all support local community groups through the provision of gift cards, products or facilitating the collection of customer donations for local fundraising initiatives. As a result of these locally driven activities, there are a significant number of community groups and programs who have received the support of our businesses across a wide range of areas.

The Coles Nurture Fund launched in April 2015 is continuing to provide \$50 million in grants and interest-free loans over five years to businesses in the food and grocery sector to help fund the development of new products, technologies and processes. So far the Nurture Fund has supported cutting-edge projects, from the development of chickpea tofu and early-season blueberries to the installation of cloud technology and automation equipment, with more innovation to come.

Wesfarmers' contribution

In addition to the millions of dollars invested in community programs by our various businesses, Wesfarmers also supports a number of organisations philanthropically.

The Wesfarmers Board approves partnerships focused on five areas: medical research and health; Indigenous programs, particularly targeting education and employment outcomes; education initiatives; community programs; and the Wesfarmers Arts program.

In 2018, approximately \$9 million was contributed to our partners, the majority of which are long-term commitments with West Australian-based organisations.

This year marked the start of our renewed contract with Telethon Kids Institute, with an increased funding contribution from Wesfarmers to \$1.5 million per annum. Wesfarmers has had a long partnership with Telethon Kids, most recently through the establishment of the Wesfarmers Centre of Vaccines and Infectious Diseases.

We have supported The Clontarf Foundation since 2001 to improve the education, discipline, life skills, self-esteem and employment prospects for young Indigenous men using football as a foundation. In 2015, we increased our financial contribution to assist the Foundation's national expansion. A number of our businesses are also engaged with Clontarf across Australia.

In 2018, Wesfarmers continued to be a major partner with Harry Perkins Institute of Medical Research, Australian Alzheimers Research Foundation, Australian Indigenous Mentoring Experience, the Graham Farmer Foundation, Reconciliation WA, Teach for Australia, WA Parks Foundation, Surf Life Saving WA, the General Sir John Monash Foundation, Mission Australia, and Leadership WA.

COMMUNITY



The Aboriginal and Torres Strait Islander Art curatorial team of the National Gallery of Australia. Left to right: Curators Kelli Cole and Tina Baum, with Senior Curator, Franchesca Cubillo.

Wesfarmers Arts

WESFARMERS HAS SUPPORTED THE ARTS IN AUSTRALIA FOR MORE THAN THREE DECADES.

Our engagement in the cultural life of the community embraces our long-term support for a wide range of premier performing and visual arts organisations and the ongoing development of The Wesfarmers Collection of Australian Art.

From rare watercolours of the earliest years of European settlement, to the art of today across painting, photography, sculpture and digital media, The Wesfarmers Collection reflects the diversity of creative Australia through the work of our country's defining artists. During the year, we shared works from our collection with museums and galleries throughout Australia and online via Instagram, Facebook and the Wesfarmers Art Collection app.

In 2018 the Wesfarmers Arts sponsorship program provided \$3.3 million in support of the activities of 14 leading arts organisations, including the National Gallery of Australia, Perth Festival, Art Gallery of Western Australia, West Australian Ballet, West Australian Opera, West Australian Symphony Orchestra (WASO), Black Swan Theatre Company, Co3 Contemporary Dance, Awesome Children's Festival, Form Contemporary Craft and Design, the Australian Chamber Orchestra, through the nationally touring ACO Collective, as well as the Western Australian tours of Bell Shakespeare Company and Musica Viva Australia.

A highlight of our Indigenous arts engagement is the commitment we make to respecting and supporting Indigenous culture through our relationships with the National Gallery of Australia and new partner, Yirra Yaakin Aboriginal Theatre. Wesfarmers Arts was the Presenting Partner of the National Gallery of Australia's Defying Empire: 3rd National Indigenous Art Triennial. This landmark exhibition brought the works of 30 contemporary Aboriginal and Torres Strait Islander artists from across the country into the national spotlight.

In 2018, we celebrated milestone 20-year anniversaries with two of our long standing national arts partners: Bell Shakespeare Company and Musica Viva Australia and two Western Australian flagship arts companies: WASO and West Australian Opera. New research into international models of arts philanthropy has identified Wesfarmers' partnership with WASO to be the most long standing, ongoing relationship between a corporate entity and an orchestra anywhere in the world.

The depth and longevity of our partnerships in the arts received recognition in July 2017, with Wesfarmers Arts announced as the winner of two Western Australian State Arts Partnership Honours and an award for Outstanding Corporate Social Responsibility in the 2017 AIM Pinnacle Awards.

COMMUNITY



Product safety and data privacy

We are committed to providing consumers with safe products and protecting their privacy.



Officeworks Global Sourcing Merchandiser Leah Coleman, visits a supplier's factory in China.

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

During the year as part of our materiality process data privacy emerged as a key material issue for Wesfarmers and its businesses. We are committed to complying with the Australian Privacy Act and all relevant legislation.

WE HAVE SYSTEMS AND PROCEDURES IN PLACE TO PROTECT CUSTOMER AND EMPLOYEE INFORMATION AND ACKNOWLEDGE THAT PRIVACY PROTECTION REQUIRES ONGOING SIGNIFICANT RESOURCES. THIS REMAINS A HIGH PRIORITY.

During the year we continued to implement a number of controls to minimise risk, including enhanced monitoring and vulnerability testing of our systems and procedures.

In June 2018, Coles, Kmart, Target and Officeworks were among a large number of Australian businesses which were notified that a data security incident at technology provider PageUp may have involved personal data of some candidates, their referees and team members, as PageUp provided them with software services used in recruitment and employment. All our affected businesses responded swiftly to the incident, including suspending job portals for further recruitment, until satisfactory and independent assurances were received that the system was secure to use.

While PageUp was unable to confirm who may have been specifically affected, current and past job applicants who might have been affected were informed as a precaution and advised what action they should take. Wesfarmers businesses' also engaged with the Australian Government's Joint Cybersecurity Centre, the Office of the Australian Information Commissioner and other data security bodies and experts to understand the extent of the issue, risk management and data protection options.

Product safety initiatives

Each of our divisions has undertaken product safety initiatives this year that target their particular product safety risks. Some of those initiatives include:

- Bunnings continued to proactively engage with suppliers to ensure adherence to product safety standards. As part of this, Bunnings conducts regular product audits to ensure conformance with relevant mandatory standards, and undertakes independent safety tests on selected products to confirm compliance to safety standards and customer expectations.
- Coles' Manufacturing Supplier Standards for food were updated and then relaunched to suppliers in FY18. These standards cover product safety and quality, packaging and all claims, such as animal welfare and sustainability. They are based on world's best practice and go beyond Australian regulatory standards. All factories supplying Coles Brand products are regularly audited to confirm compliance to product safety and quality standards.
- During FY18, Coles rigorous supplier testing program for Coles own brand products completed more than 49,000 checks covering allergens, imported food, residue, organic products, authenticity and microbiology. Coles also performed quality checks on more than 5,000 products in FY18 and conducted more than 130,000 arrival checks at its fresh produce distribution centres and 38,000 checks for chilled products.
- Kmart continued to shift the reliance of quality inspections away from post-production final inspections to pre-production meetings and during-production inspections to assist in identifying quality improvements earlier in the manufacturing process. It also commenced formal in-store audits to survey the quality of goods being sold to customers. Kmart also increased levels of pro-active engagement with regulators in Australia and New Zealand to build constructive relationships and regulator trust in Kmart safety and compliance frameworks.
- Target introduced a new strict button battery policy, aimed at battery avoidance and safety, to address ongoing customer concern around the dangers associated with button batteries and the ease of accessibility to young children. The objective is to have removed 98 per cent of button batteries from Target products and strongly influence other brands to commence removal. Target updated its metal contamination policy to include a penalty system and unannounced audits. Relevant training has been given to internal team members and suppliers on the new policy. Target also introduced measures to achieve full compliance with the Best Practice Guide for Furniture and Television Tip-Over Prevention prepared by the National Retailers Association. Target Product Safety & Quality manuals will be updated to reflect the new industry strategy and Target expects to be fully compliant within the next six months.

COMMUNITY

- WesCEF provides free safety advice and training to customers handling its major chemical and energy products such as sodium cyanide, ammonium nitrate emulsion, LNG and LPG products. WesCEF also offer on-site emergency response training to many of its customers.
- Wesfarmers Industrial and Safety developed a customised Own-Brand Quality and Compliance online tool for Blackwoods to house all information pertaining to factories for quality and technical audits, product testing and specifications, factory quality inspections and internal quality inspections, customer technical data sheets and incident management. This tool due for implementation in FY19 will revolutionise how we approach product safety and allow for real time supplier performance management and an agile response to customer requests.

Product safety incidents and recalls

During the year our divisions implemented product recalls where possible safety issues arose.

Kmart

Two Kmart brand products were recalled this financial year. These involved a portable single burner stove and a stainless-steel toaster. There were injuries which were required to be reported to the ACCC for the portable single burner stove.

Kmart's customers reported 162 product-related injuries during the financial year. Similar to previous years, lacerations, burns and allergic reactions were the most common injuries reported. Where possible, Kmart investigated customers' product samples to identify whether any improvements were required.

Product recalls are published [here](#).

Target

There were five voluntary product recalls this financial year. The recalls involved a toaster, Halloween pumpkin wand, an oil heater, children's nightwear shorts, and denim coveralls. There were also 72 mandatory reports where the customer sought medical attention for a variety of reasons. Lacerations, burns and allergic reactions were the most common injuries reported. Where possible, Target investigated customers' product samples to identify whether any improvements were required.

Product recalls are published [here](#).

Coles

During FY18, four Coles own brand products were recalled due to undeclared allergens (two separate recalls), microbial contamination and possible foreign matter. Coles issued public communication and worked with regulators and its suppliers to mitigate any issues and make improvements and changes to reflect its commitment to provide safe and quality products.

Product recalls are published [here](#).

Bunnings

Product recalls are published [here](#).

Officeworks

Product recalls are published [here](#).

Wesfarmers Industrial and Safety

Blackwoods product recalls are published [here](#).



COMMUNITY

Quiet Hour at 70 supermarkets across Australia



COMMUNITY

Officeworks develops a safety first framework



ENVIRONMENT

Coles introduces reusable bags featuring design by Australian children



ENVIRONMENT

Soft plastic recycling in all Coles supermarkets



ENVIRONMENT

Bunnings brings waste paint recycling to local communities



ENVIRONMENT

Innovative technologies automate inspections at CSBP

ENVIRONMENT



Climate change resilience

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



Bunnings Warehouse Alice Springs, Northern Territory.

We acknowledge the scientific consensus on climate change and the effects it may have on our customers, our operations, the economy and the communities in which we operate.

WE ARE PROACTIVE ABOUT MANAGING RISKS ASSOCIATED WITH CLIMATE CHANGE BECAUSE RESPONDING WILL DELIVER SIGNIFICANT ECONOMIC, SOCIAL AND ENVIRONMENTAL BENEFITS FOR US ALL.

Wesfarmers supports the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) which has developed voluntary, consistent, comparable climate-related financial disclosures for companies. We have an ongoing commitment to provide stakeholders with useful information in relation to how we are managing climate change risks and opportunities. In line with the TCFD recommendations, our disclosures can be found in the Operating and Financial Review section of our Annual Report.

Managing our emissions

The scale of the climate challenge is great but the International Panel on Climate Change highlights that the world has the means to address it. Our divisions are looking for ways to improve energy efficiency, reduce emissions across their operations and supply chains and invest in low-emissions and renewable technologies as we transition to a low carbon economy.

We recognise our responsibility to all our stakeholders to play an active role in addressing climate change.

We emit greenhouse gases both directly and indirectly. Our direct (Scope 1) emissions come from our industrial businesses, including the use of natural gas and diesel, and fugitive emissions from coal mining. Our main source of indirect (Scope 2) emissions is electricity used by our operations. We also estimate our Scope 3 emissions, which are other indirect emissions that occur as a result of our operations (e.g., staff air travel), but are not controlled by us.

We are able to manage our emissions intensity (tonnes of emissions per one million dollars revenue) through various initiatives including technology improvements in our industrial processes and through energy-efficiency initiatives in all our businesses.

Our emissions

This year, we emitted a total of 3,945 thousand tonnes of carbon dioxide equivalent (CO₂e) in Scope 1 and Scope 2 emissions, which was three per cent lower than last year. This represents a 6 per cent reduction in emissions intensity from last year.

This year, the decrease in our emissions was driven by energy-efficiency projects at Coles, Kmart and Officeworks which accounted for a reduction in more than 200 thousand tonnes of CO₂e. Continued use of nitrous oxide abatement technology installed in CSBP's nitric acid plants delivered reduced greenhouse gas emissions. An average 85.5 per cent total nitrous oxide abatement was achieved during the year, which equates to a reduction of 1,157,738 tonnes of CO₂e. The decrease is also related to the sale of Curragh coal mine as we have calculated the emissions related to our Resources business up until it was divested in March.

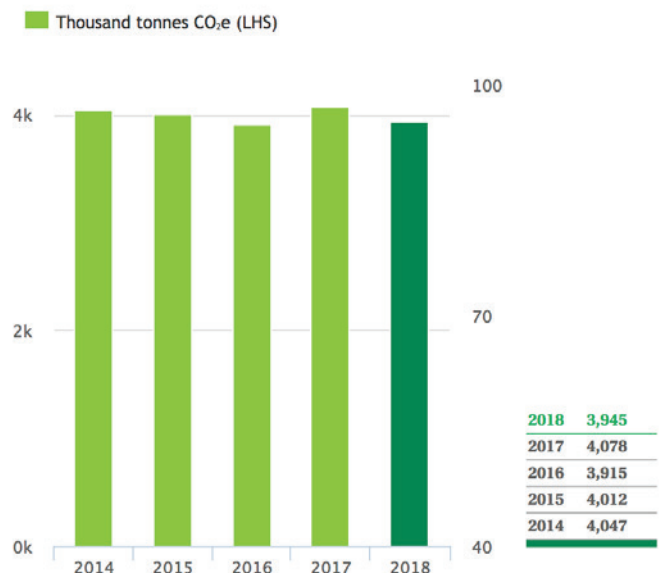
This year we have estimated Scope 3 emissions of 767 thousand tonnes CO₂e. This includes:

- 32 thousand tonnes CO₂e from air travel;
- 92 thousand tonnes CO₂e in emissions from LPG, petroleum, natural gas and diesel mostly associated with third party transport fleet;
- 201 thousand tonnes CO₂e in emissions that escape from waste that is disposed to landfill; and
- 442 thousand tonnes CO₂e in emissions from electricity.

Click [here](#) for more detail on our greenhouse gas emissions reporting.

Greenhouse gas emissions

3,945 tonnes CO₂e: '000



ENVIRONMENT

Our energy use

During the year electricity price risk exposure for our retail businesses has received some attention. Over the past three years, prices in the National Electricity Market (NEM) on the east coast of Australia have surged.

To manage the risk associated with fluctuating energy costs some of our Divisions work together to purchase electricity. This function enables the Divisions to actively manage electricity price exposure rather than locking in a fixed price that is struck at the commencement of a contract for the duration of the contract.

To optimise electricity consumption, Coles, Kmart and Target use an electricity servicing centre. Through the use of smart meters monitoring store electricity usage against a base load profile, the energy centre is able to report back to store maintenance technicians to rectify any anomalies.

INCREASINGLY, BUILDING ENERGY MANAGEMENT SYSTEMS (BEMS) ARE RECTIFYING ANOMALIES IN NEAR REAL TIME IN ALL OUR RETAIL BUSINESSES.

Some of our retail Divisions include solar systems into new stores as standard and on existing stores where feasible and with landlord agreement. Bunnings has installed solar photovoltaic (PV) systems at 23 stores across Australia, covering 25,000 square metres of roof area.

Officeworks opened its first store with solar panels during the year. The North Lakes store was an Officeworks development that enabled the installation of a 100-kilowatt solar system on the roof to utilise the intense Queensland sunlight.

WIS has undergone a process of replacing inefficient fluorescent tubes and metal halide high bay lights with LED lighting as well as installing solar PV arrays across its branches and distribution centres. These programs have saved more than 2,000,000 kilo-watt hours and over 2,000 tonnes of CO₂e since 2015. This is equivalent to the annual energy use of approximately 300 average Australian homes.

Our divisions all replace lighting with light-emitting diode (LED) lights where feasible. Coles began its LED replacement program in 2012 and plans to complete it in FY19, when every light in every supermarket will be LED. Kmart and Target replaced nearly 117,000 inefficient fluorescent tubes with LEDs at 72 stores during the year. Officeworks retrofitted 33 existing stores with LED lighting and in total 146 stores now have energy efficient lighting across the selling floor.

Our total energy use reduced by 10 per cent compared to last year with an energy intensity for all energy consumed for 415 gigajoules per million dollars of revenue, 13 per cent lower than last year.

Targets

With its business model centred around divisional autonomy, Wesfarmers does not set a Group-wide greenhouse gas emission target.

All our businesses run autonomously and set targets appropriate to their operations.

DIVISION	TARGETS AND BUSINESS PRIORITIES	PROGRESS
Bunnings	Bunnings is accelerating energy reduction through more renewable energy installations and lighting efficiencies, and will roll out 25 solar PV systems and 19 LED retrofits in the 2019 financial year.	During 2018, nine stores had solar PV systems installed, taking the total number of solar PV systems to 23 stores, covering 25,000 square metres of roof area. Bunnings also retrofitted LED lighting into 12 existing stores during the same period, with 26 stores retrofitted to date.
Coles	In 2009, Coles set a target to reduce its greenhouse gas emissions by 30 per cent by 2020.	Coles met this target four years early in 2016. Since 2009, Coles has achieved a 35 per cent reduction in greenhouse gas emissions, including a 74 per cent reduction in scope one greenhouse gas emissions from refrigerant sources due to ongoing refrigeration and HVAC upgrades.
Department Stores	Kmart has set an energy efficiency target of 20 per cent reduction of energy per square metre by December 2020 compared to 2015. Target has set an energy efficiency target of 25 per cent reduction of energy per square metre by December 2019 compared to 2015.	An overarching strategy of lowest cost abatement first, combined with improved data collation, analytics, systems and processes, specifically around energy demand management, has enabled our Department Stores to drive energy efficiency projects. Kmart stores have reduced their electricity usage by 15 per cent since 2015 equating to 20 per cent less greenhouse gas emissions per metre of store building area. Target stores have reduced their electricity usage by 32 per cent since 2015 equating to 36 per cent less greenhouse gas emissions per metre of store building area.
Officeworks	Officeworks has set a target of a 15 per cent reduction in greenhouse gas emissions from electricity usage compared to 2015.	Officeworks has reduced electricity usage by 11 per cent since 2015 equating to 17 per cent less greenhouse gas emissions.
Industrials	Most abatement projects have already been realised for the WesCEF business. The focus is on ongoing improvements through a process of continuous review and action. Industrial and Safety has an internal target of a 10 per cent reduction in electricity used year on year.	As part of ongoing environmental licence compliance requirements all facilities must comply with stringent emissions, water quality, water efficiency and air quality requirements. Under the Safeguard Mechanism all facilities are below baseline and forecast to remain below, based on legislation as it is currently enacted. Significant abatement projects have already been completed. A business-wide focus on energy, water and waste efficiency ensures that opportunities are constantly reviewed as part of ongoing process improvements at all facilities. During 2018, Kleenheat entered into a ten-year 30MW PPA to source renewable energy for its customers. Since 2015, Industrial and Safety (excluding Coregas Air Separation Unit in Mackay) has achieved a 25 per cent reduction in electricity through solar installations and LED retrofit projects.

ENVIRONMENT

Shadow carbon price

Wesfarmers has put a shadow price on carbon to help ensure investment decisions reflect all costs (including environmental costs) and reduce our carbon footprint cost-effectively. Shadow carbon pricing is a method of investment decision analysis that adds a hypothetical surcharge to market prices for goods that involve significant carbon emissions. For example, if Wesfarmers is analysing an acquisition of new energy-using equipment, it would use expected energy costs of expected market prices plus a charge associated with the carbon dioxide that would be emitted when the fuel is combusted.

WESFARMERS APPLIES THE SHADOW CARBON PRICE IN THE ANALYSIS OF INVESTMENTS AND OTHER STRATEGIC DECISIONS TO GIVE AN EDGE TO OPTIONS THAT ARE MORE EMISSIONS EFFICIENT, OTHER THINGS BEING EQUAL.

Wesfarmers' shadow carbon price for capital expenditure decisions in Australia:

Years	0-3	4-7	8-10	11-15	>15
\$/tonne CO ₂ e	6	18	26	42	53

This is based on a moderated view of necessary and likely carbon prices in Australia and overseas. There is a view that a formal tradeable price on carbon will be re-introduced in Australia at some time in the medium-term. The underlying data behind the carbon price is reviewed annually.

Other environmental reporting

We are committed to transparent and open communications about our management of the environment, with a broad range of stakeholders including customers, employees, investors, governments and non-government organisations. The following information sets out other environmental reporting areas.

Carbon Disclosure Project

We have an ongoing program of engagement with investors and continually look for opportunities to enhance our disclosure. The Carbon Disclosure Project (CDP) is the primary investor benchmarking tool for climate change performance. Wesfarmers responds to CDP's 'Investor Request' on climate change through our annual voluntary submission. Wesfarmers' responses are available on the CDP website.

National Pollutant Inventory

WesCEF is required to report under the National Pollutant Inventory (NPI). Full details are available on the NPI website, with 2017/18 data available.

Potential environmental non-conformances

The activities of our divisions are subject to environmental regulation by various authorities throughout the countries where we operate. Licences granted to our divisions regulate the management of air and water quality and quantity, the storage and carriage of hazardous materials, the disposal of waste and other environmental matters associated with the entity's operations. During the year, there have been no known material breaches of our divisions' licence conditions.



ENVIRONMENT

Bunnings continues its solar rollout



ENVIRONMENT

Innovative technologies automate inspections at CSBP



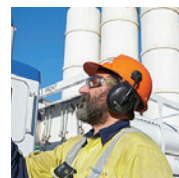
ENVIRONMENT

Managing electricity price risk exposure



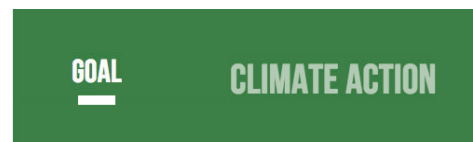
ENVIRONMENT

Officeworks plants more than 200,000 trees



ENVIRONMENT

Coregas works to make low-carbon technology a reality



ENVIRONMENT



Waste and water use

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



During the year WesCEF reduced its water use by using dry ice rather than water to clean equipment where feasible.

We are working to reduce our waste to landfill intensity rate and to divert as much as possible to recycling, both in our operations and for our customers.

Water management is a material issue for Coles, WesCEF, Resources and Bunnings. Senior management of those businesses is responsible for assessing and managing water-related risks and opportunities and their divisional boards have oversight of these strategic risks and opportunities.

We recognise that Australia is a highly water-stressed country and our focus is on using water more efficiently, reducing our water use intensity rate, ensuring dirty water is treated and replacing scheme water with reclaimed or recycled water where possible.

This year, the Group recorded water use of approximately 13,422 megalitres. This represents a decrease in water use of 19 per cent due to the sale of Curragh coal mine as we have calculated the water use related to our Resources business up until it was divested in March. The decrease was also related to water efficiency projects at WesCEF.

During the year CSBP changed its equipment cleaning process to include dry ice. Through the dry ice blasting method, carbon dioxide particles are propelled at high velocity using pressurised air to clean the surface of equipment.

Dry ice blasting has many economic, safety and environmental benefits. It does not scratch, damage, or leave a profile on the surface being cleaned and can work at a much cooler temperature and lower pressure than traditional water methods. In addition, dry ice blasting does not create any secondary waste in the cleaning process making it an attractive alternative to water blasting.

Water

13,422 Megalitres



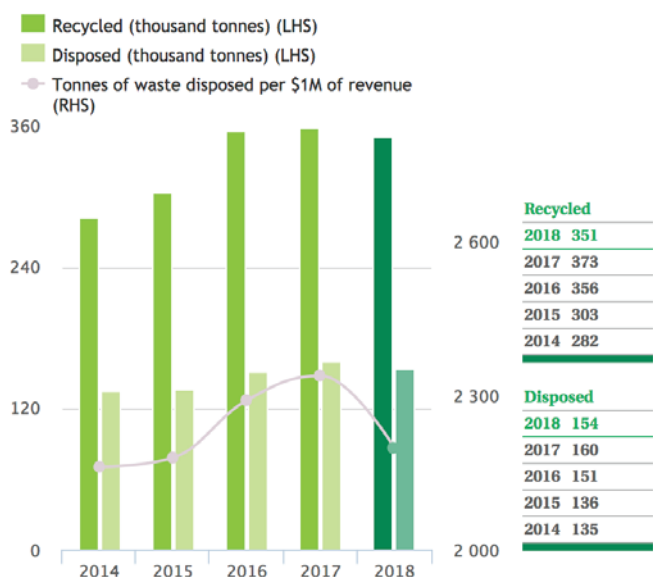
ENVIRONMENT

Recycling and waste

This year, we decreased our waste to landfill by four per cent to 154 thousand tonnes and decreased our waste recycled by six per cent to 351 tonnes. This was primarily due to waste diversion projects at Coles, Target and Officeworks.

Waste

505 tonnes '000



Our main sources of waste are cardboard, food and plastic at Coles. Coles is focused on innovating and improving its recycling programs across these areas. The total amount of waste recycled by Coles decreased three per cent this year, while waste to landfill decreased eight per cent. Coles is combating food waste in stores and the supply chain by partnering with SecondBite. Through this partnership it ensures that edible, surplus food ends up on the plates of people in need instead of contributing to landfill.

Coles has replaced some corrugated cardboard, waxed cardboard and expanded polystyrene boxes with reusable plastic crates across its supply chain. At the end of FY18, it had six million reusable plastic crates in circulation with over 400 suppliers being used for fruit, vegetables, poultry, red meat and pre-packaged salads. In addition to removing cardboard, waxed cardboard and expanded polystyrene from the supply chain, these crates help to reduce product damage which cuts down on food waste. Coles plans to introduce additional reusable plastic crates in collaboration with more suppliers in FY19.

Bunnings launched a container packaging app to gain greater visibility of non-recyclable pallets in the supply chain. The app is now being used by Bunnings Distribution Centres across Australia, allowing the business to proactively work and engage with overseas suppliers and agents to seek alternative, recyclable pallets to reduce pallet waste.

Kmart and Target worked closely to undertake a detailed investigation of their waste and recycling systems, processes and infrastructure. This included detailed waste and infrastructure audits of 50 stores and Distribution Centres. The findings of this investigation will be used to support key recommendations and actions in future waste diversion programs. Ahead of these changes, a review of existing waste and recycling contractors was completed with a number of changes made to service provider contracts to ensure they support increased diversion of waste going to landfill.

Helping customers recycle

Our retailers understand that our environmental responsibilities extend beyond the time a product leaves our stores and they continue to support the circular economy through customer recycling programs.

Some highlights of our customer recycling initiatives during the year include:

- Bunnings stores across Australia and New Zealand continued to work with local councils to drive responsible waste disposal and recycling. Initiatives included stores hosting council run e-waste, paint and hazardous household waste collection days in the carpark. Support for local sustainability initiatives was also showcased at the National General Assembly of Local Government, where Bunnings engaged with local councils and presented on past and current local waste initiatives.
- Coles announced the rollout of Plantic™ packaging for a wide range of Coles own brand fresh meat products. The packaging is both recyclable and made entirely from a combination of recycled and renewable materials. Plantic's™ trays are made from recycled PET (rPET) with a thin layer of Plantic's™ renewable barrier material, made from corn starch, which helps keep the meat fresh. During the recycling process, the thin starch layer washes away, allowing the rPET tray to be recycled. Coles has used a previous versions of Plantic™ for Coles own brand fresh beef mince, pork mince and lamb mince since 2014. The previous version was recyclable but not made of 100 per cent recyclable or renewable product.
- Since 2014, Coles own brand still water has been packaged in bottles made of 100 per cent recycled content which are also recyclable and in FY18 it introduced new heavy duty reusable carry bags made from 80 per cent recycled content.
- Coles also plans to introduce fresh produce bags in 2018 made from 30 per cent recycled content that can also be recycled in-store through REDcycle. Coles will continue to look for other opportunities to include recycled content in Coles own brand product packaging.
- Coles' partnership with REDcycle provides customers with a simple and effective way of recycling soft plastics, including plastic packaging and plastic bags. Customers can simply place their soft plastics in a dedicated REDcycle bin at their local Coles store, where it will be collected and recycled into a range of products.
- Officeworks takes a holistic approach when considering the environmental impact of the products it sells, which includes how they are disposed of at the end of their life. The free electronic waste recycling service allows customers to dispose responsibly of unwanted items, ensuring that the raw materials can be used again. This year, Officeworks set a target to collect 10 per cent more electronic waste from customers than was collected in the prior year. This resulted in 648 tonnes of ink and toner cartridges, computers and accessories, and mobile phones being diverted from landfill. We work with government accredited suppliers to ensure that e-waste collected in our stores is recycled safely and appropriately.

IN MAY 2018, COLES MARKED A MILESTONE WITH SOFT PLASTICS RECYCLING FOR CUSTOMERS AVAILABLE IN ALL ITS SUPERMARKETS NATIONALLY. THIS WAS A FIRST FOR A MAJOR AUSTRALIAN SUPERMARKET.

ENVIRONMENT

Packaging

As retailers, many of our divisions can have an impact on waste by making changes to how products are packaged. All of our retail divisions have made commitments in relation to packaging under the Australian Packaging Covenant Organisation (APCO).

APCO is a co-regulatory, not-for-profit organisation that partners with government and industry to reduce the harmful impact of packaging on the Australian environment. Wesfarmers reports annually on its progress and packaging initiatives.

Our retail businesses all used APCO's newly created Annual Reporting Tool to review progress of their packaging programs.

THROUGH THIS PROCESS, WE HAVE IDENTIFIED A NUMBER OF OPPORTUNITIES FOR IMPROVEMENT AND HAVE DEVELOPED AN ACTION PLAN IN RESPONSE TO THE TARGET SET IN APRIL 2018 BY AUSTRALIA'S ENVIRONMENT MINISTERS TO MAKE 100 PER CENT OF PACKAGING IN AUSTRALIA REUSABLE, RECYCLABLE OR COMPOSTABLE BY 2025.

While the majority of Coles own brand products are already in recyclable packaging, by 2020 all packaging for Coles own brand products will be recyclable kerbside or in-store.

Coles will also introduce the Australasian Recycling Label (ARL) launched by the Australian Packaging Covenant Organisation, PlanetArk and PREP Design. The ARL uses a nationally consistent packaging assessment tool to determine the appropriate recycling label for different packaging components. The majority of Coles own brand products already have recyclable packaging, but less than 20 per cent currently carry recycling information.

In FY19, Coles will introduce a program to reduce and optimise fresh produce packaging. While some packaging is required for transport, to support product longevity and reduce food waste, Coles acknowledges there are areas where packaging can be reduced. By the end of 2018, plastic packaging will be removed from all Coles own brand bananas.

Contaminated sites

Some of our businesses are actively managing contaminated sites. Wesfarmers is involved in the remediation of a few contaminated sites in Western Australia that were owned or leased by former Wesfarmers businesses that have now ceased operations at these sites. Wesfarmers continues to undertake ongoing monitoring and reporting obligations on the sites and in most cases active remediation activities have been completed.



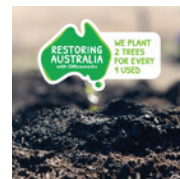
ENVIRONMENT

Coles introduces reusable bags featuring design by Australian children



ENVIRONMENT

Officeworks continues its focus on recycling



ENVIRONMENT

Officeworks plants more than 200,000 trees



ENVIRONMENT

Soft plastic recycling in all Coles supermarkets



ENVIRONMENT

Electricity use drops by 25 per cent over three years at WIS



ENVIRONMENT

Dry ice replaces water to clean equipment at CSBP



GOVERNANCE



Robust governance

We maintain robust corporate governance policies in all our businesses.



Chairman Michael Chaney AO addresses shareholders at the 2017 Annual General Meeting.

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. This statement details the key aspects of the governance framework and practices of Wesfarmers. Wesfarmers regularly reviews its governance framework and practices so as to ensure it consistently reflects market practice and stakeholder expectations.

Set out below is an overview of selected aspects of Wesfarmers' corporate governance framework and key focus areas of the Board and its committees in 2018.

A copy of Wesfarmers' full 2018 Corporate Governance Statement, which provides detailed information about governance, and a copy of Wesfarmers' Appendix 4G, which sets out the company's compliance with the recommendations in the third edition of the ASX Corporate Governance Council's Principles and Recommendations (ASX Principles), is available on the corporate governance section of the company's website.

The Board believes that the governance policies and practices adopted by Wesfarmers during 2018 are in accordance with the recommendations contained in the ASX Principles.

Role and responsibilities of Board and management

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

In performing its role, the Board is committed to a high standard of corporate governance practice and to fostering a culture of compliance which values ethical behaviour, personal and corporate integrity, accountability, transparency and respect for others.

The Group Managing Director has responsibility for the day-to-day management of Wesfarmers and its businesses, and is supported in this function by the Wesfarmers Leadership Team. Details of the members of the Wesfarmers Leadership Team are set out in the corporate governance section of the company's website. The Board maintains ultimate responsibility for strategy and control of Wesfarmers and its businesses.

In fulfilling its roles and responsibilities, the key focus areas of the Board during the 2018 financial year are as follows.

Key focus areas of the Board during the 2018 financial year included:

- Overseeing the implementation of strategy to address areas of underperformance and reposition the portfolio to deliver growth in shareholder returns
- Approving the proposed demerger of Coles and overseeing the proposed leadership change with Steven Cain to be appointed as the next Managing Director of Coles to succeed John Durkan (March 2018)
- Overseeing a comprehensive review of strategic options to improve shareholder returns for the Bunnings United Kingdom and Ireland business and approving the divestment (May 2018)
- Approving the sale of the Curragh coal mine in Queensland for \$700 million with a post-tax gain on sale of approximately \$123 million (December 2017)
- Overseeing management's performance in strategy implementation
- Monitoring the Group's operating and cash flow performance, financial position and key metrics, including financial covenants and credit ratings
- Reviewing business operations and the development plans of each division likely to impact long term shareholder value creation whether through portfolio management, consideration of divestment options or other strategies
- Monitoring the Group's safety performance and overseeing implementation of strategies to improve safety performance and enhance workplace safety awareness
- Reviewing talent management and development
- Monitoring and evaluating growth opportunities to complement the existing portfolio
- Reviewing policies, reporting and processes to improve the Group's system of corporate governance

Structure and composition of the Board

Wesfarmers is committed to ensuring that the composition of the Board continues to include directors who bring an appropriate mix of skills, experience, expertise and diversity (including gender diversity) to Board decision-making.

The Board currently comprises nine directors, including eight non-executive directors. Detailed biographies of the directors as at 30 June 2018 are set out on pages 41 to 44. The current directors possess an appropriate mix of skills, experience, expertise and diversity to enable the Board to discharge its responsibilities and deliver the company's strategic priorities as a diversified corporation with current businesses operating in supermarkets, liquor, hotels and convenience stores; home improvement; department stores; office supplies; and an Industrials division with businesses in chemicals, energy and fertilisers, industrial and safety products, and coal.

GOVERNANCE

Rob Scott was appointed as Wesfarmers Deputy Chief Executive Officer in February 2017, and joined the Board and assumed the role of Group Managing Director in November 2017.

Former New Zealand Prime Minister, The Right Honourable Bill English KNZM was appointed a director on 30 April 2018. He brings significant and valuable experience to the Board given his outstanding record of financial management and government policy development and given Wesfarmers' extensive business interests in New Zealand. He guided the New Zealand economy through the global financial crisis, initiated tax reforms, implemented partial floats of four government companies and led the financing to rebuild Christchurch after the 2010 earthquakes.

On 23 July 2018, Wesfarmers announced that James Graham had retired as a non-executive director of the company to coincide with his appointment as Chairman-elect of the proposed demerged Coles group.

The Board skills matrix set out on this page describes the combined skills, experience and expertise presently represented on the Board. To the extent that any skills are not directly represented on the Board, they are augmented through management and external advisors.

Archie Norman, who has significant retail experience, was appointed in 2009 as an advisor to the Board on retail issues. In this role, Mr Norman attends Wesfarmers Board meetings as required and is a director of the Coles and Target boards. Mr Norman will step down from this role to become an advisor to the proposed demerged Coles Board, continuing his strategic contribution to that business.

David Cheesewright who has extensive experience in international retailing and manufacturing, including 19 years with Walmart, will be the Wesfarmers nominee on the Coles Board in recognition of its retention of a shareholding interest. Mr Cheesewright is also to be appointed an advisor to the Wesfarmers Board.

Skills, experience and expertise

- CEO level experience
- ASX-listed company experience
- Capital markets
- Finance and banking
- Strategy and risk management
- E-commerce and digital
- Governance
- Human resources and executive remuneration
- Financial acumen and transaction experience
- Marketing/customers/retail
- Regulatory and government policy
- Resources and industrial
- International business experience
- Corporate sustainability
- International and domestic political experience
- Crisis and disaster management and recovery
- Community engagement
- International trade experience

Director independence

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

The Board's assessment of independence and the criteria against which it determines the materiality of any facts, information or circumstances, is formed having regard to the ASX Principles. In particular, the Board focuses on the factors relevant to assessing the independence of a director set out in recommendation 2.3; the materiality guidelines applied in accordance with Australian Accounting Standards; any independent professional advice sought by the Board at its discretion; and developments in international corporate governance standards.

The Board has reviewed the position and relationships of all directors in office as at the date of the company's 2018 annual report and considers that all eight non-executive directors are independent.

Committees of the Board

The Board has established a Nomination Committee, a Remuneration Committee, an Audit and Risk Committee, and a Gresham Mandate Review Committee as standing committees to assist with the discharge of its responsibilities. Following the resignation of Mr Graham from the Board in July 2018, the Gresham Mandate Review Committee was disbanded in August 2018. Details of the current membership and composition of each committee are set out in the 2018 Corporate Governance Statement.

Role of the Nomination Committee

As part of the Nomination Committee's oversight of Board succession planning, it is responsible for identifying suitable candidates to fill Board vacancies as and when they arise, or to identify candidates to complement the existing Board, and to make recommendations to the Board on their appointment. Where appropriate, external consultants are engaged to assist in searching for candidates. The Nomination Committee is responsible for scheduling formal performance reviews of the Board and its committees at least every two years. The Board then undertakes an evaluation process to review its performance which is facilitated by an external consultant. More details about Wesfarmers' review process for both the Board and its committees are set out in the 2018 Corporate Governance Statement.

Key focus areas of the Nomination Committee during the 2018 financial year included:

- Identification and nomination of Bill English as a new non-executive director for election to the Board bringing skills, experience and expertise to augment those of current directors
- Identification and nomination of Chairman-elect and non-executive directors for the proposed Coles demerged entity
- Consideration of feedback from major shareholders during the Chairman's Roadshow conducted prior to the 2017 Annual General Meeting

Role of the Remuneration Committee

The role of the Remuneration Committee is to review and make recommendations to the Board in relation to overall remuneration policy. Full details of the remuneration paid to non-executive and executive directors, and senior executives are set out in the remuneration report on pages 77 to 96 of the 2018 annual report.

Senior executives comprising members of the Wesfarmers Leadership Team have a variable or 'at risk' component as part of their total remuneration package under the Key Executive Equity Performance Plan (KEEPP). The mix of remuneration components and the performance measures used in the KEEPP have been chosen to ensure that there is a strong link between remuneration earned and the achievement of the Group's strategy and business objectives, risk management and, ultimately, generating satisfactory returns for shareholders.

Annual performance reviews of each member of the Wesfarmers Leadership Team, including the Group Managing Director, for the 2018 financial year have been undertaken. More details about Wesfarmers' performance and development review process for senior executives is set out in the 2018 Corporate Governance Statement.

Key focus areas of the Remuneration Committee during the 2018 financial year included:

- Reviewing and making a recommendation to the Board in relation to the fixed and variable remuneration of the Group Managing Director and his direct reports
- Reviewing and making recommendations to the Board in relation to the Wesfarmers variable remuneration plans, including recommending to the Board the vesting outcomes of the 2014 Wesfarmers Long Term Incentive Plan shares, based on the achievement of the performance conditions as at 30 June 2018
- Reviewing the succession and transition plans for the Wesfarmers Leadership Team, including the transition plans for the newly appointed Group Managing Director and Group Chief Financial Officer

GOVERNANCE

- Reviewing the senior executive remuneration framework and policies, including terms of employment such as notice periods, restraint and non-solicitation clauses
- Reviewing the expected implications of the proposed demerger of Coles from the Wesfarmers Group on the long-term incentive plans in operation within the Group
- Reviewing and making a recommendation to the Board on non-executive director fees
- Reviewing and monitoring diversity targets and gender pay equity

Role of Audit and Risk Committee

The Audit and Risk Committee assists the Board in fulfilling its responsibilities in overseeing the company's financial reporting, compliance with legal and regulatory requirements, the setting and reviewing of risk parameters of the Wesfarmers Group, and proactively managing the Group's systems of internal control and its financial and non-financial risk management framework.

Key focus areas of the Audit and Risk Committee during the 2018 financial year included:

- Monitoring the Group's cyber security framework, including data protection management, third party data risk management and the reporting structure and escalation process on information security risks
- Monitoring the ethical sourcing of products for resale through the Group's retail networks to ensure that there are appropriate safeguards and processes in place
- Reviewing and assessing the Group's processes which ensure the integrity of financial statements and reporting, and associated compliance with accounting, legal and regulatory requirements
- Reviewing the processes and controls around the recognition of commercial income by the retail divisions to ensure recognition is in accordance with Accounting Standards and accepted industry practice
- Monitoring the retail shrinkage control measures and reporting procedures in the Group's divisions
- Reviewing and evaluating the adequacy of the Group's insurance arrangements to ensure appropriate cover for identified operational and business risks
- Monitoring the Group's tax compliance program both in Australia and overseas, including crossborder intra-Group transactions, to ensure its obligations are met in the jurisdictions in which the Group operates



ENVIRONMENT

Coles introduces reusable bags featuring design by Australian children



ENVIRONMENT

Bunnings continues its solar rollout



ENVIRONMENT

Dry ice replaces water to clean equipment at CSBP

Role of the external auditor

The company's external auditor is Ernst & Young. The effectiveness, performance and independence of the external auditor is reviewed annually by the Audit and Risk Committee. Darren Lewsen is the lead partner for Ernst & Young and was appointed on 1 July 2013. In accordance with the requirements of the Corporations Act 2001, the Audit and Risk Committee approved Mr Lewsen to act as the lead partner for a sixth year in 2018/19.

Ernst & Young provided the required independence declaration to the Board for the financial year ended 30 June 2018. The independence declaration forms part of the directors' report and is provided on page 76 of the 2018 annual report.

Risk management

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

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

These elements are necessary to support effective risk management and awareness, and to support appropriate behaviours and judgements about risk taking.

Management is responsible for the Group's day-to-day compliance with risk management systems. Management monitors compliance with, and the effectiveness of the risk management systems and controls at a divisional level. Senior management across the Wesfarmers Group is responsible for reinforcing and modelling the key behaviours required to maintain a sound risk culture, including encouraging constructive challenge and transparency. Wesfarmers' senior management reports to the Board on the adequacy of the risk management systems and processes on a consolidated basis across the Group. Divisional Managing Directors are accountable for risk management outcomes, and day-to-day compliance in their respective divisions. During the second half of the 2018 financial year, the Group formalised its approach to the review and consideration of operational risks within each division through the establishment of operational audit and risk committees. These committees ensure management has access to timely information about emerging and existing risks and provides management with a dedicated forum to facilitate constructive debate and challenge regarding operational risk management. The committees further strengthen operational risk management and support the divisional boards and management and have become an increasingly important component of the Board's assurance framework on risk and governance.

Risk management framework

The Risk Management Framework of Wesfarmers is reviewed by the Board on an annual basis and was approved in May 2018. This framework details the overarching principles and risk management controls that are embedded in the Group's risk management processes, procedures and reporting systems, and the division of the key risk management functions between the Board, Group Managing Director and Chief Financial Officer, Audit and Risk Committee, divisional management and Group Assurance and Risk, including:

- the Group Code of Conduct;
- established Group and divisional structures, reporting lines and, appropriate authorities and responsibilities, including guidelines and limits for approval of all expenditure, including capital expenditure and investments, and contractual commitments;
- Operating Cycle and Divisional Reporting Requirements documents that clearly set out the Board, Board committees and divisional board activities and reports;
- a formal director induction program and a directors' program of annual site visits to Wesfarmers' operations to enhance the Board's understanding of key and emerging business risks;
- a formal corporate planning process which requires each division to assess trends that are likely to affect and shape their industry, perform scenario planning and prepare a SWOT analysis;

GOVERNANCE

- Group policies and procedures for the management of financial risk and treasury operations, such as exposures to foreign currencies and movements in interest rates;
- a Group compliance reporting program supported by approved guidelines and standards covering safety; the environment; legal liability; information technology; ethical sourcing; taxation compliance; risk identification, quantification and reporting; and financial reporting controls;
- a comprehensive risk financing program, including risk transfer to external insurers and reinsurers;
- annual budgeting and monthly reporting systems for all businesses which enable the monitoring of progress against performance targets and the evaluation of trends;
- appropriate due diligence procedures for acquisitions and divestments;
- crisis management systems and business continuity processes for all key businesses in the Group; and
- external and internal assurance programs.

Investor engagement

Wesfarmers recognises the importance of providing its shareholders and the broader investment community with facilities to access up-to-date high quality information, participate in shareholder decisions of the company and provide avenues for two-way communication between the company, the Board and shareholders. Wesfarmers has developed a program on investor engagement for engaging with shareholders, debt investors, the media and the broader investment community. In addition, the company's shareholders have the ability to elect to receive communications and other shareholder information electronically.

Governance policies

The corporate governance section of the company's website contains access to all relevant corporate governance information, including Board and committee charters, and Group policies referred to in the 2018 Corporate Governance Statement.

Ethical and responsible behaviour

Wesfarmers' primary objective is to deliver satisfactory returns to shareholders through financial discipline and exceptional management of a diversified portfolio of businesses. The Wesfarmers Way is the framework for the company's business model and comprises our core values of integrity, openness, accountability and entrepreneurial spirit, details of which are published on Wesfarmers' website. The Wesfarmers Way, together with the Code of Conduct and other policies, guide the behaviour of everyone who works at Wesfarmers as we strive to achieve our primary objective. The Board and senior executives of the Group strive to ensure that their own actions and decisions are consistent with Wesfarmers' core values.

Anti-bribery Policy

Wesfarmers is committed to complying with the laws and regulations of the countries in which its businesses operate and act in an ethical manner, consistent with the principles of honesty, integrity, fairness and respect.

Bribery and the related improper conduct are serious criminal offences for both the company and any individuals involved. They are also inconsistent with Wesfarmers' values.

Our Anti-bribery Policy can be found [here](#).

Political donations

Our Anti-bribery Policy stipulates that political donations must not be made at business unit or divisional level.

Any political donations made by Wesfarmers Limited must be authorised by the Wesfarmers Board and disclosed as required by law and recorded in the Wesfarmers Group accounts. Any donations above a level determined in Federal legislation must be disclosed annually to the Australian Electoral Commission and will be published on its website [here](#).



ENVIRONMENT

Kmart and Target commit to sourcing more sustainable cotton



COMMUNITY

Wesfarmers becomes a White Ribbon workplace



COMMUNITY

Bunnings' support for women in need at Christmas



PEOPLE

Officeworks develops a safety first framework



COMMUNITY

Coles partners with Little Athletics



COMMUNITY

Blackwoods supports Fred Hollows Foundation with \$1M donation over 12 years



GOVERNANCE

Wesfarmers Chairman on how superior shareholder returns are consistent with being a good corporate citizen

BUNNINGS



Bunnings team member Emily McCormack with students at Catherine Fields Preschool, Gregory Hills, New South Wales.

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

At year-end Bunnings employed more than 43,000 team members and operated a network of 259 large warehouse stores, 78 smaller format stores, 32 trade centres and three frame and truss manufacturing centres.

Bunnings defines sustainability as being actions that are socially responsible, environmentally aware and economically viable.

In 2018 solar PV systems continued to be installed at a further nine stores, taking the total number of stores with solar PV systems to 23 by the end of financial year, covering more than 25,000 square metres of roof area.

During the year Bunnings stores helped raise and contribute more than \$46 million through over 83,000 community activities in Australia and New Zealand. Highlights included Share the Dignity’s “It’s in the Bag” campaign, which saw 107,000 bags filled with hygiene products collected at Bunnings stores for women experiencing homelessness and domestic violence, and the Emergency Services Volunteers BBQ, with over \$550,000 raised and contributed for local emergency services groups in Australia and New Zealand.

Bunnings focused on the following material issues during the year:

- Accelerating energy reduction through more renewable energy installations and lighting efficiencies.
- Providing more information and education and drive more product initiatives to help customers make sustainable living choices.
- Further increasing our efforts to reduce supply chain resource waste and achieve greater packaging and transport efficiencies.
- Continuing to work closely with suppliers to maintain ethical supply chains.
- Maintain positive safety performance improvement momentum.

Energy efficiency

Bunnings remains committed to implementing more energy-efficient ways to operate its business.

During the financial year, a further nine stores had solar photovoltaic (PV) systems installed including Wangara, Australind and Esperance in Western Australia, Prospect, Seaford and Munno Para West in South Australia, Cairns Central and Rockhampton in Queensland; and Bellambi in New South Wales.

The small-scale systems, up to 100 kilowatts, are generating between 10 and 20 per cent of each store’s energy needs, and those stores with larger scale systems are producing up to 35 per cent of each store’s energy needs - all from renewable energy.

In addition to this, the solar PV system at Bunnings Warehouse Alice Springs was expanded from 100 kilowatts to 475 kilowatts, and battery storage was introduced; the first of its kind in the network. The system and battery storage are expected to provide 80 per cent of the store’s energy needs.

At the end of the financial year solar PV systems were installed at 23 stores across Australia, covering 25,000 square metres of roof area. Further installations will continue over the next 12 months.

Bunnings also continued to install energy-efficient LED lighting in new stores and upgraded stores progressively, and retrofitting selected existing stores. 12 existing stores had LED lighting installed throughout the year, with 26 stores retrofitted to date.

Further new generation solar PV systems and LED retrofits are planned for the coming financial year.

Greenhouse gas emissions

260 CO₂e: '000



BUNNINGS

Stakeholder engagement

Throughout the year, Bunnings continued to actively seek ways to collaborate with a wide range of stakeholders on community awareness and sustainability initiatives. This included working closely with state and national authorities to educate communities on locally relevant emergency preparation and disaster response measures.

Bunnings supported the New Zealand Ministry of Civil Defence and Emergency Management’s Get Ready Week for the second year, which aimed at raising awareness of how households can prepare for emergencies such as floods, storms, earthquakes, tsunamis and volcanoes. In-store displays, information tables and D.I.Y. Workshops were provided in every store to help families engage with the campaign.

Bunnings stores also supported a number of extreme weather preparedness, bushfire preparedness and fire safety campaigns throughout the year. Campaigns supported included Tasmania Fire Service’s Get Ready Weekend, NSW Rural Fire Service’s Get Ready Weekend, the Queensland Government’s Get Ready Campaign, the Victorian Government’s Powerline Bushfire Safety Program, and Fire & Emergency New Zealand’s Winter Fire Safety Campaign.

Bunnings continued seek ways to provide asbestos awareness through their stores throughout the year. During Asbestos Awareness Month in November 2017 Bunnings supported the Asbestos Diseases Research Institute’s ‘Betty the Asbestos Education House’ which was hosted at selected Bunnings stores across New South Wales, Victoria and Tasmania.

In Western Australia, all Bunnings stores supported Water Corporation’s Waterwise Garden Rewards Program for the second year, which aimed to help households build and maintain a healthy waterwise garden. During the year more than 11,000 Waterwise vouchers were redeemed across the state, with over 20,000 vouchers redeemed throughout the two-year program.

Waste reduction and packaging

Bunnings is committed to pursuing sustainability throughout its business operations, including sending less waste to landfill.

While new waste reduction initiatives were introduced, a number of other, countervailing factors impacted results including international import restrictions. As a result, Bunnings increased its waste to landfill intensity rate at 2.7 tonnes of landfill per \$1 million of revenue, compared to 2.5 tonnes the previous year. Nonetheless, in total, 55 per cent of waste was diverted from landfill across the business¹.

THROUGH THE USE OF MATERIAL RECOVERY FACILITIES, METRO ADELAIDE STORES DIVERTED OVER 98 PER CENT OF WASTE FROM LANDFILL.

A container packaging app was launched in January 2018 to gain greater visibility of non-recyclable pallets in the supply chain. The app is now being used by Bunnings Distribution Centres across Australia, allowing the business to proactively work and engage with overseas suppliers and agents to seek alternative, recyclable pallets to reduce pallet waste.

Polystyrene recycling was assessed during the year, with a trial running at four Bunnings stores in Brisbane. Over 2.4 tonnes of polystyrene was diverted from landfill during the 12-month trial, with polystyrene recycling being offered to all stores moving forward.

Green Teams were relaunched in every Bunnings store, with environmentally passionate team members coming together to drive waste reduction initiatives. Ideas implemented included giving timber pallets to not-for-profit groups in the local community, such as Men’s Sheds.

Bunnings continued to drive product stewardship initiatives in local communities. This included continuing to support paint stewardship by collaborating with Paintback, an initiative designed to divert unwanted paint and paint packaging from ending up in landfill and waterways. This support saw 20 Bunnings stores across Australia host one-day drop-off events in the store carpark, giving local residents the opportunity to bring in unwanted paint and paint packaging.

Through these events, over 170,000 kilograms of paint and paint packaging were collected, with the packaging recycled and the waste paint treated in a number of ways including energy recovery for solvent and liquid/solid separation for water-based paint.

Bunnings stores in Adelaide supported Electronic Recycling Australia, an arm of social enterprise Minda. From May 2017 to June 2018 over 290,000 kilograms of e-waste was dropped off by customers, which was then sorted and dismantled by people with a disability before being recycled.

Ten Melbourne Bunnings stores continued to provide a battery collection service for customers. At the end of the financial year customers had brought in over 20,000 kilograms of batteries since Bunnings began participating in Batteryback in 2009.

Stores across Australia and New Zealand also continued to work with local councils to drive responsible waste disposal and recycling. Initiatives included stores hosting council run e-waste, paint and hazardous household waste collection days in the carpark. Support for local sustainability initiatives was also showcased at the National General Assembly of Local Government, where Bunnings engaged with local councils and presented on past and current local waste initiatives.

Bunnings will continue to actively drive more product stewardship initiatives to help customers make sustainable living choices in the next financial year.

1 Based on cubic metre of waste recycled instead of sent to landfill

Waste

60 tonnes '000



BUNNINGS

Ethical sourcing and product safety

Bunnings continued to work closely with its suppliers to strengthen sourcing practices throughout the year.

WHILE BUNNINGS' DIRECT SUPPLIER BASE INCREASED BY 4.3 PER CENT, 100 PER CENT WERE SCREENED THROUGH THEIR ETHICAL SOURCING PROGRAM.

During the year, Bunnings enhanced its Code of Conduct by expanding from product suppliers to service providers. The business also conducted a review into green life supplier labour contract hire, cleaning services, and commenced work on raw materials such as stone.

The business began to map out its quarried supply chain as well as conduct a trial on contracted cleaning businesses across the network. Opportunities were discovered to strengthen cleaning contracts and enhance visibility of the raw material supply chain. These initiatives will continue in the next financial year.

All direct sourcing suppliers to Bunnings are screened by our Ethical Sourcing program utilising a country risk matrix. Manufacturers from low risk origins are required to complete a risk based self-assessment while medium and high risk manufacturers are required to register on Sedex and complete an ethical audit.

During the year, Bunnings became a supporting signatory to the Australian Professional Social Compliance Auditors (APSCA) scheme, a proactive initiative which provides a standardised certification, training and professional standards for social compliance auditors globally.

Bunnings also continued to work with the European DIY Retailers Association (EDRA) and Global Home Improvement Network (GHIN) DIY platform. The main focus was on mutually recognised supplier audits and coming together with opportunities to share best practice and tackle emerging supply chain issues.

Bunnings is confident that more than 99 per cent of timber products are confirmed as originating from low risk sources including plantation, verified legal, or certified responsibly sourced forests. Within that, more than 79 per cent of its total timber products are sourced from independently certified forests or sourced with demonstrated progress towards achieving independent certification, such as that provided by the Forest Stewardship Council (FSC) and the Programme for the Endorsement of Forest Certification (PEFC). Bunnings continued to collaborate with environmental non-government organisations on raising awareness of responsibly sourced timber and was the partner for FSC forums in Melbourne and Auckland.

Bunnings also continued to proactively engage with suppliers to ensure adherence to product safety standards. As part of this, Bunnings conducts regular product audits to ensure conformance with relevant mandatory standards, and undertakes independent safety tests on selected products to confirm compliance to safety standards and customer expectations.

Bunnings remains focused on continuing to work with our supply chains to, improve manufacturing quality assurance processes, monitor product compliance in accordance with changing regulatory requirements and strengthening risk controls around storage of hazardous chemicals.

Safety

Safety continued to be a key focus with Bunnings striving to ensure everyone goes home safely, every day. This was reflected in a 19.2 per cent reduction in the number of injuries recorded and a 24.5 per cent reduction in the total recordable injury frequency rate. Additionally, the lost time injury frequency rate reduced by 23.6 per cent.

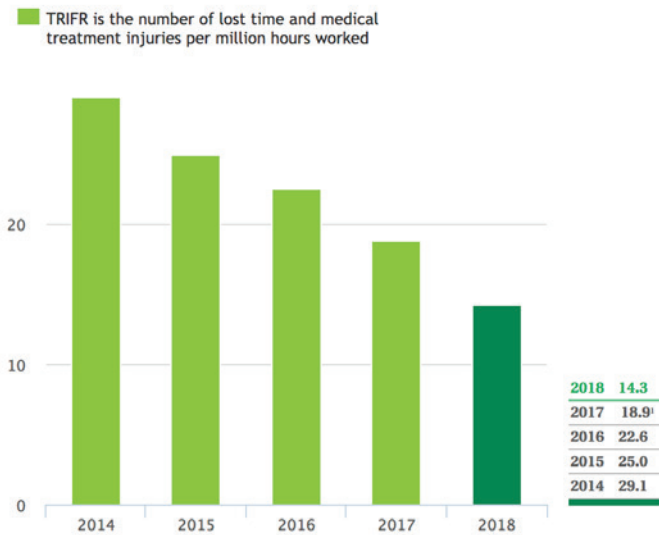
A number of initiatives were launched throughout the year, focused on increasing safety awareness and reducing risk in key areas. A refresh of core team member and leadership safety training programs, and development of simplified tools helped to drive safer outcomes through better learning experiences, simpler systems and the use of applications. This included an online tutorial for the 'Hazard Spotter' and the launch of the 'BSAFE Training Portal'.

A new cut resistant glove was launched for all team members to use as part of the 'Protect Your Hands' focus, as were retractable barriers to reduce injury risk associated with falling stock at height. Forklift safety continued to be high on the agenda, with the use of virtual reality experiences being showcased to the team at the Bunnings Expos to help the team identify and manage forklift safety risks in all locations.

A strong focus on care continued throughout the year for the Bunnings team. Initiatives included providing mental health training for leaders, defibrillators installed in all Bunnings locations, and Mind Matters cards launched to enhance the team members' mental wellbeing and build resilience. A second trial was conducted for a physiotherapy program. Due to the success of the trials the physiotherapy program will be made available to all team members in the next financial year.

Safety performance

14.3 total recordable injury frequency rate



¹ Restated due to the maturation of data

BUNNINGS

Community support

Bunnings is committed to supporting the communities in which it operates by contributing to local, regional and national causes, charities and organisations throughout Australia and New Zealand.

DURING THE YEAR BUNNINGS STORES HELPED RAISE AND CONTRIBUTE MORE THAN \$46 MILLION THROUGH OVER 83,000 COMMUNITY ACTIVITIES.

A diverse range of local community organisations were supported through activities including fundraising sausage sizzles, hands-on projects, community workshops, product contributions and other local fundraising initiatives.

This included more than 26,000 activities in rural and regional communities, helping to raise and contribute over \$12 million for local causes and community groups.

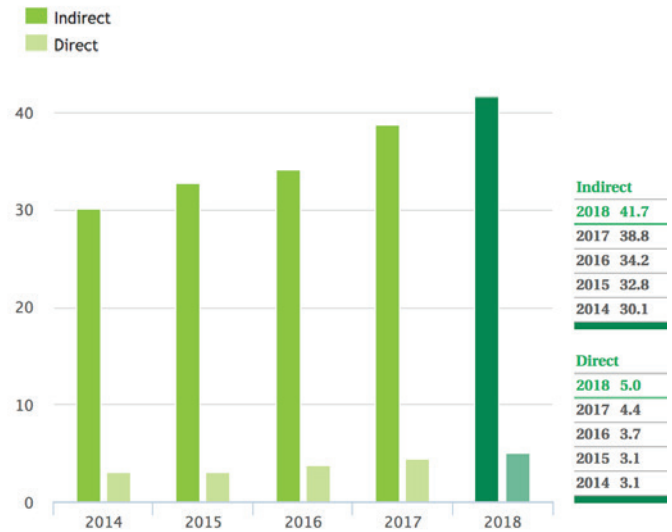
More than 4,000 sustainability-related activities were conducted, including more than 2,600 school visits and activities as part of Bunnings’ Schools Sustainability Program. The decade-long program provides students with the opportunity to actively participate in recycling and composting, worm farms, tree planting, native animal nest box building and grow your own gardening. This program will be expanded in the next financial year through a frog identification and pond building project run in conjunction with the Australian Museum.

Bunnings continued to support local emergency services with all stores in Australia and New Zealand getting behind the sausage sizzle at the Emergency Services Volunteers BBQ on Saturday 20 January 2018. Through the generous support of customers, volunteers and team members, over \$550,000 was raised and contributed for local volunteer groups including fire brigades, SES units, St John units and Surf Life Saving clubs.

During the year Bunnings also supported Australian charity Share the Dignity’s “It’s in the Bag” Christmas campaign for the first time. From Saturday 18 November to Saturday 2 December 2017 every Bunnings store across Australia had a collection point where customers could donate a handbag filled with essential items such as pads and tampons, personal hygiene products, and everyday luxuries. During the two-week period over 107,000 bags were collected and distributed to women in the local community by Share the Dignity volunteers.

Community contributions

46.7 \$m



2018/19 priorities

Bunnings will focus on the following material issues during the year:

- People – Maintain and promote a safe and inclusive workplace for team and customers
- Community – Increase our support for the communities where we operate
- Environment – Drive more energy reduction, waste minimisation and water conservation actions
- Supply chain and packaging – Accelerate efforts to reduce supply chain resource waste and achieve greater packaging and transport efficiencies
- Sourcing – Continue to work closely with suppliers to maintain ethical supply chains



Coles team member Brenda at Coles in Malvern, Victoria.

Coles provides fresh food, groceries, general merchandise, liquor, fuel and financial services through its national store network and online channels.

It operates a national network of 809 supermarkets, 711 convenience outlets, 899 liquor stores and 88 hotels. During FY18, an average of 21.7 million customer transactions were recorded each week across the Coles businesses.

Coles employs more than 112,000 team members¹ across Australia. Coles focussed on the following sustainability issues during FY18:

Supporting farmers, suppliers, community and team members:

- Supporting Australian farmers, producers and growers;
- Partnering with the community;
- Strengthening diversity and inclusion;
- Prioritising health, safety and wellbeing; and
- Providing a secure and rewarding workplace for team members.

Offering customers great products:

- Sourcing ethically, with a focus on human rights;
- Sourcing responsibly, with a focus on animal welfare and the environment;
- Ensuring quality, safe products; and
- Promoting health and nutrition.

Reducing environmental impacts:

- Minimising waste and promoting recycling;
- Championing sustainable packaging; and
- Using energy efficiently and reducing greenhouse emissions.

On 15 March 2018 Wesfarmers announced its intention to demerge its Coles division, subject to shareholder and other approvals.

¹ Store and employee numbers are at 30 June 2018.

Supporting Australian farmers, producers and growers

COLES IS COMMITTED TO BUILDING STRONG AND COLLABORATIVE RELATIONSHIPS WITH AUSTRALIAN FARMERS, PRODUCERS AND GROWERS.

Coles has an Australian-first sourcing policy to provide Australian-grown fresh produce as a first priority. In FY18, 96 per cent of fresh produce and 100 per cent of fresh lamb, pork, chicken, beef, milk and eggs was sourced from Australian suppliers.

In line with the Australian-first sourcing policy, in FY18 Coles announced its aim to become the first Australian national grocery retailer to sell only Australian-grown lemons all year round. The business is working with a Queensland supplier to fill the seasonal gap when Australian lemons have previously not been available for Coles' customers.

Coles also supports Australian producers and growers with long-term contracts. In April 2018, Coles signed a 10-year agreement with Laurent to provide Coles supermarkets with a range of artisan-style stone baked sourdough bread. In recent years, Coles has also signed ten-year agreements with TOP Pork Pty Ltd and Sundrop Farms, a nine-year contract with milk supplier Norco and an eight-year agreement with Manbulloo Mangoes. Coles also has a long term contract with Simplot to supply Australian-grown vegetables which were previously sourced overseas.

Coles complies with country of origin labelling requirements which came into effect in July 2018 and provide transparency around product origin.



Coles Nurture Fund

COLES SUPPORTS SMALL BUSINESS TO INNOVATE AND GROW THROUGH THE \$50 MILLION COLES NURTURE FUND.

The Nurture Fund was established in April 2015 and supports small-to-medium businesses in the food and grocery sector with the development of new market-leading products, technologies and processes.

Innovation is one of the primary drivers of competitiveness. Coles recognises that smart, energetic and agile small businesses can be a launch-pad for great product innovation, with Australian customers reaping the benefits of new and exciting ventures in the food industry.

Since its launch, Coles has offered more than \$12 million in grants or interest-free loans to 27 different producers.

During FY18, Coles announced the successful applicants from round four of the Nurture Fund and opened applications for round five.

Successful applicants from round four included farmers and food producers from: Coolac (New South Wales); Goulburn Valley, Ovens Valley and Gippsland (Victoria); Ringarooma and Launceston (Tasmania); Kununurra (Western Australia); as well as a manufacturer in Sydney.

Support for Farmers' Fund

In September 2016, Coles helped to establish an independent industry fund managed by the Victorian Farmers Federation (VFF) to provide practical support to dairy farmers in southeast Australia. To generate proceeds for the fund, Coles and VFF jointly launched Farmers' Fund milk exclusively in most Coles Supermarkets across Victoria, with 40 cents from the sale of two-litre skim and full cream milk directed to the Fund. In addition, \$1 million was donated to the Farmers' Fund from the Coles Nurture Fund in FY17. By 30 June 2018, 135 dairy farmers had been provided grants of close to \$1.8 million.

Coles also sells South Australian Dairyfarmers Association (SADA) Fresh Milk and Western Australian Farmers Federation WA Farmers First milk where 20 cents a litre is provided to industry funds to support dairy farmers. Since 2015, Coles has sold over 6.4 million litres of SADA Fresh Milk and nearly 4.1 million litres of WA Farmers First milk.

Partnering with the community

Coles is proud of its 104-year contribution to Australia and is committed to serving the communities in which it operates.

Coles' contribution to the community goes beyond being one of Australia's largest employers. The business provides significant financial assistance and in-kind donations to national, state and local community partners.

IN FY18, COLES DIRECT COMMUNITY INVESTMENT WAS MORE THAN \$67.7 MILLION WITH AN ADDITIONAL \$9.3 MILLION CONTRIBUTED BY CUSTOMERS, TEAM MEMBERS AND SUPPLIERS.

This is 24 per cent increase in direct community investment compared with FY17 and a five per cent increase in contributions from customers, team members and suppliers.

Coles' national community partners are SecondBite and Redkite.

In partnership with SecondBite, Coles donates unsold edible food from its supermarkets and distribution centres to 1,300 community groups supporting disadvantaged Australians. In FY18, Coles donated more than 9 million kilograms of unsold edible food to SecondBite, equating to more than 18 million meals. Between 2011 and 30 June 2018, Coles had donated more than 31 million kilograms of unsold edible food to SecondBite, equating to more

than 63 million meals. Between 2010 and 30 June 2018, Coles donated the equivalent of more than 17 million meals to Foodbank.

In addition to food donations, Coles raises funds for SecondBite through the sale of \$2 donation cards and reusable shopping bags. In FY18, \$2.2 million was raised by Coles' customers and team members through the sale of these products.

Coles also supports SecondBite through team member volunteering, and technical and corporate expertise.

Coles partners with national cancer charity Redkite to provide support to children and young people with cancer and their families.

IN FY18 COLES, ITS TEAM MEMBERS AND CUSTOMERS PROVIDED REDKITE WITH \$5.3 MILLION IN SUPPORT.

Coles' Redkite Christmas campaign featured Gerry the Gingerbread, with 20 cents from every Gerry the Gingerbread sold donated to supporting Redkite. Since 2013, Coles has also donated five cents from the sale of every loaf of specially marked Coles Brand and Coles High Top bread to Redkite.

Coles also partners with Guide Dogs Australia, supporting it with funds raised by team members and customers, as well as through collection dogs located at Coles supermarkets.

To help young people live healthy, active lives, Coles entered into a partnership with Athletics Australia and Little Athletics Australia in late 2017 to provide support and resources to more than 500 athletics centres across Australia. Coles also donated two million bananas to local centres during the Little Athletics 2017/18 season.

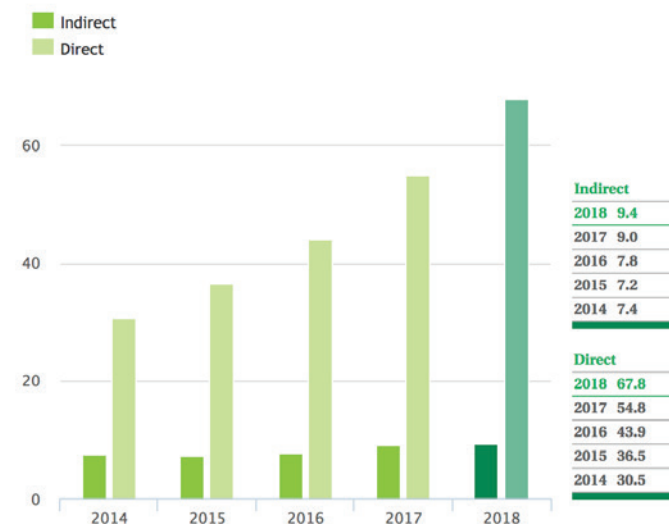
In late 2017, Coles partnered with Clean Up Australia by becoming involved in Clean Up Australia Day and through the design of Coles' community bags.

In conjunction with Clean Up Australia, Coles ran a bag design competition and invited primary and secondary students across Australia to design Coles' new range of reusable community bags which went on sale in June 2018. The reusable bags were launched as part of Coles' transition away from single-use plastic bags and to help raise funds for community groups, with a portion of sales provided to Clean Up Australia, SecondBite, Little Athletics and Guide Dogs Australia.

In addition to these national partnerships, Coles also supports a range of state and local initiatives which help reduce disadvantage, drive improved health outcomes, reduce environmental impacts, support the food and grocery sector and support schools and community groups.

Community contributions

77.2 \$m





Strengthening diversity and inclusion

Coles recognises the importance of providing an inclusive environment for its team members and customers that encourages diversity. Launched in September 2017, Coles' Better Together program aims to promote diversity by creating a supportive and inclusive environment for team members and customers.

THE PROGRAM INCORPORATES FIVE PILLARS: ACCESSIBILITY, GENDER BALANCE, PRIDE, FLEXIBILITY AND INDIGENOUS.

Accessibility

In June 2018, Coles launched its second Accessibility Action Plan (2018 - 2020) which aims to improve the accessibility of Coles' stores, sites, workplaces and digital assets for people with disability. The Plan, developed with support from the Australian Network on Disability (AND), makes 16 commitments including expanding Quiet Hour to additional stores, implementing disability awareness training and exploring ways to further improve the accessibility of marketing material.

Over recent years, Coles has implemented many accessibility initiatives including establishing a team dedicated to digital accessibility, modifying car parks in new stores to allow better access and recognising International Day of People with Disability. Coles also participates in AND's Stepping Into Program, a paid internship scheme that matches university students with disability with roles in Australian businesses.

In FY18, the Coles' Accessibility Steering Committee completed its first Access and Inclusion Index. Created by AND, the Index measures an organisation's maturity on the journey towards disability confidence, focusing on 10 key areas: commitment, premises, workplace adjustments, communications and marketing, products and services, information communication technology, recruitment and selection, career development, suppliers and partners, and innovation. The findings helped determine the areas Coles needs to focus on to maximise its impact around disability inclusion for team members and customers.

Gender Balance

When Better Together was launched in 2017, the focus area, Women in Leadership was re-positioned to Gender Balance.

BY THE END OF FY18, 33 PER CENT OF LEADERSHIP POSITIONS AT COLES WERE HELD BY WOMEN.

Other FY18 highlights included an eight per cent increase in women in senior leadership positions (General Manager level and above) across Coles, five functions that are in the 'gender balance zone' with at least 40 per cent representation of one gender across leadership positions and progress was also made with women in roles in traditionally male-dominated areas in supply chain and operations.

Pride

Coles participated in the Australian Workplace Equality Index in 2017 and was awarded a Bronze Employer status, recognising its actions to improve Lesbian, Gay, Bisexual, Transgender and Intersex (LGBTI) workplace inclusion. Areas identified for improvement included updating policies to reflect inclusive language, clearly defining the LGBTI strategy and accountability, LGBTI training for team members and participation in community LGBTI events.

In March 2018, Coles supported the annual Big Gay Day celebrations in Fortitude Valley, Brisbane. Coles owns the Wickham Hotel where the event is held each year. Coles team members volunteered at the event and Coles also provided a \$10,000 donation that was distributed equally to the four Big Gay Day charity partners to support the LGBTI community in Queensland.

On 17 May 2018, Coles recognised International Day Against Homophobia and Transphobia (IDAHOT) across the Coles' businesses. The purpose was to build awareness of the importance of LGBTI inclusion in the workplace and provide team members with an opportunity to join Coles' Pride Network.

Flexibility

In September 2017, flexibility was launched as a standalone pillar of Better Together to help shift the perception that flexible working was predominantly for working mothers and to recognise that every team member can benefit from flexible working.

Coles offers a Flexible Working Guide and supporting resources to make it easier for team members and their line managers to have conversations about flexible working. It has also established a Flexibility IT Working Group to review and update IT infrastructure to enable team members to work remotely.

Coles also offers paid parental leave for permanent full-time and part-time team members with a minimum of 12 months of continuous service. This includes 12 weeks of paid parental leave for primary care givers and one week of paid leave for secondary care givers.

Indigenous

Coles' Aboriginal and Torres Strait Islander Plan, first launched in 2011, outlines its commitment to provide more opportunities for Aboriginal and Torres Strait Islander peoples, communities and organisations to engage with the business. The plan, which aligns with Wesfarmers' Reconciliation Action Plan, focuses on three key areas – employment, supplier diversity and community engagement.

COLES IS ONE OF AUSTRALIA'S LARGEST CORPORATE SECTOR EMPLOYERS OF INDIGENOUS AUSTRALIANS WITH ALMOST 3,600 INDIGENOUS TEAM MEMBERS NATIONALLY, REPRESENTING 3.2 PER CENT OF TOTAL HEADCOUNT. THIS IS A SIGNIFICANT ACHIEVEMENT CONSIDERING THAT WHEN THE ORIGINAL PLAN WAS LAUNCHED IN 2011, THERE WERE ONLY 65 INDIGENOUS TEAM MEMBERS ACROSS COLES.

One hundred and seventy of Coles Indigenous Australian team members hold skilled and leadership positions, including 28 store and site managers across Coles supermarkets, Coles Liquor and Coles Express. Retention for Indigenous team members is higher than that for non-Indigenous team members.

Coles also continues to increase opportunities for Indigenous suppliers, with over 40 Indigenous businesses engaged throughout the past year across categories including design, recruitment, professional services, printing, facilities management, liquor and fresh produce.

As part of the implementation of an organisation-wide remote and rural location strategy, formal partnerships have been established with Aboriginal organisations in Broome, Darwin, Kalgoorlie and Kununurra to assist in creating stronger connections to the local community and drive improved employment outcomes.

COLES

Prioritising health, safety and wellbeing

Maintaining a safe workplace for team members and keeping customers, suppliers and other visitors safe is a paramount consideration across all Coles' businesses.

COLES' TOTAL RECORDABLE INJURY FREQUENCY RATE (TRIFR) FOR FY18 WAS 33.3, A 14.2 PER CENT IMPROVEMENT ON THE PREVIOUS YEAR.

In FY18, there was continued focus on safety under the pillars of Leadership and Culture, Critical Risk Reduction and Mind Your Health.

The focus on leadership and culture was highlighted by training initiatives with more than 77,000 team members participating in role specific safety training. Due diligence training was also provided for senior leaders emphasising the importance of proactive safety management and their roles in influencing safety improvements. Safety training was also reviewed to enable it to be more accessible and interactive.

Three transport safety forums were held with external partners including transport companies and carriers, road regulators and police. The objective was to build relationships and work together to improve safety for the transport industry and the wider community.

Within critical risk reduction there was ongoing focus on immediate reporting, investigations and implementation of corrective actions. There were also significant investments in safety improvements including the provision of protective footwear to over 55,000 team members, the introduction of improved carton cutters to reduce laceration risk and the introduction of new assistive manual handling equipment such as electric pallet jacks, milk trolleys and wine baskets. Bollards were also installed in Coles Express forecourts and an infrastructure review of bulkheads and electrical switchboards resulted in replacements and upgrades where required.

New processes for stock management in Coles supermarkets resulted in a 10 per cent decrease in manual handling injuries for team members in FY18. The business also undertook a risk review of threatening situations in supermarkets during the year to support its goal to provide a safe environment for team members and customers.

Initiatives under the Mind Your Health pillar centred on increasing the sense of connection for remote store managers, younger team members and team members in general. Coles partnered with Orygen to look at ways of increasing connections with youth and has entered into a two-year research program with beyondblue regarding developing mentally healthy workplaces.

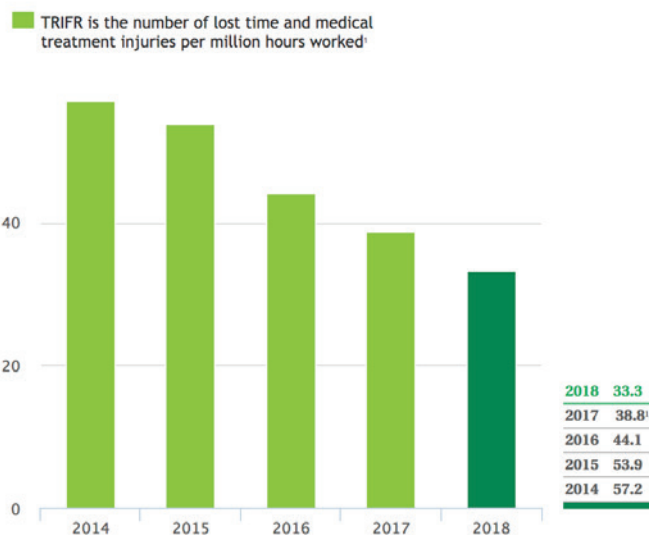
Through a partnership with Converge International, Coles continued to provide an Employee Assistance Program. This free and confidential counselling supports team members and their families. It also assists managers to provide advice and support to their teams.

MENTAL HEALTH EDUCATION WAS ALSO A FOCUS WITH TEAM MEMBERS OFFERED ONLINE TUTORIALS, WELLBEING LEARNING SESSIONS AND PODCASTS. TOPICS INCLUDED MEN'S HEALTH, SLEEP, MINDFULNESS AND LIFE AS A CARER.

These three pillars will continue to drive the health, safety and wellbeing strategy. In FY19, key programs will include leadership risk-based decision-making, contractor management, threatening situations, manual handling and mental health. Coles will continue to create a culture where health, safety and wellbeing is proactively reported and discussed, while also simplifying processes to drive efficiency and improvements.

Safety performance

33.3 total recordable injury frequency rate



¹ Restated due to the maturation of data

Providing a secure and rewarding workplace for team members

The terms and conditions of employment of more than 89.9 per cent of Coles' team members are set through collective agreements. Coles recognises the right of team members to negotiate either individually or collectively, with or without the involvement of third parties. Coles' collective agreements include provisions for notice periods and provisions for consultation and negotiation. The business also believes in maximising opportunities for flexible work available to its employees.

In 2017, Coles reached agreement with bargaining representatives for a new Store Team Enterprise Bargaining Agreement covering over 80,000 supermarket team members. The 2017 Agreement was approved by 90 per cent of participating team members in a ballot which concluded in February 2018, and was subsequently approved by the Fair Work Commission in April 2018. The 2017 Agreement provides:

- For team members to be paid more than the Award at all times;
- Certainty about future pay increases for each year of the Agreement;
- Protections around take-home pay for existing team members;
- Choice of superannuation fund;
- The right to request increased contract hours or to be made permanent; and
- Access to additional benefits, including a number that are above the Award, such as two days paid Domestic Violence Leave and paid Compassionate Leave of up to five days.



Sourcing ethically, with a focus on human rights

Coles understands that transparently sourcing goods in a responsible and ethical manner is a growing global issue and something our customers demand. Coles uses more than 750 Coles own brand suppliers with over 2,200 sites located in more than 40 countries and acknowledges the importance of safeguarding human rights through ethical business practices through this supply chain.

Coles is committed to ensuring that all workers in its supply chains are treated fairly.

COLES' ETHICAL SOURCING POLICY COVERS A RANGE OF KEY LABOUR INDICATORS, INCLUDING WAGES AND BENEFITS, WORKING HOURS, FREEDOM OF ASSOCIATION, SAFE WORKING CONDITIONS, AND DISCRIMINATION AND FORCED OR BONDED LABOUR, CHILD LABOUR AND ILLEGAL LABOUR.

The Policy applies to all suppliers providing Coles own brand products, fresh produce and meat sold in Coles supermarkets.

Coles takes a risk-based approach to ethical sourcing across all sites that directly supply Coles own brand products, meat and fresh produce. Coles was the first Australian supermarket to adopt the Supplier Ethical Data Exchange (Sedex), a global ethical supply chain management platform, in 2016. To monitor compliance with the Coles Ethical Sourcing Policy, Coles requires all direct supplier sites to register on Sedex and complete a comprehensive risk assessment. The resulting site risk rating drives site audit requirements and approval to supply to Coles.

In FY18, 90 per cent of all direct supplier sites (factories, processing plants, packhouses and direct supplier farms providing Coles own brand, fresh produce and meat products) were registered on Sedex and monitored under the Ethical Sourcing program. This has resulted in Coles having increased visibility of its supplier employment practices and enables the business to proactively monitor ethical sourcing risks and compliance with the Coles Ethical Sourcing Policy.

In FY18, independent ethical audits were conducted at more than 420 supplier sites and Coles worked with suppliers to rectify non-conformances identified during these audits. No critical breaches of the Coles Ethical Sourcing Policy were identified during FY18.

Another key focus in FY18 was to develop supplier capabilities to better manage risk within Coles own brand Australian agricultural and meat processing supply chains. The business also worked with Coles own brand Australian suppliers to support their understanding of the Federal and New South Wales governments' modern slavery bills, and the Queensland, South Australian and Victorian state governments' labour hire licensing legislation.

Sourcing responsibly, with a focus on animal welfare and the environment

COLES UNDERSTANDS THE IMPORTANCE OF HAVING MECHANISMS IN PLACE TO RESPONSIBLY SOURCE COLES OWN BRAND PRODUCTS AND INGREDIENTS IN ORDER TO PROTECT HUMAN RIGHTS, SAFEGUARD ANIMAL WELFARE AND MINIMISE ENVIRONMENTAL IMPACTS.

Certified products and ingredients

Where Coles sources tea, coffee, cocoa and palm oil for Coles own brand, it is committed to using independent and internationally recognised certification programs in order to support ethical practices and environmental protection in these supply chains.

Coles' Palm Oil Policy outlines its commitment to support the production of sustainable palm oil through the use of certified sustainable palm oil and palm derivatives. Coles is a member of the Roundtable of Sustainable Palm Oil and has embraced its principles and criteria for sustainable palm oil production. All Coles own brand food and drink products now contain or support sustainable palm oil through the physical supply chain options of Identity Preserved, Segregated and Mass Balance. Coles is also pursuing sustainable palm oil and palm derivatives in Coles own brand homecare, health, beauty and baby products. While these changes are being made, palm oil in Coles own brand non-food products is offset through PalmTrace certificates which support sustainable palm oil farmers and processes.

Coles utilises independent certification programs in sourcing cocoa, coffee and tea to ensure these commodities are sourced ethically and sustainably, and to help grow a market for independently certified products such as Fairtrade, Rainforest Alliance and UTZ. All Coles own brand loose tea and tea bags are from certified sources, and the business is committed to using certified coffee and cocoa in all Coles own brand coffee, cocoa and chocolate products by 2020.

Coles Sustainable Timber and Paper Products Policy sets out Coles' expectations regarding the use and supply of timber and timber pulp-based paper products for Coles own brand products. Customer receipts at all Coles supermarkets, Coles Express and liquor outlets are certified to the Forest Stewardship Council Standard. Coles has committed to working towards using only timber or paper sourced from sustainable forestry operations independently certified by the Programme for the Endorsement of Forest Certification (PEFC), Forest Stewardship Council (FSC) or recycled fibre by 2020.

Animal welfare

Coles cares about how the food it sells is produced and sourced. The business is committed to working towards a sustainable future that supports local farmers and food producers, while looking after the welfare of animals.

Coles' Animal Welfare Policy, which is based around the five freedoms (freedom from hunger and thirst; from discomfort; from pain, injury or disease; to express normal behaviour; from fear and distress), sets out Coles' expectations regarding the treatment of animals and aquaculture species in the meat, fresh produce and grocery products supply chains for all Coles own brand products. The Policy details Coles' commitment to source animal and aquaculture products from farming operations that have a high standard of animal welfare and, where appropriate, hold animal welfare certification. It also specifies that no Coles own brand products are to be tested on animals.

The Coles Farm Program provides a mechanism for Coles to work with its suppliers to support continuous improvement. Under the Program, species and product specific steering committees have been established. Each year farmers complete a self-assessment identifying challenges and opportunities to be addressed, such as on-farm energy management, animal welfare measures and integrated pest management.

Coles works with the RSPCA Approved Farming Scheme to offer customers a range of humanely farmed Coles own brand products including fresh chicken, free range pork and turkey. The RSPCA Approved Farming Scheme establishes higher welfare standards (beyond legislative requirements) and commercially achievable production standards for pigs, chicken and turkeys. Coles was the first national supermarket to launch RSPCA Approved Coles own brand chicken in 2014, following with other products including turkey.



IN 2014, COLES WAS ALSO THE FIRST AUSTRALIAN SUPERMARKET TO DELIVER ALL COLES OWN BRAND FRESH PORK AS SOW STALL-FREE AND FREE FROM ARTIFICIAL GROWTH PROMOTANTS.

Coles own brand free-range pork is the only RSPCA Approved fresh pork stocked nationally by an Australian supermarket.

All Coles own brand eggs have been cage-free since 2013. They are either barn-laid or free-range. Coles is also working with proprietary egg suppliers to increase production of cage-free eggs.

All Coles own brand beef in the meat departments has been 100 per cent Australian sourced with no added hormones since 2011. Graze, Coles beef speciality range, is 100 per cent Australian, grass-fed, free to roam and with no added hormones.

Coles also understands that the responsible use of antibiotics in agriculture is an important issue for animal and human health. In 2014, Coles was the first Australian supermarket retailer to implement a policy to remove the use of antibiotics for the purposes of promoting growth in livestock and it only allows suppliers to use antibiotics for animal health purposes under veterinary supervision.

Responsibly sourced seafood

Coles understands that well-managed and responsible fishing is essential to maintaining healthy fish populations and habitats, and to ensure the future sustainability of marine ecosystems.

All Coles own brand seafood has been responsibly sourced since 2015. Different programs and certifications ensure potential impacts on marine health and the environment are carefully monitored. All Coles own brand seafood products have Marine Stewardship Council (MSC) or Aquaculture Stewardship Council certification, or meet Coles Responsibly Sourced Seafood criteria.

Coles was awarded the MSC's Best Sustainable Seafood Supermarket in Australia in September 2017.

Promoting health and nutrition

HEALTH AND NUTRITION IS IMPORTANT TO COLES, TO ENCOURAGE HEALTHY COMMUNITIES AND ASSIST CUSTOMERS TO MAKE HEALTHY FOOD CHOICES.

Coles has developed a range of policies that cover salt and sugar reduction, the use of artificial colours and flavours, and nutrition and health labeling for its own brand products. These are supported by strategies and implementation plans.

Coles runs an internal Nutrition Working Group which includes qualified nutritionists, Coles own brand product developers and technologists. The focus of the Working Group is to identify, scope and implement ways of delivering healthier choices across Coles own brand food and drink.

Coles also participates in the Healthy Food Partnership, a Federal Government initiative that includes food industry bodies and public health groups. Coles has a place on the executive committee for the partnership, overseeing the solutions put forward by the five working groups.

A focus on sugar and salt reduction initiatives will continue to improve the nutritional profile of products across Coles own brand range. Artificial additives are also being assessed with 30 artificial colours already removed from Coles own brand products, and plans to remove artificial colours and flavours from all own branded products by early 2019.

Coles also supports the Health Star Rating, a Federal Government front-of-pack labelling program aimed at assisting customers to make healthier choices when buying packaged foods. Health Star Ratings are currently displayed on over 1,633 Coles own brand products.

Coles is committed to promoting health and wellbeing in the community and during FY18 implemented a partnership with Little Athletics Australia and Athletics Australia. The partnership provides support and resources to athletic centres around the nation.

MORE THAN 7,000 SCHOOLS ACROSS AUSTRALIA PARTICIPATED IN COLES' SPORTS FOR SCHOOLS PROGRAM IN FY18 BY COLLECTING OVER 200 MILLION VOUCHERS FROM COLES SUPERMARKETS. AS A RESULT, COLES WILL GIVE AWAY MORE THAN \$10 MILLION WORTH OF SPORTING EQUIPMENT.

Ensuring quality, safe products

Coles is committed to providing its customers with safe, high quality Coles own brand products.

Coles' range of own brand products comprises Coles Brand (which includes grocery, non-grocery, fresh produce, meat, deli and dairy), Coles Finest and Mix apparel.

IN FY18, COLES OWN BRAND PRODUCTS WERE RECOGNISED WITH 168 AWARDS.

All Coles own brand suppliers use a web-based product and supplier database, Fusion, which allows for product traceability and strict adherence to quality compliance standards such as declarable allergens, certifications and nutritional information.

Coles' Manufacturing Supplier Standards for food were updated and then relaunched to Coles own brand suppliers in FY18. These standards cover product safety and quality, packaging and all claims, such as animal welfare and sustainability. They are based on world's best practice and go beyond Australian regulatory standards.

ALL FACTORIES SUPPLYING COLES BRAND PRODUCTS ARE REGULARLY AUDITED TO CONFIRM COMPLIANCE TO PRODUCT SAFETY AND QUALITY STANDARDS.

During FY18, Coles rigorous supplier testing program for Coles own brand completed more than 49,000 checks covering allergens, imported food, residue, organic products, authenticity and microbiology. Coles also performed quality checks on more than 5,000 products in FY18 and conducted more than 130,000 arrival checks at its fresh produce distribution centres and 38,000 checks for chilled products.

During FY18, four Coles own brand products were recalled due to undeclared allergens (two separate recalls), microbial contamination and possible foreign matter. Coles issued public communications and worked with regulators and its suppliers to mitigate any issues and make improvements and changes to reflect its commitment to provide safe and quality products.



Responsible Service of Alcohol

Coles Liquor is committed to the Responsible Service of Alcohol (RSA) and to serving the community responsibly.

Coles Liquor is a signatory to the Alcohol Beverage Advertising Code (ABAC) which requires that advertisements, communications and product labelling include messages promoting responsible alcohol consumption. It continues to partner with DrinkWise an industry-led, not-for-profit organisation promoting a healthier and safer drinking culture in Australia.

Coles Liquor participates in more than 183 Liquor Accords nationally and works collaboratively with stakeholders such as the police and regulators to help address alcohol-related harm in the community.

Coles Liquor has strict Liquor Accord participation guidelines in place and has created an online module for store managers to complete to help them understand their responsibilities when it comes to Liquor Accords.

In FY18, Coles Liquor launched RSA online which is an online repository where team members can upload and access their RSA qualification online. RSA online helps mitigate the risk of non-compliance if any team member does not have a physical copy of their RSA qualification with them in store.

Coles Liquor regularly reinforces its key RSA obligations through various programs and communication updates. In FY18, Coles Liquor has:

- Consolidated three RSA online training modules into one “Responsible Liquor Retailing” module (covering ID25 – age identification, unaccompanied minors and secondary supply). Within the module, store managers can use the gamified ID25 learning check as an ongoing coaching tool;
- Updated and re-launched the Licensing and Safe Trading Booklet, which is a key reference document to help team members understand and comply with liquor laws;
- Re-launched ID25 with a move to “Check It Don’t Guess It!” the re-launch includes a range of education and support tools for team members to strengthen compliance including RSA-related cartoons in store planners;
- Supported stores in managing schoolies week by providing additional signage and communication materials in popular school leavers’ holiday locations; and
- Supported the Northern Territory stores with the introduction of the Banned Drinker Register (BDR) by providing training, signage and other communication materials.
- Coles Liquor’s Indigenous engagement activities continued to build on the strong foundations of previous years.

INDIGENOUS EMPLOYMENT ACROSS THE LIQUOR GROUP INCREASED 17 PER CENT IN FY18, WITH MORE THAN THREE PER CENT OF ALL LIQUOR TEAM MEMBERS IDENTIFYING AS ABORIGINAL AND/OR TORRES STRAIT ISLANDER PEOPLE. IN ADDITION, COLES LIQUOR HAS 12 INDIGENOUS STORE MANAGERS.

Liquor team members across the country again undertook cultural diversity training with sessions delivered in Adelaide, Broome, Darwin, Kwinana, Palmerston and Perth. Local Indigenous community initiatives were also supported throughout the year including in Cairns, Kalgoorlie and South Hedland.

During FY18, Liquorland introduced a support program for team members working in remote and rural locations with large Indigenous populations. The program provides increased cultural understanding for team members and assistance to build stronger relationships with local community organisations.

For information on responsible gaming, click [here](#).

Minimising waste and promoting recycling

In FY18, approximately 73 per cent of Coles total waste was diverted from landfill.

THE BUSINESS IS FOCUSED ON INNOVATING AND IMPROVING DIVERSION AND RECYCLING PROGRAMS, PLEDGING TO DIVERT 90 PER CENT OF ALL SUPERMARKET WASTE FROM LANDFILL BY 2022.

Food waste

In June 2018, Coles publicly committed to:

- Halve food waste in Coles supermarkets by 2020;
- Connect all Coles supermarkets with a food rescue organisation by the end of 2018;
- Provide 100 million meals to Australians in need by 2020; and
- Work with suppliers to reduce food waste.

The majority of Coles supermarkets and distribution centres already donate edible, unsold grocery, fresh produce, meat, dairy and bakery items to food rescue organisations in communities across Australia.

Through Coles national partnership with SecondBite, more than 31 million kilograms of unsold edible food, equating to 63 million meals,¹ has been donated between 2011 and 30 June 2018. Between 2010 and 30 June 2018, Coles donated the equivalent of more than 17 million meals to Foodbank.²

In FY18, Coles provided more than nine million kilograms of unsold edible food to SecondBite, equating to more than 18 million meals. The business also provided 1.2 million kilograms of unsold edible food to Foodbank, the equivalent of 2.2 million meals.

At the end of FY18, 672 Coles supermarkets were connected with SecondBite, with unsold edible food being directed to 1,300 community organisations.

Some organic waste that cannot be directed to food rescue is sent to anaerobic digestion plants in Western Australia and New South Wales where it is converted into clean energy and certified compost.

Coles is also working with suppliers to reduce their food waste by redirecting produce that cannot be sold to other value-added products.

Soft plastic recycling

In conjunction with REDcycle, Coles runs the largest retailer operated soft plastic recycling program of its type in Australia where customers can recycle plastic bags as well as wide range of other soft plastic packaging that cannot be recycled through most household kerbside recycling services. In FY18, Coles helped customers recycle around 693,000 kilograms of soft plastic that would otherwise have gone to landfill.

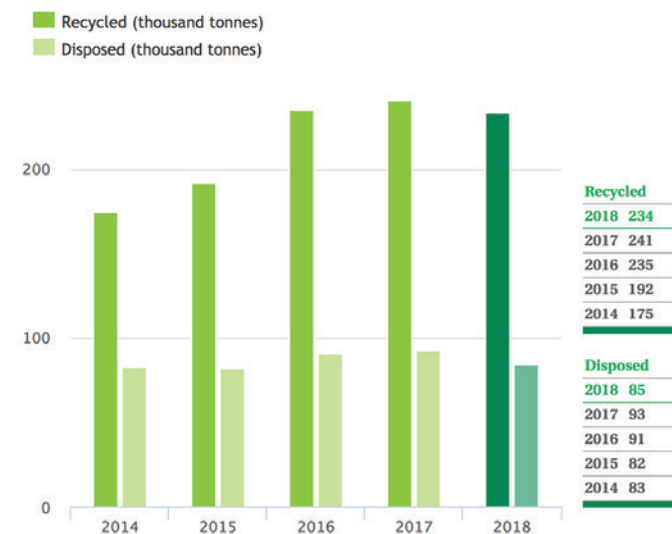
In 2018, Coles was able to offer REDcycle recycling bins for soft plastics at all Coles supermarkets.

- 1 SecondBite uses the conversion of total kilograms donated divided by half to determine equivalent meals.
- 2 Foodbank uses the conversion of total kilograms donated divided by half to determine equivalent meals.

COLES

Waste

319 tonnes '000



Championing sustainable packaging

While packaging plays a key role in maintaining food safety, supporting product longevity and reducing food waste, Coles is also committed to reducing its impact on the environment. In June 2018, Coles committed to a number of packaging initiatives including:

- All Coles own brand packaging will be recyclable by 2020;
- More recycled content will be included in Coles own brand packaging;
- Excess packaging will be reduced across stores and the supply chain;
- Soft plastic recycling options will be available in all Coles supermarkets; and
- New labelling promoting recycling will be introduced.

These commitments reflect the Coles Sustainable Packaging Policy and will be implemented through a packaging steering committee and specific working groups across the business.

Consumer packaging

Coles will also introduce the Australasian Recycling Label (ARL) launched by the Australian Packaging Covenant Organisation, PlanetArk and PREP Design. The ARL uses a nationally consistent packaging assessment tool to determine the appropriate recycling label for different packaging components. In calendar year 2017, while the majority of Coles own brand products had recyclable packaging, less than 20 per cent carried recycling information.

In FY19, Coles will introduce a program to reduce and optimise fresh produce packaging. While some packaging is required for transport, to support product longevity and reduce food waste, Coles acknowledges there are areas where packaging can be reduced. By the end of 2018, plastic packaging will be removed from all Coles own brand bananas.

During FY18, Coles also announced the roll out Plantic™ packaging for a wide range of Coles own brand fresh meat products. The packaging is both recyclable and made entirely from a combination of recycled and renewable materials. Plantic's™ trays are made from recycled PET (rPET) with a thin layer of Plantic's™ renewable barrier material, made from corn starch, which helps keeps the meat fresh. During the recycling process, the thin starch layer washes away, allowing the rPET tray to be recycled. Coles has used a previous version of Plantic™ for Coles own brand fresh beef mince, pork mince and lamb mince since 2014. The previous version was recyclable but not made of 100 per cent recyclable or renewable product.

Since 2014, Coles own brand still water has been packaged in bottles made of 100 per cent recycled content and in FY18 it introduced new heavy-duty reusable carry bags made from 80 per cent recycled content and which are also recyclable. Coles also plans to introduce fresh produce bags in 2018 made from 30 per cent recycled content that can also be recycled in-store through REDcycle. Coles will continue to look for other opportunities to include recycled content in Coles own brand product packaging.

In-store plastic and cardboard

On 1 July 2018, Coles removed single-use plastic shopping bags across all its businesses. The move brought stores in Queensland, New South Wales, Victoria and Western Australia in line with Tasmania, South Australia, the Northern Territory and the ACT, where Coles already complied with legislated bans on single-use bags. Coles introduced a range of reusable bags including an entry level bag made from 80 per cent recycled content, and a range of reusable community bags, designed by Australian school children, that support community organisations.

COMMENCING IN JUNE 2018, COLES SUPERMARKETS BEGAN INTRODUCING NEW FIXTURES FOR THE ENDS OF SOME AISLES IN OVER 600 STORES.

The new metal ends will replace cardboard ends currently supplied by branded product suppliers and are expected to result in a reduction of 3,500 tonnes of cardboard per year. The program is expected to be completed in September 2018.

Transport packaging

Coles has replaced some corrugated cardboard, waxed cardboard and expanded polystyrene boxes with reusable plastic crates across its supply chain. At the end of FY18, it had six million reusable plastic crates in circulation with over 400 suppliers being used for fruit, vegetables, poultry, red meat and pre-packaged salads. In addition to removing cardboard, waxed cardboard and expanded polystyrene from the supply chain, these crates help to reduce product damage which cuts down on food waste. Coles plans to introduce additional reusable plastic crates in collaboration with more suppliers in FY19.

Using energy efficiently and reducing greenhouse emissions

Coles recognises that investing in energy efficiency initiatives helps to minimise its environmental impact while also reducing costs. Most of the energy used in supermarkets is for refrigeration, lighting, cooling and heating.

IN FY18, COLES INVESTED \$25.4 MILLION IN ENERGY EFFICIENCY PROJECTS.

This included replacing lights with LED, installing solar photovoltaic systems and improving refrigeration and air-conditioning systems.

Coles began its LED replacement program in 2012 and plans to complete it in FY19, when every light in every supermarket will be LED.

In FY18, the business installed solar panels on 20 supermarkets taking the total number of supermarkets with solar to 26. This investment will continue with plans in development for further installations on existing supermarkets and solar now on the design blueprint for new stores.

Coles increased its number of supermarkets by eight and liquor and convenience stores by 25 over the reporting period. While the total floor area increased by 1.6 per cent, Coles electricity consumption decreased by one per cent compared with the previous year.

COLES

Greenhouse gas emissions

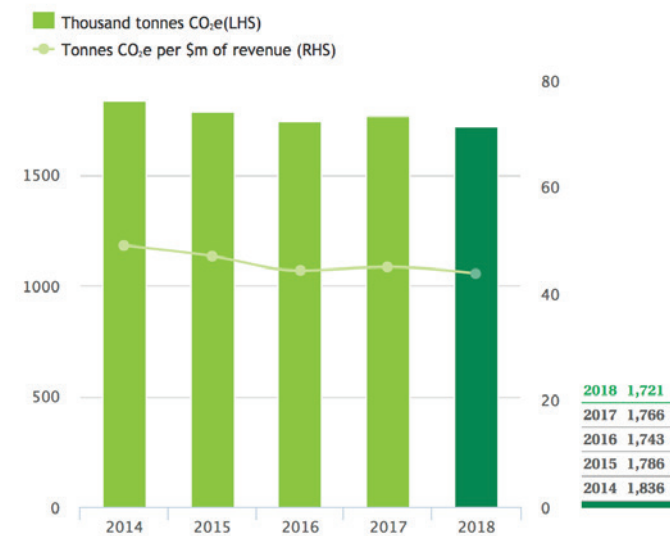
While growing its store network, Coles' carbon emissions have continued to decline over the past ten years due to energy-efficiency initiatives and a focus on reducing emissions from refrigerant gases.

To reduce refrigerant gases, Coles is continuing a refrigeration pipe replacement program, transitioning to lower global warming potential (GWP) refrigerants, piloting zero GWP refrigeration plants and investing in leak-detection technology and a leak-detection team.

Since 2009, Coles reduced its greenhouse emissions by more than 30 per cent, meeting its 2020 target for emissions reduction four years early in 2016. In FY18, greenhouse gas emissions decreased by 2.5% compared with the previous year.

Greenhouse gas emissions

1,721 Tonnes CO₂e: '000



2018/19 priorities

During the next year Coles will continue to focus on its key sustainability initiatives.

This will see significant efforts around packaging and waste as the business works towards achieving the commitments launched in June 2018. These include:

- Diverting 90 per cent of supermarket waste from landfill by 2022;
- Halving food waste in Coles supermarkets by 2020;
- Donating unsold edible food from every Coles supermarket in Australia;
- Providing the equivalent of 100 million meals by 2020 to Australians in need by donating unsold, edible food;
- Working with suppliers to reduce food waste;
- Having all Coles Brand packaging recyclable by 2020;
- Increasing recycled material in Coles brand packaging;
- Introducing new labelling to promote recycling;
- Providing in-store soft plastic recycling options in every Coles supermarket; and
- Reducing excess packaging across stores and the supply chain.



ENVIRONMENT

Officeworks continues its focus on recycling



SOURCING

Officeworks works with suppliers to improve working conditions



ENVIRONMENT

Kmart and Target commit to sourcing more sustainable cotton



ENVIRONMENT

Workwear diverts 400,000 garments from landfill



PEOPLE

Target your Mind: Target's mental health program



PEOPLE

Officeworks develops a safety first framework



COMMUNITY

Coles partners with Little Athletics



Kmart team member Scott Murray.

Kmart operates in the clothing and general merchandise retail sector, both locally and internationally. It was established in 1969, with the opening of its first store in Burwood, Victoria. The Kmart mission is to be a great place to shop, where families come first for the lowest prices on everyday items.

Kmart operates in 228 stores throughout Australia and New Zealand and employs around 34,000 team members. Kmart Tyre and Auto Service has 256 centres in Australia, providing customers with retail automotive services, repairs and tyres. On the 14th of August 2018 Wesfarmers announced the agreement to sell Kmart Tyre and Auto Service.

Kmart sources from both local and international suppliers, which manufacture in countries including China, Bangladesh, India, Indonesia and Cambodia. Kmart has product-sourcing offices located in Hong Kong, China, Bangladesh, India and Indonesia.

Kmart focused on the following material issues during the year:

- Employee health and safety
- Product quality and safety
- Diversity and inclusion
- Community investment
- Energy efficiency
- Reducing waste
- Ethical sourcing
- Sourcing sustainable materials

Enhancing the health and safety of our team

Kmart is committed to improving the health and safety of team members.

KMART'S TOTAL RECORDABLE INJURY FREQUENCY RATE (TRIFR) WAS 22.5, A 9.8 PER CENT REDUCTION ON THE PREVIOUS FINANCIAL YEAR.

Its Lost Time Injury Frequency Rate (LTIFR) was 4.8, a 22.3 per cent decrease on last year. Kmart introduced a new governance model to help target opportunities for improvement and increase supervision and monitoring through zone manager safety health checks. Accountability has been increased through a combination of leading and lagging performance metrics and auditing.

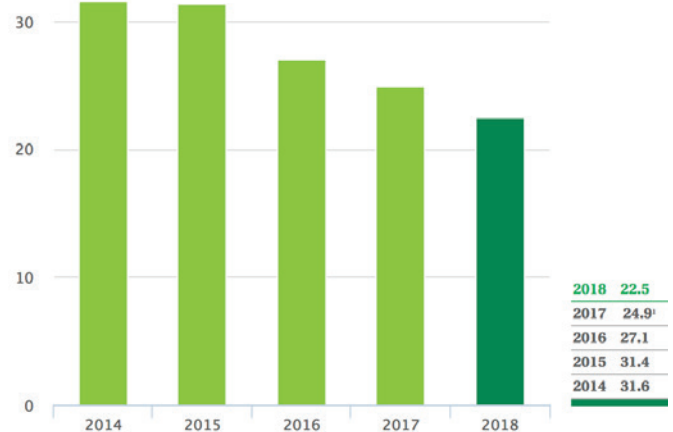
The increased level of supervision, communication and monitoring led to improvements in behaviour. For example, medical treatments resulting from box-cutter usage reduced significantly during the year.

Key strategic priorities for 2019 include the launch of a new health and safety service model. This will consist of a health and safety intranet portal health and safety support line for managers, as well as safety training for executives and senior leaders. The new service model will be supported by a companywide functional risk management program to assist with improving capability and ownership.

Safety performance

22.5 total recordable injury frequency rate

■ TRIFR is the number of lost time and medical treatment injuries per million hours worked



¹ Restated due to the maturation of data



Ensuring the safety and quality of our products

Kmart customers expect that the products they buy are safe and consistent in quality. Accordingly, Kmart remains committed to meeting all product safety and compliance obligations, whilst also striving for continuous improvement in product durability and performance.

In the past year, Kmart continued its drive for improvement in the quality consistency, safety and performance of its products through a number of quality-focused activities, including:

- Continuing to shift the reliance of quality inspections away from post-production final inspections to pre-production meetings and during-production inspections to assist in identifying quality improvements earlier in the manufacturing process.
- Commencing formal in-store audits to survey the quality of goods being sold to customers.
- Increasing levels of pro-active engagement with regulators in Australia and New Zealand to build constructive relationships and regulator trust in Kmart safety and compliance frameworks.
- A customer-focused project to measure consumer confidence and perception in quality consistency and trust in Kmart apparel sizing. The results of this project are being used to focus on aspects of quality that matter most to customers, including an extensive review of Kmart’s womenswear sizing standards.
- Extensive inspection quality calibration program for Kmart Asia Sourcing teams, suppliers certified to conduct final inspections and endorsed third party providers of inspection services, to ensure consistent interpretation and application of Kmart quality standards.

Diverse teams and an inclusive place to work and shop

Kmart recognises that a diverse and inclusive place to work and shop will enable the business to build strong connections with team members and customers and will allow us to innovate and make better business decisions. Kmart’s gender balance in leadership roles increased from 41.5 per cent for women last year to 43.2 per cent for women this year. The increase was a result of enhanced leadership team focus, explicit targets and quarterly reporting of progress across all functions combined with an increased focus across the Store Operations network.

Employment of team members in Australia with Indigenous backgrounds increased from 1.3 per cent last year to 1.7 per cent this financial year. Twelve focus stores continued to be supported in relation to employment and community engagement and all new stores were given an employment target that reflected the percentage of Indigenous people in their community. The focus stores are following a tailored program that includes cultural awareness training, employment through our partner the Clontarf Foundation, community engagement, and an Acknowledgement of Country plaque displayed at the store to assist with employment and retention of team members with Indigenous backgrounds.

Equally important is how Aboriginal and Torres Strait Islander customers feel about shopping in our stores. Kmart engaged creative agency, Gilimbaa, to help develop a piece of Indigenous artwork from a national perspective that could express Kmart’s acknowledgement and celebration of Indigenous culture, peoples and connection to communities. Rachael Sarra is the Indigenous artist who has created this beautiful artwork titled, Ignite the Wonder. The artwork has been installed at four stores and will be installed at four other stores next year.

THE EMPLOYMENT OF PEOPLE WITH (DIS) ABILITIES* REMAINED A FOCUS FOR KMART THIS YEAR, RESULTING IN AN ADDITIONAL 60 PEOPLE WITH DISABILITY BEING EMPLOYED ACROSS STORES IN AUSTRALIA.

This was achieved by providing workplace adjustments and utilising a job dictionary that is used to match a candidate’s abilities with the inherent requirements of a role in store. A strong focus is placed on ensuring that team members can perform work safely in our stores and the employment offered is meaningful and sustainable.

*Kmart’s employment program places a strong emphasis on ability not disability.

Contributing to the community

From its earliest days, Kmart has been close to the communities in which it operates and on whose support it depends. This year marked the 30th year for The Kmart Wishing Tree Appeal with a focus on the tradition of giving. The Appeal continued to support The Salvation Army in Australia and New Zealand so they could assist families and individuals needing help at Christmas as well as other times of the year. Over 340,000 gifts were collected and \$360,000 raised across Australia and New Zealand.

New Christmas trees were supplied to the wards and corridors of The Royal Children’s Hospital Melbourne with over 90 Kmart team members, friends and family joining the hospital’s Pied Piper volunteers for the sixth year in celebration.

KMART CONTINUED WITH ITS COMMUNITY VISION; TO SUPPORT THE MENTAL AND PHYSICAL WELLBEING OF YOUNG PEOPLE THROUGH THE COIN COLLECTION APPEAL. HEADSPACE AND THE REACH FOUNDATION WERE THE BENEFICIARIES WITH OVER \$180,000 RAISED THROUGH THE PROGRAM.

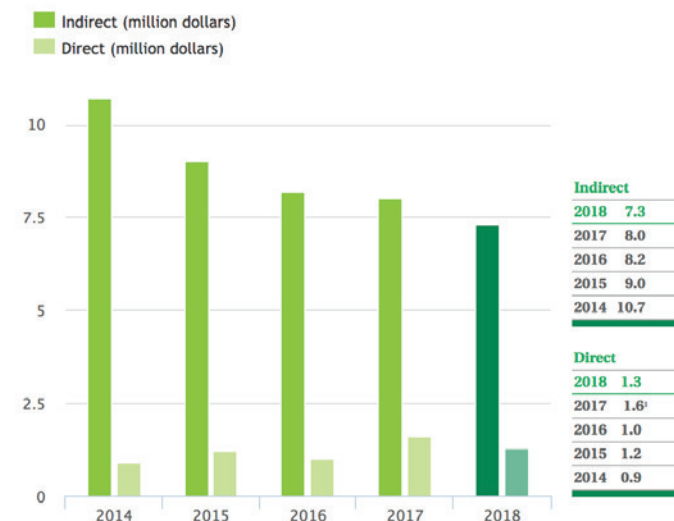
Through Kmart’s sponsorship of NBL Gametime, over 350 primary schools participated in a basketball clinic encouraging active healthy living and team sports. Next season expansion of Kmart’s association with sport and the wellbeing of young people will be further developed.

Kmart stores supported their local communities with nearly \$120,000 being provided in gift cards and goods for grassroots community groups, schools and charities.

Internationally, Kmart continued to support the work of OneSky in China and the Salaam Baalak Trust Foundation in India.

Community contributions

8.6 \$m



¹ Methodology for estimating the value of goods donated by Kmart was updated to align more accurately with St Vincent de Paul’s measurement of similar corporate donations, resulting in a significant increase.



Maximising our energy efficiency

Kmart continues to improve its energy and carbon performance recognising that energy efficiency is not only an important means of minimising greenhouse emissions and conserving natural resources, but also the source of significant cost savings.

ONGOING MANAGEMENT AND INVESTMENT IN EFFICIENCY UPGRADES HAS DELIVERED YEAR-ON-YEAR REDUCTIONS IN ELECTRICITY USE OF 5 PER CENT AND 3.3 PER CENT REDUCTION IN CARBON USE PER METRE ACROSS ALL STORES.

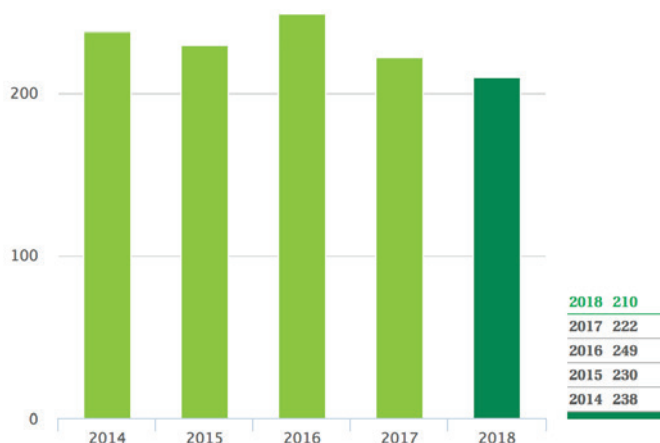
Key activities this year included:

- Replacement of 86,000 inefficient fluorescent tubes with LED at 46 stores.
- Identification and management of energy events/issues via our Energy Centre.
- Proactive management and modification of building control systems.
- Benchmarking store energy use to identify and prioritise improvement opportunities.
- Development of a three-year energy and carbon reduction plan.
- Installing electricity meters at seven existing stores to improve visibility of use and demand.
- Working with landlords to access meter data and improved electricity rates in existing and all new developments.

Greenhouse gas emissions

210 CO₂e: '000

■ Thousand tonnes CO₂e: '000 (LHS)



Kmart has set a target to improve its stores' energy efficiency by 20 per cent by the end of 2020 against a 2015 base. It is well on track to achieve this target, with stores now using 15 per cent less electricity and generating 20 per cent less carbon per metre of sales floor area.

Kmart is committed to continuing the demand, cost and carbon management activities of its Energy Centre with further investments in building controls, lighting upgrades and peak demand management over the coming year.

Minimising our waste

Minimising waste remains a significant challenge for businesses in the Australian retail sector and Kmart is committed to play its part through its ongoing efforts to reduce, reuse and recycle.

Single use plastic shopping bags

Kmart has committed to remove single use plastic shopping bags from all stores nationally by early 2019. This year saw the development of new reusable, entry level plastic bags, made with 80 per cent recycled material, which will be implemented in all states starting with Western Australia and Queensland from 1 July 2018. To encourage customers to change their behaviour and reuse bags when shopping, Kmart is charging 15 cents for medium-sized entry level reusable bags and 30 cents for a larger version. These changes along with instore marketing and team member training aim to reduce the number of plastic shopping bags being issued to customers by 80 per cent within four years.

Waste diversion

Kmart has worked closely with its sister company, Target, to undertake a detailed investigation of its waste and recycling systems, processes and infrastructure. This has included detailed waste and infrastructure audits of 50 stores and Distribution Centres. The findings of this investigation will be used to support key recommendations and actions in future waste diversion programs. Ahead of these changes, a review of existing waste and recycling contractors was completed with a number of changes made to service provider contracts to ensure they support increased diversion of waste going to landfill. Additionally, a waste audit and pilot waste diversion program has been undertaken at our corporate head office in Melbourne with key learnings and recommendations expected to be implemented in the following twelve months.

During the year, Kmart met all its regulatory obligations under the National Television and Computer Recycling Scheme Product Stewardship Agreement by its membership of an approved co-regulatory arrangement via MRI PSO Pty Ltd. Under this arrangement, Kmart funded the re-collection and recycling of 19,049 kilograms of complying e-waste items including televisions, computers and peripheral devices.

Secondary and tertiary packaging

Kmart increased its focus this year on packaging reduction through its overseas supply chain initiative. This has included a focus on reducing or eliminating all forms of cardboard packaging and replacing it with reusable PVC bags for certain merchandise categories. The initiative was implemented at 110 sites during the year and is now operating in 95 per cent of apparel suppliers. Benefits delivered during the year include a reduction of 10.2 million cartons. Based on results from our pilot, this translates into a 75 per cent reduction in cardboard. Building on this experience, Kmart aims to continue to reduce packaging as it moves into further categories including general merchandise items.

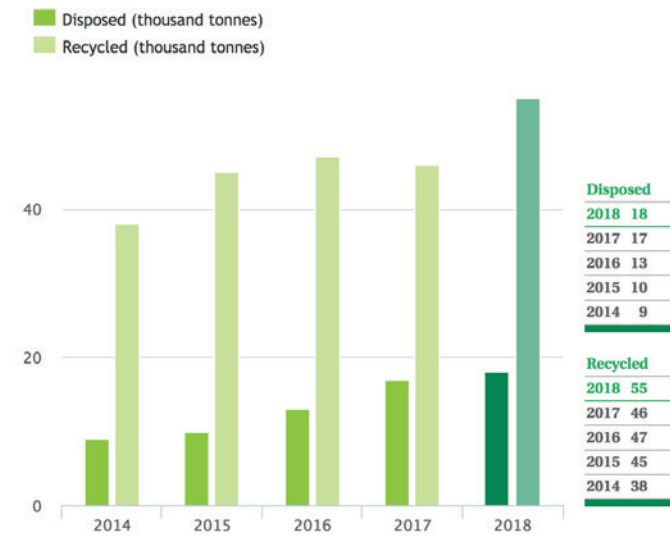
Australian Packaging Covenant and 2025 target

Kmart is a proud member of the Australian Packaging Covenant Organisation (APCO). This year, Kmart used APCO's newly created Annual Reporting Tool to review progress of Kmart's packaging programs. Through this process, Kmart has identified a number of opportunities for improvement and has developed an action plan in response to the target set in April 2018 by Australia's Environment Ministers to make 100 per cent of packaging in Australia reusable, recyclable or compostable by 2025.



Waste

73 tonnes '000



Ethical sourcing of our products and services

KMART ACKNOWLEDGES ITS RESPONSIBILITY TO RESPECT HUMAN RIGHTS AND PROMOTE ENVIRONMENTAL SUSTAINABILITY WITHIN ITS SUPPLY CHAIN.

It is committed to ensuring that the workers who produce its products and services are treated with dignity and respect and can live and work in a safe and healthy environment.

During this year, Target and Kmart continued their efforts to strengthen the combined Kmart and Target Ethical Sourcing (ES) Program, which was first established in 2017. Milestones achieved this year included:

- Strengthening the environmental criteria within the ES audit checklist.
- Development of a Department Stores Standard Operating Procedure to support the program.
- Agreement on a uniform ES program scope across Kmart and Target goods for resale.
- Development of a strengthened ES approach across Kmart and Target for goods and services not for resale.

In addition, the Kmart and Target ES Governance Committee approved a three-year ES program roadmap. The road map identified six strategic areas and associated tasks to be actioned over the next three years. This will transition the program from an audit and compliance approach to a model with more focus on factory capacity building (e.g. training), supplier compliance ownership (e.g. factory ES program) and industry partnerships.

Kmart officially joined the ILO/IFC Better Work Program as a buyer partner last year. The Better Work program aims to make sustainable improvements in working conditions within the garment industry and make the sector more competitive overall. At the end of this year, 45 out of 60 eligible factories had been engaged in the Better Work program. Kmart aims to have transitioned all eligible apparel factories in Bangladesh, Cambodia and Indonesia to the program by the end of next year. Kmart's ES team will work in partnership with the Better Work program on long-term improvement plans for factories. No critical issues have yet been identified to date.

At the conclusion of this year, Kmart had 866 active factories within its ethical sourcing audit program. The Kmart audit program and ongoing monitoring efforts identified eight critical breaches of the Kmart and Target Ethical Sourcing Code in the past year. Six of these breaches related to factories subcontracting Kmart production to unauthorised subcontractors, and two breaches related to factories offering bribes to a Kmart team member or third-party auditor. All eight factories will be deregistered after last shipment (meaning no further orders can be placed).

2018/19 priorities

- Health and safety: The launch of a new Kmart health and safety service model.
- Product quality and safety: Focus on building a risk-based model which facilitates early identification of product-based hazards/risks and adopting risk mitigation strategies.
- Diversity and inclusion: Focus on improving the retention of team members with Indigenous backgrounds and on ensuring we have gender balance in leadership roles. Furthermore, the targeted employment program for team members with disability will be implemented in Western Australia and South Australia.
- Communities: Expand on our community partnerships and activities to have greater impact on the mental and physical wellbeing of young people.
- Energy: Further investments in building controls, lighting upgrades and peak demand management to cut energy use.
- Waste: Continue implementing Kmart's national ban on single use plastic shopping bags. Additionally, use the data and learnings from the Kmart waste audits to commence implementing changes to Kmart's waste management, diversion and recycling practices and systems.
- Ethical sourcing: Rollout of key initiatives identified in the three-year ethical sourcing program road map.
- Sustainable materials: Make further progress towards meeting Kmart's sustainable cotton commitment.

Sourcing sustainable materials

As part of its commitment to use natural resources responsibly, in the past year Kmart continued implementation of its sustainable materials roadmap.

IN MARCH 2017, KMART SET A TARGET TO SOURCE 100 PER CENT OF COCOA SUSTAINABLY BY 1 JULY 2019.

Building on this commitment, the first chocolate products marked with the UTZ sustainable cocoa certification hit the shelf at Easter in 2018.

In July 2017, Kmart set a new target to source 100 per cent of cotton fabric sustainably for its clothing, towel and bedding ranges by 1 July 2020¹.

¹ Excludes footwear and clothing accessories.

The scope of Kmart's commitment has been reduced since the launch of the project due to challenges identified with sourcing sustainable cotton for products with very small amounts of cotton.

TARGET



Target team member Erica Calleja.

Target is a department store supported by a strong brand heritage and characterised by quality, fashion and basics at the best prices. It operates in the clothing, homewares and general merchandise retail sector, both locally and internationally. Its objective is to provide quality and fashion at the best prices.

Target operates a national network of 303 retail stores as well as online. Target employs more than 13,000 team members across its stores, support offices and direct sourcing operations. It sources from both local and international suppliers who manufacture in countries including China, Bangladesh, India, Vietnam, Indonesia and Cambodia. Target has product sourcing offices located in Hong Kong, China, and Bangladesh.

Target focused on the following material issues during the year:

- Safety, security, health and wellbeing of our team members and customers
- Ensuring the safety and quality of our products
- Embracing a diverse and inclusive culture, and developing careers
- Investing in our communities
- Maximising our energy efficiency
- Minimising our waste
- Ethical sourcing of our products and services
- Sourcing sustainable materials

Safety, security, health and wellbeing of our team members and customers

Target believes that the safety, security, health and wellbeing of its team members and customers are paramount.

Safety

Target had its safest year in its history, recording the lowest ever injury frequency rates and number of injury claims.

TARGET'S TOTAL RECORDABLE INJURY FREQUENCY RATE (TRIFR) WAS 19.4, A 30.1 PER CENT REDUCTION ON THE PREVIOUS FINANCIAL YEAR.

Its Lost Time Injury Frequency Rate (LTIFR) was 3.0, a 2.8 per cent reduction on last year. As a result of this positive performance, new claims reduced by 12.0 per cent on the previous year and Target recorded a reduction of \$900,000 in its workers compensation premium. Positive Performance Indicators, such as Safety Training Compliance, Near Miss Incidents and Safety Audit results, were above set targets for the year.

This consistent trend of improvement can be attributed to greater ownership and accountability of management of safety and continued improvements in inventory management, stock flow and hazard management.

Key safety projects delivered for the year included the provision of due diligence training for the Senior Leadership Team, Target Asia Sourcing safety program and maturation of Supply Chain Safety Management Processes. The focus for this coming year is to implement Safety Leadership Training for operational managers and improvements to the hazard reduction program to further improve Target's safety performance.

Security

Incident reports where members of the public have potentially threatened the personal safety of team members through verbal or physical threats increased during the past financial year. An element of this increase was attributed to improved incident reporting. A project group has commenced representing key functional areas to develop further risk controls and awareness to assist proactively, prevent or minimise the impact of threatening situation incidents.

Health and wellbeing

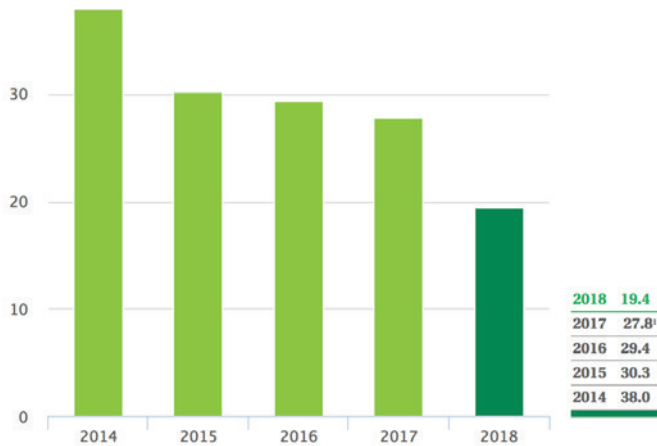
Last year saw the launch of the wellbeing program "Target your Health" comprising of "Target your Body" and "Target your Mind". After a business wide health survey was conducted, Target initiated an all-encompassing health campaign focusing on areas of need arising from the survey. Target your Body focuses on promotion and engagement of our teams across Australia and Asia in monthly health pulse topics ranging from preventative health screening to financial wellness. Target your Mind is a progressive mental health initiative aimed at creating a mentally healthy workplace via education and provision of a toolkit to maximise the psychological wellbeing of all team members.



Safety Performance

19.4 total recordable injury frequency rate

■ TRIFR is the number of lost time and medical treatment injuries per million hours worked



¹ Restated due to the maturation of data.

Ensuring the safety and quality of our products

Target is committed to delivering safe, quality products to its customers by ensuring its products are of the highest safety standards, comply with applicable legal requirements, and meet customer quality expectations.

Major activities undertaken this year included:

- Formalised a new Target customer feedback root cause analysis process, with the release in March 2018 of a Standard Operating Procedure.
- Implemented a new customer quality report (CQR) to better capture customer feedback at store level. It includes high priority feedback, low priority feedback and a faulty merchandise report (for product delivered to store in an unsaleable condition).
- Introduced a new strict button battery policy, aimed at battery avoidance and safety, to address ongoing customer concern around the dangers associated with button batteries and the ease of accessibility to young children. 98 per cent of Button Batteries have been removed from Target products and we continue to influence other brands to also remove Button Batteries.
- Updated the Target metal contamination policy to include a penalty system and unannounced audits. Relevant training has been given to internal team members and suppliers on the new policy.
- Launched a new supplier scorecard based on key quality and safety performance and compliance measures.
- Introduced measure to achieve full compliance with the Best Practice Guide for Furniture and Television Tip-Over Prevention prepared by the National Retailers Association. Target Product Safety and Quality manuals will be updated to reflect the new industry strategy and Target expects to be fully compliant within the next six months.

Embracing a diverse and inclusive culture, and developing careers

Target recognises that embracing a diverse and inclusive culture, in which team members can learn and develop and our customers can shop, is critical to its long-term success.

Diversity

This year, the percentage of women in leadership roles increased from 42.4 per cent to 42.9 per cent, while employment of Indigenous people increased from 1.1 per cent of total workforce to 1.2 per cent. In addition, the first Women in Leadership forum was launched for store operations, which aims to focus on building gender diversity initiatives for the store network. Target's commitment to diversity and creating an inclusive culture also extends to its product marketing.

Learning and Development

The focus for the learning and development team in 2018 has been to build on the successful programs of last year and expand into other functions. Two major pieces of development work have been undertaken. Firstly, the upgrade of Target's Learning Management System, Sumtotal, will enable all team members to access online learning modules from their mobile device. For the first time, the Target Australia Sourcing Offices in Asia will now be able to utilise this system. Secondly, the development of online customer service assistant training, which will include over 20 modules, is designed to upskill team member's knowledge in our products, systems and processes.

Other initiatives included:

- Target continued the Target Leaders Program for potential regional managers with 15 participants attending.
- The launch of a two-year Trainee Merchandise Development Program, resulting in 15 participants completing a Certificate IV Leadership and Management.
- A Leadership Training Program for the distribution centre management teams.
- The rollout of a change management program across the store network to support the Target store reset and renewal programs.

Engagement

Target continued its biannual roadshows across its national stores, distribution centres, and Australian and Asian offices. This continues to be a key engagement forum where the leadership team present Target's progress and priorities and provide an open forum for team members to ask questions and receive clarification and understanding.

A number of pulse surveys were held across the organisation to drive functional engagement initiatives. Target will implement an organisational wide engagement survey in February 2019. In 2018, Target relaunched the Rondel Awards, which is an organisational-wide reward and recognition program based on Target's company values.

Finally, the introduction of the Workjam platform across Target's store network has enabled all store team members to access the latest news, information, rosters and training from their mobile device.



Connecting with our community

TARGET IS PROUD TO BE A PART OF OVER 300 COMMUNITIES ACROSS AUSTRALIA THROUGH OUR STORES IN BOTH METROPOLITAN AND REGIONAL AREAS.

This comes with a responsibility to be active members of our communities wherever possible including supporting local charities and community groups.

Target stores continued to support local communities with \$18,000 through its online donation program.

Alannah & Madeline Foundation's Buddy Bags program remained a key partnership with over \$75,000 being donated through support office or collected through the sale of bags in store. The Foundation cares for children who have experienced or witnessed serious violence and run programs that prevent violence and advocate for children's safety and wellbeing. The Buddy Bags program supports children in emergency accommodation who have often had to leave home quickly because of a threat to their safety.

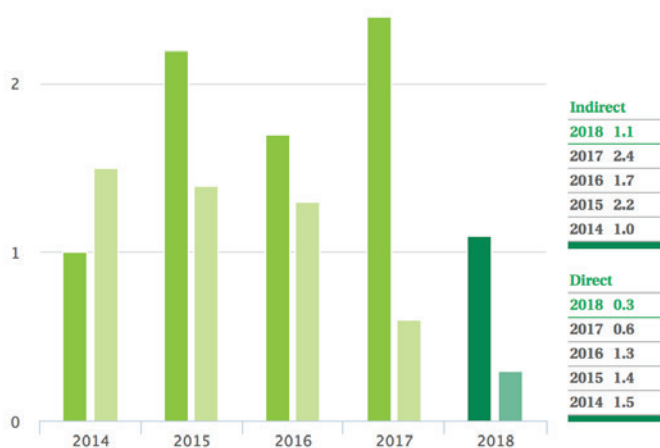
During Christmas, the Target UnitingCare Australia Christmas Appeal continued to support people who need a helping hand during the Christmas period. Over \$675,000 was raised, \$7,000 through online donations and 22,597 gifts collected around Australia.

Throughout the year, Target Store Support Office donated nearly 60 pallets of sample goods to various charities in the Geelong and Melbourne area including Samaritan House Geelong, St Vincent de Pauls and Geelong Mums.

Community contributions

1.4 \$m

■ Indirect (million dollars)
■ Direct (million dollars)



Maximising our energy efficiency

Target continues to look at ways to reduce its carbon footprint and realise cost savings by investing in the reduction of energy consumption across its sites.

ONGOING MANAGEMENT AND INVESTMENT IN EFFICIENCY UPGRADES HAS DELIVERED YEAR-ON-YEAR REDUCTIONS IN ELECTRICITY USE OF 14 PER CENT AND 21 PER CENT REDUCTION IN CARBON USE PER METRE ACROSS ALL STORES OVER THE YEAR.

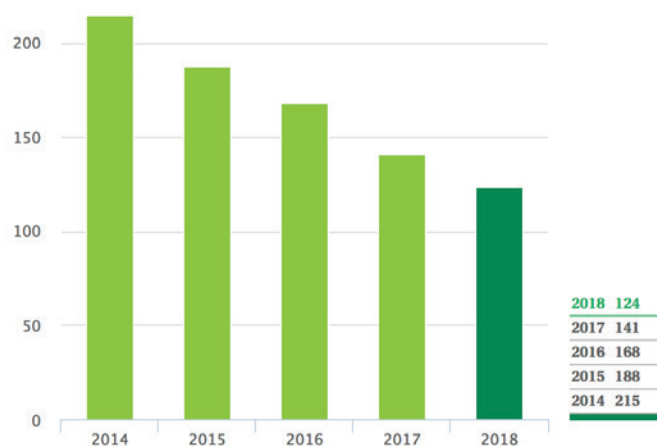
Key activities this year included:

- Replacement of 30,981 inefficient fluorescent tubes with LED at 26 stores.
- Identification and management of energy events/issues via our Energy Centre.
- Proactive management and modification of building control systems.
- Benchmarking store energy use to identify and prioritise improvement opportunities.
- Installing electricity meters at seven existing stores to improve visibility of use and demand.
- Working with landlords to access meter data and improved electricity rates in existing and all new developments.

Greenhouse gas emissions

124 Tonnes CO₂e: '000

■ Thousand tonnes CO₂e: '000 (LHS)



Since Target commenced its energy and carbon program in 2014, stores are now using 31.9 per cent less electricity and generating 36.0 per cent less carbon per metre of store building area.

Target is committed to continuing the demand, cost and carbon management activities of its Energy Centre with further investments in building controls, lighting upgrades and peak demand management over the coming year.



Minimising our waste

THIS PAST YEAR HAS WITNESSED A GROWING UNDERSTANDING WITHIN AUSTRALIA OF THE ENVIRONMENTAL AND ECONOMIC CHALLENGES ASSOCIATED WITH WASTE.

Likewise, Target recognises its responsibility to significantly reduce the waste arising from its retail operations.

Single use plastic shopping bags

Target has committed to remove single use plastic shopping bags from all stores nationally by early 2019. This year saw the development of new re-usable, entry level plastic bags, made with 80 per cent recycled material, which will be implemented in all states starting with Western Australia and Queensland from 1 July 2018.

TO ENCOURAGE CUSTOMERS TO CHANGE THEIR BEHAVIOUR AND RE-USE BAGS WHEN SHOPPING, TARGET IS CHARGING 15 CENTS FOR MEDIUM-SIZED ENTRY LEVEL RE-USABLE BAGS AND 30 CENTS FOR A LARGER VERSION.

These changes along with instore marketing and team member training aim to reduce the number of plastic shopping bags being issued to customers by 80 per cent over coming years.

Waste diversion

Target has worked closely with its sister company, Kmart, to undertake a detailed investigation of its waste and recycling systems, processes and infrastructure. This has included detailed waste and infrastructure audits of 50 stores and Distribution Centres. The findings of this investigation will be used to support key recommendations and actions in future waste diversion programs. Ahead of these changes, a review of existing waste and recycling contractors was completed with a number of changes made to service provider contracts to ensure that they support increased diversion of waste going to landfill.

During the year, Target met all its regulatory obligations under the 'National Television and Computer Recycling Scheme Product Stewardship Agreement' by its membership of an approved co-regulatory arrangement via MRI PSO Pty Ltd.

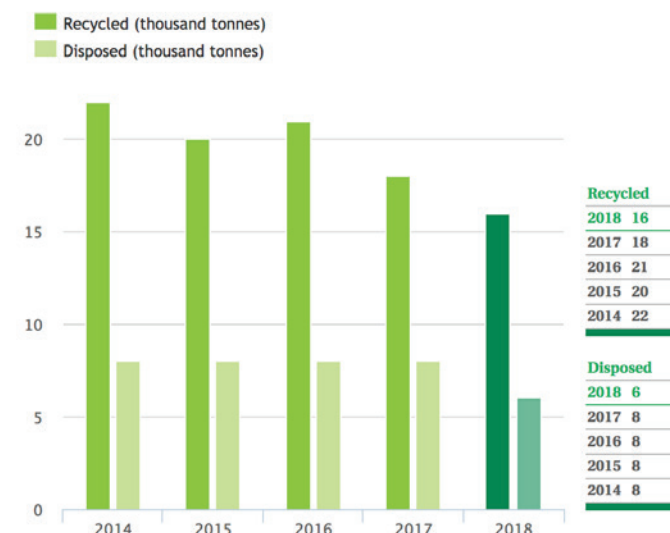
UNDER THIS ARRANGEMENT, TARGET FUNDED THE COLLECTION AND RECYCLING OF 81,523 KILOGRAMS OF COMPLYING E-WASTE ITEMS INCLUDING TELEVISIONS, COMPUTER AND PERIPHERAL DEVICES.

Australian Packaging Covenant and 2025 target

Target is a proud member of the Australian Packaging Covenant Organisation (APCO). This year, Target used APCO's newly created Annual Reporting Tool to review progress of Target's packaging programs. Through this process, Target has identified a number of opportunities for improvement and has developed an action plan in response to the target set in April 2018 by Australia's Environment Ministers to make 100 per cent of packaging in Australia re-usable, recyclable or compostable by 2025.

Waste

22 tonnes '000





Ethical sourcing of our products and services

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

IT IS COMMITTED TO ENSURING THE WORKERS WHO PRODUCE ITS PRODUCTS AND SERVICES ARE TREATED WITH DIGNITY AND RESPECT AND CAN LIVE AND WORK IN A SAFE AND HEALTHY ENVIRONMENT.

During this year, Target and Kmart continued their efforts to strengthen the combined Kmart and Target Ethical Sourcing (ES) Program, which was first established in 2017. Milestones achieved this year included:

- Strengthening the environmental criteria within the ES audit checklist.
- Development of a Department Stores Standard Operating Procedure to support the program.
- Agreement on a uniform ES program scope across Kmart and Target goods for resale.
- Development of a strengthened ES approach across Kmart and Target for goods (and services) not for resale.

In addition, the Kmart and Target ES Governance Committee approved a three-year ES program roadmap. This identified six strategic areas and associated tasks to be actioned over the next three years. This will transition the program from an audit and compliance approach to a model with more focus on factory capacity building (e.g. training), supplier compliance ownership (e.g. factory ES Programs) and industry partnerships.

This year Target also joined Kmart as a buyer partner in the ILO/IFC Better Work program. This program aims to make sustainable improvements in working conditions within the garment industry and make the sector more competitive overall. Target aims to have transitioned all eligible apparel factories in Bangladesh to the program by the end of next year. The focus will then shift to transitioning Target factories in other Better Work countries, including Cambodia, Indonesia and Vietnam.

At the conclusion of this financial year, Target had 616 active factories within its ethical sourcing audit program. This and ongoing monitoring efforts identified five critical breaches of the Kmart and Target Ethical Sourcing Code in the past year. Three of these breaches related to factories offering bribes to a Target team member or third-party auditor, while two breaches related to factories subcontracting Target production to unauthorised subcontractors. All five factories will be deregistered after last shipment (meaning no further orders can be placed).

Sourcing sustainable materials

As part of its commitment to use natural resources responsibly, in the past year Target continued implementation of its sustainable materials roadmap.

IN MARCH 2017, TARGET SET A GOAL TO SOURCE 100 PER CENT OF ITS HOUSE BRAND COCOA SUSTAINABLY BY 1 JULY 2019.

Building on this commitment, the first sustainably labelled chocolate products appeared in stores Christmas 2017, and 100 per cent of Easter lines in 2018. We are on track to reach our 100 per cent goal by 1 July 2019, with 47 per cent of products to date transitioning to Target's preferred sustainable cocoa standards.

This year, Target also made a commitment to source more sustainable cotton.

2018/19 priorities

- Health and safety: Implement Safety Leadership Training for operational managers and improvements to the hazard reduction program to further improve Target's safety performance.
- Product quality and safety: Continue to implement Target's new product quality and safety initiatives relating to button batteries, metal contamination, and furniture and television tip-over prevention.
- Diversity and inclusion: Foster an inclusive culture that supports Target's team members and communities.
- Communities: Develop a community program that supports the business strategy and allows store teams to contribute back to their communities efficiently.
- Energy: Further investments in building controls, lighting upgrades and peak demand management to cut energy use.
- Waste: Continue implementing Target's national ban on single-use plastic shopping bags. Additionally, use the data and learnings from the Target waste audits to commence implementing changes to Target's waste management, diversion and recycling practices and systems.
- Ethical sourcing: Rollout of key initiatives identified in the three-year ethical sourcing program roadmap.
- Sustainable materials: Make further progress towards meeting Target's sustainable cotton commitment.

OFFICEWORKS



Officeworks team member Tammy Churchill.

Officeworks is Australia's leading retailer and supplier of office products and solutions. Officeworks seeks to be a one-stop shop for micro-, small- and medium-sized businesses, students and households.

Officeworks has an extensive national footprint of 165 stores, an online platform, a national call centre and a team of business specialists. Officeworks has approximately 7,000 team members, and revenue this year was \$2,142 million.

Officeworks focused on the following material issues during the year:

- Restoring Australia by planting two trees for every one used, based on the weight of paper-based products purchased by Officeworks' customers.
- Investing in resources to reduce energy consumption.
- Increasing the volume of operational waste recycled in stores.
- Assisting customers to recycle more electronic waste.
- Ensuring all suppliers are compliant with the Officeworks' Ethical Sourcing Policy.
- Building even stronger local community partnerships.
- Growing the number of women in leadership roles.
- Keeping team members safe.

Restoring Australia

As a leading retailer of office supplies, Officeworks understands the importance of sustainable sourcing of products that contain wood-fibre. Officeworks requires suppliers of paper and wood-based products to disclose detailed information, including timber species, before products can be ordered to ensure that no illegal timber enters the supply chain. In addition, Officeworks supports FSC-certified products, which promotes responsible and sustainable management of the world's forests, providing traceability via the chain of custody process to the origin of the raw materials.

During 2017/18, 68 per cent of all paper products sold were either FSC-certified or 100 per cent recycled.

For furniture suppliers that cannot provide FSC certified products, a third party undertakes a chain of custody audit to verify the legality of timber sources. All suppliers of timber and wood based products to Officeworks are required to adhere to the Officeworks' Sustainable Wood-Fibre Sourcing Policy.

Officeworks commitment to the sustainable sourcing of wood-fibre products has enabled the business to launch Restoring Australia, an Australian-first initiative which aims to plant two trees for every one used, based on the weight of paper-based products purchased by Officeworks customers.

Launched in July 2017, during the past 12 months Officeworks, in partnership with Greening Australia, has planted 200,000 trees throughout sites in Tasmania, NSW, Victoria and South Australia.

OFFICEWORKS

Investing in resources to reduce energy consumption

IN THE PAST 12 MONTHS, OFFICEWORKS OPENED SIX NEW STORES WHILST AT THE SAME TIME REDUCING TOTAL ENERGY CONSUMPTION BY THREE PER CENT FROM 58,627MWH TO 56,793MWH.

This has been achieved through investment in a variety of energy reduction initiatives. Thirty-three existing stores, for example, were retrofitted with Light Emitting Diode (LED) lighting. In total, 146 stores now have energy efficient lighting across the selling floor.

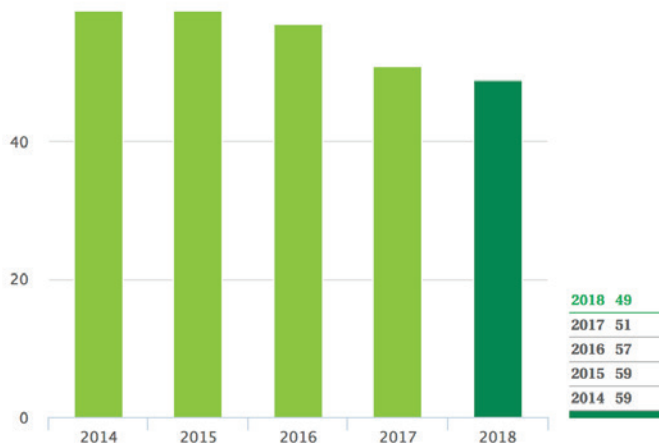
To better understand and optimise energy consumption, 92 stores had a Building Energy Management System (BEMS) installed. These BEMS have enabled lights and the heating/air-conditioning to be automatically turned on and off at times that align with the operational requirements of the store. The data from the BEMS has allowed heating and air-conditioning problems to be identified and rectified prior to scheduled maintenance or equipment failure.

This year saw Officeworks open its first store with solar panels. The North Lakes store in Queensland was an Officeworks development that enabled the installation of a 100-kilowatt solar system on the roof to utilise the intense sunlight. The renewable energy generated from the solar panels has supplemented over a third of the store's energy requirements.

Greenhouse gas emissions

49 Tonnes CO₂e: '000

■ Thousand tonnes CO₂e: '000 (LHS)



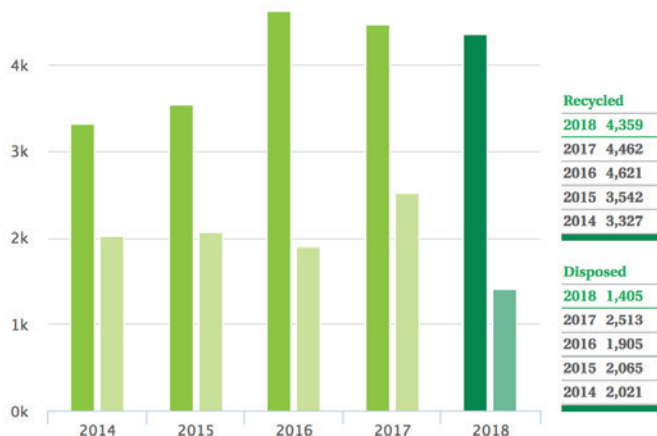
Increasing the volume of waste recycled

Officeworks continues to focus on reducing its operational impact on the environment, by improving recycling practices and diverting more waste from landfill.

THIS YEAR, OFFICEWORKS WORKED CLOSELY WITH THE WASTE PROVIDER, CLEANAWAY, AND ALL TEAM MEMBERS, TO LIFT RECYCLING RATES FROM 64.0 PER CENT AS AT 30 JUNE 2017 TO 75.6 PER CENT AS AT 30 JUNE 2018 AND THUS DIVERTING A TOTAL OF 4,359 TONNES OF WASTE FROM LANDFILL.

5,764 tonnes

■ Recycled (thousand tonnes)
■ Disposed (thousand tonnes)



Waste recycled data includes customer recycling initiatives.

OFFICEWORKS

Assisting customers to recycle more electronic waste

Officeworks takes a holistic approach when considering the environmental impact of the products it sells, which includes how they are disposed of at the end of their life. The free electronic waste recycling service allows customers to responsibly dispose responsibly of unwanted items, ensuring that the raw materials can be used again.

THIS YEAR, OFFICEWORKS SET A TARGET TO COLLECT 10 PER CENT MORE ELECTRONIC WASTE FROM CUSTOMERS THAN WAS COLLECTED IN THE PRIOR YEAR.

This resulted in 692 tonnes of ink and toner cartridges, computers and accessories, and mobile phones being diverted from landfill.

This was achieved by continuing to raise awareness of the services, which included online enhancements, launching a new shopping bag that reminds customers to recycle, and incorporating messages into Officeworks' advertising campaigns. The Mobile Muster phone recycling program was rolled out to another 78 stores, and a new recycling station was trialled which included a battery recycling service. Internally, team members were provided with regular performance updates and information as to why this is such an important initiative.

Officeworks will continue to work with all stakeholders including our government accredited partners to identify ways more electronic waste can be diverted from landfill and recycled safely and appropriately.

Ensuring all suppliers are compliant with the Ethical Sourcing Policy

To ensure that goods and services are ethically sourced, all Officeworks' suppliers are required to adhere to the Officeworks' Ethical Sourcing Policy. The policy is built upon the standards set by the International Labour Organisation and the principles of the Ethical Trading Initiative.

IN THE PAST TWELVE MONTHS, OFFICEWORKS REVIEWED 441 INDEPENDENT ETHICAL SOURCING AUDITS, AND WORKED WITH SUPPLIERS TO IMPLEMENT CORRECTIVE ACTION PLANS WHERE NON-CONFORMANCE WAS IDENTIFIED.

Officeworks recognises that ethical sourcing is a journey that is underpinned by transparency, integrity, collaboration and continuous improvement. Going forward, the business remains committed to working with suppliers to improve the working conditions of the people throughout Officeworks' supply chain.

Building even stronger local community partnerships

Supporting the communities in which stores operate and team members live is an important part of the Officeworks operating model. To ensure that Officeworks maximises the positive impact in those communities, Officeworks focuses on partnerships centred on education and the environment. During the year, Officeworks contributed a total of \$3,677,929, through initiatives such as local store donations, product donations, volunteering and customer contributions across three appeals.

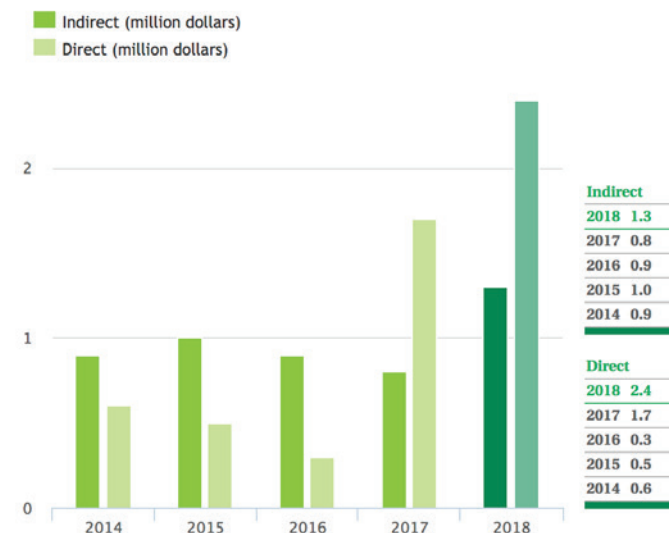
COMMUNITY INVOLVEMENT HIGHLIGHTS FOR THE YEAR INCLUDED THE BACK TO SCHOOL APPEAL, WHERE OFFICEWORKS CUSTOMERS DONATED \$461,764 TOWARDS THE SMITH FAMILY, RESULTING IN MORE THAN 800 STUDENTS BEING SUPPORTED THROUGH LEARNING FOR LIFE SPONSORSHIPS.

Officeworks continued to support The Australian Literacy and Numeracy Foundation with customers raising \$250,000 during the Wall of Hands appeal in September. To support local community groups, Officeworks launched a 'Round Up to Make a Difference', which raised \$225,955 through customer donations, supporting over 160 community groups.

Officeworks will continue to place a high priority on making a positive contribution to the communities in which stores operate and team members live with a specific focus on education and the environment.

Community contributions

3.7 \$m



OFFICEWORKS

Growing the number of women in leadership roles

Officeworks believes that balanced leadership makes good business sense and delivers better business outcomes. This is achieved from the diversity of thinking and insight brought by both men and women.

OFFICEWORKS SET A GOAL TO ACHIEVE 40 PER CENT FEMALE REPRESENTATION IN LEADERSHIP ACROSS ALL LEVELS OF THE BUSINESS BY 30 JUNE 2018.

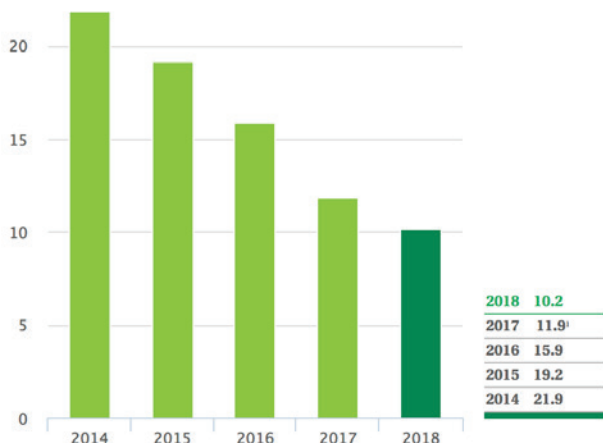
Through focused recruitment practices and targeted career development pathways for early in-career female team members, a result of 41.2 per cent of female leadership representation was achieved, up from 37.4 per cent as at 30 June 2017.

Officeworks aims to reach 46 per cent female leadership representation by 30 June 2019 through a continued focus on recruitment initiatives, career development and progression as well as retention and other workplace strategies such as flexibility.

Safety performance

10.2 total recordable injury frequency rate

■ Lost time and medical treatment injuries per million hours worked



Keeping team members safe

Officeworks is committed to ensuring everyone goes home safely.

This year, Officeworks continued to improve the safety of all team members, achieving an all injury frequency rate (AIFR) of 10.2 injuries per million hours worked, a 14.1 per cent improvement on the prior year.

The expected safe behaviours of all team members were articulated with the implementation of the Safety Starts with You training program, incorporating the Safety FIRST behaviours. These behaviours identify how every team member can promote safety whilst highlighting unacceptable behaviour.

The Stay Safe system, which is the Officeworks health and safety management system, was reviewed and updated to both simplify and align to business requirements. This included the incident investigation process incorporating the Safety FIRST behaviours.

These changes have set the foundation for continued improved performance allowing Officeworks to next focus on critical risks and controls, and manual handling.

¹ Restated due to the maturation of data.

2018/19 priorities

- Restoring Australia by planting two trees for every one used, based on the weight of paper products purchased by Officeworks' customers.
- Sourcing wood-fibre responsibly.
- Increase our community contributions by focusing on education and environment.
- Ensuring all suppliers are compliant with the Ethical Sourcing Policy.
- Investing in resources to reduce energy consumption.
- Increasing the volume of waste recycled in stores.
- Assisting customers to recycle more electronic waste.
- Reducing impacts from product packaging.
- Improving balanced leadership at all levels.
- Keeping team members safe.

CHEMICALS, ENERGY & FERTILISERS



CSBP Mechanical Engineer Paris Denny.

Wesfarmers Chemicals, Energy & Fertilisers (WesCEF) operates chemicals, energy and fertiliser businesses that service Australian and overseas markets.

WesCEF has operations in Australia across 24 locations and employs around 1200 people. Our revenue this year was \$1,830 million.

WesCEF's material issues are:

- Employee safety and wellbeing
- Meeting customer needs
- Community contribution
- Operating efficiently, responsibly and safely
- Environmental stewardship
- Capability, diversity and culture
- Information security

Employee safety and wellbeing

WesCEF's safety objective is to create a workplace free of high potential (HiPo) incidents which could seriously harm our people.

The Safe Person Commitments program launched last year remains a primary tool to reinforce behavioural expectations for all employees when completing high-risk tasks. HiPo hazard reporting increased by 53 per cent in the year.

The total number of recordable injuries for FY18 was 16 compared to six for the previous year. Of note, only four of the recordable injuries were significant enough to require time off work.

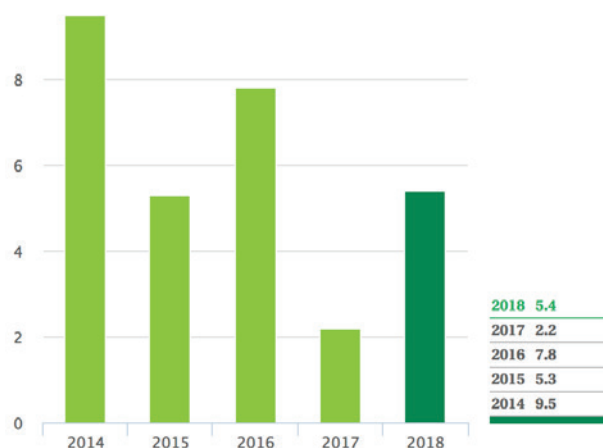
The Lost Time Injury Frequency Rate is 1.4 compared to 0.7 at the same time last year and the TRIFR is 5.4 compared to 2.2. The injury frequency rates over the past four years remain downwards trending.

WesCEF's employee wellbeing program, Wellness at WesCEF, progressed in FY18 with 60 per cent of the workforce trained to date in mental health resilience and awareness.

Safety performance

5.4 total recordable injury frequency rate

■ TRIFR is the number of lost time and medical treatment injuries per million hours worked



Meeting customers' needs

WesCEF businesses continually look for ways to add value for our customers. We regularly review our product and service offerings to ensure that they meet our customers' needs of cost-efficiency and reliable supply in increasingly competitive markets.

CSBP commenced supply of ammonium nitrate emulsion in the year following construction of a production plant at its Kwinana facility. The first product was delivered to CSBP's foundation emulsion customer in October 2017. During the year, CSBP worked closely with the customer to optimise the product and ensure it met the customer's needs.

Kleenheat has maintained strong results in customer acquisition and satisfaction in the year and enjoyed the recognition of a customer service award for natural gas retailers for the second consecutive year.

Recently, CSBP's ammonia plant experienced an issue which caused it to shut down and prevented operations continuing. This has affected the production of ammonia and CO₂ while CSBP works to repair the equipment in the most efficient and safe manner. Unfortunately, CO₂ supply will be impacted until the plant is operational. However, CSBP has increased its import of ammonia to ensure demand is met.

CHEMICALS, ENERGY & FERTILISERS

Supporting the communities in which we operate

WesCEF and its businesses are proud to support a diverse range of community and not-for-profit organisations to the value of \$380,000. This included sponsorships of the Clontarf Foundation, Moorditj Koort Aboriginal Health and Wellness Centre, WACA Regional Junior Cricket program and the Scorchers Women’s Big Bash League.

We also supported our employees to participate in HBF Run for a Reason, Movember, Australia’s Biggest Morning Tea, Clean Up Australia Day and National Tree Day.

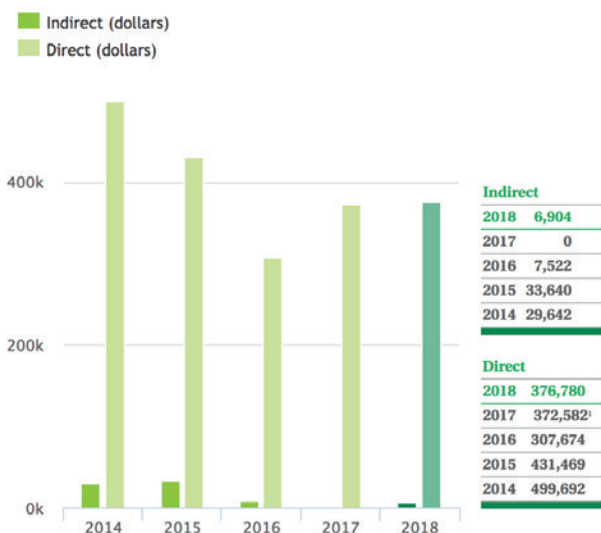
Making a positive impact on the communities where we work and live is a focus for us, and this includes supporting the wellbeing and vitality of our regional communities. In August 2017, our CSBP Fertilisers business ran a free community day in Carnamah - located 300kms from Perth - for community members who had been affected by drought. The day included free football and netball clinics and special guest appearances from sporting personalities.

A sponsorship focus for WesCEF is encouraging more youth to consider a career in science, technology, engineering and maths (STEM). WesCEF employees play a role in the promotion of STEM initiatives including an After School Club called Bright Sparx, developed in partnership with Murdoch University and the Kwinana Industries Council. In addition, WesCEF’s partnership with Scitech involves working with a Kwinana Primary School to help teachers better understand the new Design and Technologies aspect of the Technologies curriculum.

WesCEF partners with Edith Cowan University (ECU) to develop teacher resources for science and agriculture. The initiative to explore a science teachers ‘community of practice’ – as outlined in the 2017 Sustainability Report – was discontinued, as it was not able to deliver on expected educational benefits. The program highlighted some of the challenges facing organisations trying to promote STEM education. The partnership did bring the benefit of an ongoing, positive relationship between WesCEF and ECU and provided opportunities for WesCEF employees to work with ECU researchers in the development of teacher resources.

Community contributions

383,684 \$



¹ Restated due to a review conducted in 2018.

Operating efficiently and responsibly

WesCEF recognises its obligation to operate in a responsible manner that meets stakeholder expectations, and continues to focus on efficiency and growth while maintaining strong governance, risk management and safety performance.

Unfortunately, during the year, there were five occasions when environmental, occupational health and safety, security or process safety regulatory requirements were not fully met. Pleasingly, this has reduced from 25 non-conformances in 2017. None of these events resulted in any material environmental harm, injury, prosecution or fine.

Training was conducted on key governance policies including competition and consumer law, anti-bribery, and diversity and equality. Efforts to enhance governance awareness continued with ‘Policy of the Month’ communications, where key policies are made available for discussion in team meetings across WesCEF.

WesCEF commenced a review of its supply arrangements to facilitate development of an ethical sourcing policy.

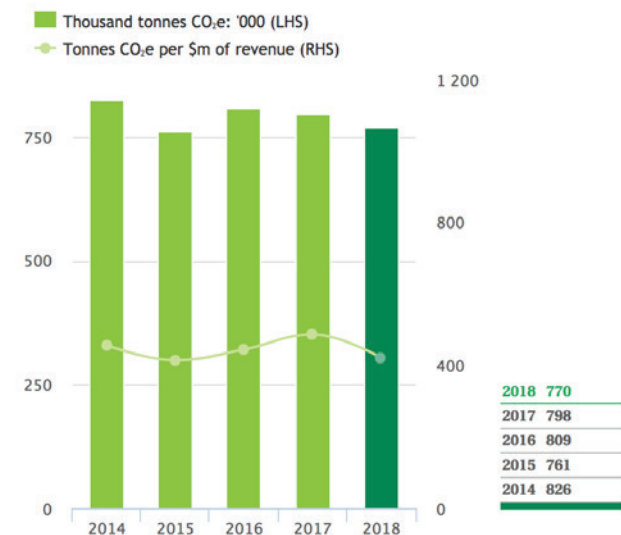
This year, CSBP successfully commissioned an ammonium nitrate bagging plant. The automated plant increased efficiency by improving bagging capacity and quality and reducing manual handling. The plant set new output records consistently producing just over 100 bags per hour and is an excellent example of innovation in action.

Environmental stewardship

Scope 1 and 2 greenhouse gas emissions decreased by 3.6 per cent compared to last year as a result of lower production across our operations.

Greenhouse gas emissions

770 tonnes CO₂e: '000



Water is critical to our operations and a reverse osmosis water treatment plant was commissioned during the year to provide an alternative water supply option and increase water security for the CSBP Kwinana site.

CSBP continues to support – via the Kwinana Industries Council – the Western Trade Coast recycled wastewater Managed Aquifer Recharge project. The project, led by the Department of Jobs, Tourism, Science and Innovation and CSIRO, aims to infiltrate treated effluent into the groundwater providing secure, long-term fit-for-purpose water for industry.

CHEMICALS, ENERGY & FERTILISERS

This year, CSBP participated in an industry and research engagement program which brings Western Australian PhD students and industry together to find innovative solutions to existing problems. The program was successful in identifying water treatment options that could complement or eventually replace the existing artificial wetland that is currently used to strip nitrogen from waste water at the CSBP Kwinana operations.

Capability, diversity and culture

WesCEF's workplace priorities continue to be gender balance and inclusion, Aboriginal engagement and employment, and building innovation capability.

Female representation increased from 31 per cent of total head count in FY17 to 33 per cent in FY18, and increased from 23 per cent of leadership roles in FY17 to 25 per cent in FY18, following the development of a gender balance roadmap. The roadmap included several initiatives such as leadership and development forums, scenario based-workshops about inclusive workplace behaviour and a continued focus on flexibility and gender balance in recruitment.

Despite continued efforts to increase Indigenous employee representation, headcount remained at a similar level at 27 employees, representing 2.2 per cent of the workforce. Positive progress was made in educating major on-site contractors about best practice in building relationships with the Aboriginal community and creating Aboriginal employment opportunities.

WesCEF's focus on building workforce capability in innovation continues with a series of internal workshops, guest speakers and establishing relationships with innovation thought leaders. In addition WesCEF has provided support for employees to participate in external events including hackathons, competitions and mentoring opportunities. A dedicated innovation space for employees was created during the year at WesCEF's corporate office. This space has enabled employees to share ideas and discuss opportunities in an informal environment to build capability in innovation.

Keeping information safe

This year, WesCEF worked with local and national cyber security partners to develop a strategy to safeguard our information and systems and to bring our security position in line with industry standards. This work ensures that WesCEF's systems will continue to be reliable and stable while meeting the unique needs of our businesses.

In the year, there was a significant decrease in the amount of incidents related to malware and phishing activities on WesCEF systems. This was due to new perimeter and internal security technologies being implemented. WesCEF is working towards improving visibility of all security events as well as a reduction in the amount of vulnerabilities that may be used to exploit systems.

A small number of Kleenheat customers were recently affected by an unauthorised data breach to a third party service. The customers who entered details in the third party site were notified and their data has since been removed.

2018/19 priorities

Employee Safety and Wellbeing

- Continue to use the Safe Person, Safe Process, Safe Place vision to drive safety improvement.
- Increase focus on identifying and addressing hazards with the potential to cause serious harm.
- Continue to invest in the wellbeing of our people through the Wellness at WesCEF program.

Meeting our Customers' Needs

- Continue to offer attractive discounts while providing excellent service to WA natural gas customers.
- Continue to build on agricultural technology offering.
- Continue to work with ammonium nitrate emulsion customers to improve customer experience.

Supporting the communities in which we operate

- Continue to invest in meaningful relationships within the community in which we operate.
- Continue to extend influence in STEM education within the community in which we operate.
- Invest in environmental community investment activities.

Operating Efficiently, Responsibly and Safely

- Ensure capability of leadership to manage governance and compliance risk by training in Competition and Consumer Law, Anti-Bribery, HR and HSE legislation and Continuous Disclosure.
- Maintain relationships with key regulators and industry associations to facilitate input into legislation, guidelines and industry best practice.
- Develop and implement an ethical sourcing policy.

Environmental stewardship

- Investigate opportunities for alternative water sources at the CSBP Kwinana site.
- Initiate project to divert good quality stormwater to improve nitrogen removal efficiency.
- Continue to manage risk of legacy waste from our historical operations.

Capability, Diversity and Culture

- Continue to improve the gender balance and inclusive cultures in our businesses and provide opportunities for Aboriginal people.
- Build capability and culture in delivering innovation, and using data.

Keeping information safe

- Continue to implement the information security strategy to protect WesCEF's data and systems.

INDUSTRIAL AND SAFETY



Mark Mosby, one of the tradesmen employed by Blackwoods' contractor "The Builder-Sydney", puts finishing touches to the new Blackwoods Internal Sales office in NSW.

Wesfarmers Industrial and Safety (WIS) comprises four main operating businesses: Blackwoods Australia (and NZ Safety Blackwoods in New Zealand), Workwear Group, Coregas and Greencap.

WIS is part of the Wesfarmers Industrials Division and employs 3,821 people. The WIS businesses services customers large and small from industries including mining, manufacturing, construction, government, transport, energy and retail.

Our material issues this year are:

- Health and safety
- Ethical sourcing
- Product safety and quality
- Climate change resilience and energy efficiency
- Gender diversity
- Indigenous engagement

Health and safety

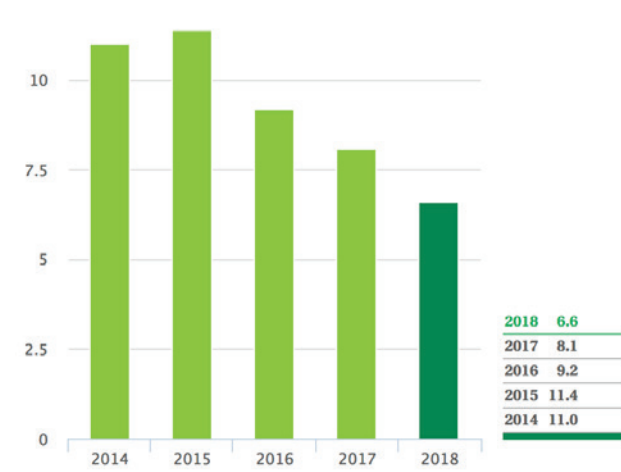
The Health and Safety strategy focuses on four pillars: governance, operational excellence, physical wellbeing and psychological wellbeing. WIS' total recordable injury frequency rate (TRIFR) improved by 18 per cent in FY18 with hazard/near miss reporting, walk the talks and branch plan completion rates all above target. Further progress has been achieved in mitigating critical risks across the group through targeted key risk projects.

Health and wellbeing initiatives across WIS included refreshing Employee Assistance Program Provider, 10,000 step physical activity challenge, delivery of a health and wellbeing survey to inform program development and Blackwoods delivered a series of life stage planning workshops to mature employees. In the operational excellence program, difficult to manoeuvre magnetic hoops which are used in embroidery processes were swapped out in Blackwoods to reduce hazardous manual tasking on heavy garments. The initial scoping of distribution centre upgrades was completed utilising an ergonomic expert to inform design of tasks and physical environments.

Safety performance

6.6 total recordable injury frequency rate

TRIFR is the number of lost time and medical treatment injuries per million hours worked



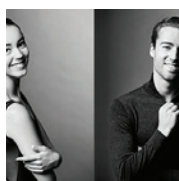
SOURCING

Another round of successful Coles Nurture Fund applicants announced



PEOPLE

Introducing transport safety forums



COMMUNITY

West Australian Ballet Young Artist Scholarships

INDUSTRIAL AND SAFETY

Product safety

All consumer products WIS supplies must be safe and meet consumer guarantees.

Key projects this year include:

- **Blackwoods:** Developed of a customised Own-Brand Quality and Compliance online tool to house all information pertaining to factories for quality and technical audits, product testing and specifications, factory quality inspections and internal quality inspections, customer technical data sheets and incident management. This tool due for implementation in FY19 will revolutionise how we approach product safety and allow for real-time supplier performance management and an agile response to customer requests.
- **Coregas:** Reviewed internal processes in preparation for upcoming Therapeutic Goods Administration audits to ensure product safety and quality is well managed as the medical gas supply industry grows.
- **Work Wear Group (WWG):** As our business grows and expands into new countries, we have focused on developing a structure that supports a culture of teamwork and collaboration within the WWG Global Quality Assurance and Compliance team. The alignment of quality assurance processes across WWG Australia, New Zealand and our off-shore offices has delivered more consistent products to our customers. This has been underpinned by Key Performance Indicators that manage the total cost of quality, both in terms of resources and claims, to the business, and will drive quality improvements going forward. WWG and Blackwoods will have an aligned product safety risk model including using a single testing provider to support own brand sourcing in FY19.

Ethical sourcing

WIS proactively promotes responsible behaviour in its supply chain to protect its brands and the wellbeing of people they work with.

Key Ethical Sourcing projects this year include:

- Expanding the Compliance department by establishing a dedicated, full-time team to execute their Ethical Sourcing (ES) strategy
- Creating a Steering Committee to govern and ensure that the ethical sourcing strategy meets divisional requirements
- Increasing ES education which saw a significant number of members participating in tailored training activities
- Becoming members of Sedex and re-aligning current audit program to the Sedex framework
- Engaging with multiple corporate clients to share both parties responsible sourcing journeys, experience and emerging issues to better add value to both ES programs

In the next financial year WIS has a number of goals which include:

- Continue to align their strategic own-brand suppliers on to the Sedex framework
- Incorporating high risk suppliers who provide goods and services not for resale into the program scope
- Expanding ES training to more of their team members and increase the scope to cover emerging ES topics
- Looking at how data integration can streamline internal processes for better management of their program

Maximising our energy efficiency

At WIS we continually strive to reduce the emissions intensity of our businesses and improve their resilience to climate change and the rising costs of energy.

Our businesses have reduced their electricity use by 25 per cent between 2015 and 2018. This significant reduction in electricity use has been via energy efficiency and renewable energy projects at Blackwoods, Workwear Group, Coregas and Bullivants.

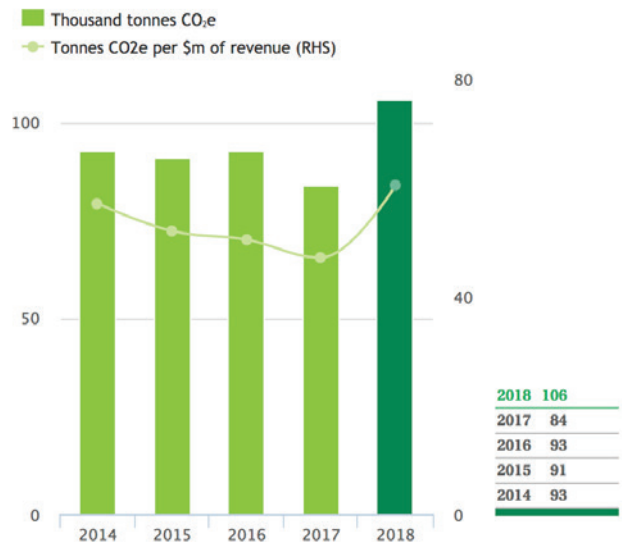
WIS has undergone a process of replacing inefficient fluorescent tubes and metal halide high bay lights with LED lighting as well as installing solar PV arrays across its branches and distribution centres. These programs have saved more than 2,000,000 kilo watt hours and over 2,000 tonnes of CO₂e since 2015. This is equivalent to the annual energy use of approximately 300 average Australian homes.

Over the past four years WIS has installed solar PV arrays on major distribution centres and continued its focus on sustainable buildings with LED light fittings. Under this program WIS has so far reduced emissions from electricity by 25 per cent since 2015.

This decrease in electricity is against a background of increasing electricity costs due to unresolved supply and demand issues on the National Energy Market (NEM).

Greenhouse gas emissions

106 Tonnes CO₂e: '000



People development

We aim to build both functional and leadership capabilities through the development, execution and evaluation of programs that deliver tangible outcomes aligned to business objectives.

Three key focus areas for the year were sales competence, frontline leadership development, and commercial acumen. WIS built and delivered a sales program called SEAD Fundamentals aimed at establishing a best in class selling methodology for all sales team members. We delivered 35 programs across Australia and New Zealand reaching over 350 external sales employees and six programs reaching over 100 inside sales team members. We also delivered six Strategic Selling program to over 70 senior sales leaders.

In regards to frontline leadership, we built and delivered a three day program and delivered 13 nationally reaching over 140 employees. Finally, we rolled out a four hour Commercial Fundamentals program geared at all employees and delivered 96 programs to over 944 employees in varied roles and levels of seniority. The focus going forward is to embed the new learnings through on the job coaching.

INDUSTRIAL AND SAFETY

Gender balance

We continue to foster a culture of balance and inclusion through tangible actions. We selected a number of females identified as talent to participate in a pilot mentoring program. We ensure our recruitment practices have gender-balanced representation by ensuring at least one female applicant in every shortlist and we set this minimum standard for our external recruitment partners. Our interview panels for senior and key appointments have male and female representation.

Our employee engagement is consistent across gender with our survey scores confirming no significant difference cross gender for any factor measured. Our specific survey question “my business actively supports gender balance initiatives” shows no significant difference by gender and was in the top 25 per cent highest scoring questions.

Indigenous diversity

WIS places equal importance on ensuring our workforce reflects the diversity of the communities in which we operate, and providing career paths and development opportunities for Indigenous team members.

With over three per cent of Blackwoods full time employees identifying as Aboriginal or Torres Strait Islanders, and through selective partnering with organisations best placed to assist us to introduce employment opportunities, the attraction of talented Indigenous candidates, and building an effective pipeline is but one element of our strategy.

This year we are also delighted to report a spend of over \$3 million with Indigenous-owned suppliers, contractors and service providers successful in commercial tendering and negotiations.

Our journey to a truly inclusive workplace also includes 1,000 team members completing the new online Introduction to our RAP course, complemented by over 700 attendees to the small group face to face Cultural Awareness sessions held across the country, together with either Acknowledgement or Welcome to Country ceremonies at all major events, business meetings and training sessions.

2018-19 priorities

- Continuing to promote indigenous employment and engagement across all WIS businesses.
- Ensuring we engage, educate and evolve the ethical sourcing landscape for our suppliers and customers by:
 - Further developing a risk model suitable for all WIS business units.
 - Engaging with Goods not for resale (GNFR) suppliers who provide branded products.
- Creating, supporting and reporting on individual sustainability plans for each WIS business.



PEOPLE

Blackwoods helps team members plan for the ‘time of their life’



ENVIRONMENT

Coregas works to make low-carbon technology a reality



PEOPLE

Blackwoods works towards a more inclusive workplace



ENVIRONMENT

Electricity use drops by 25 per cent over three years at WIS



COMMUNITY

Blackwoods supports Fred Hollows Foundation with \$1M donation over 12 years



SOURCING

Workwear diverts 400,000 garments from landfill



COMMUNITY

Wesfarmers Arts and National Gallery of Australia

RESOURCES



Coal mining operations at the Curragh mine at Blackwater, Queensland.

Wesfarmers Resources owned and operated the Curragh mine in Queensland. Curragh is a significant Australian producer of metallurgical coal, supporting iron and steel-making industries across the globe. Its world-scale open cut mines also help meet society's electricity needs through the supply of steaming coal for power generation.

On 29 March 2018 Wesfarmers announced the completion of the sale of its Curragh coal mine in Queensland to Coronado Coal Group. On 7 August 2018 Wesfarmers announced the agreement to sell its 40 per cent interest in its Bengalla Joint Venture and subject to completion this will finalise the review of the Wesfarmers Resources businesses initiated in 2016.



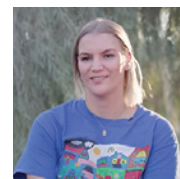
ENVIRONMENT

Bunnings brings waste paint recycling to local communities



COMMUNITY

Coles partners with Little Athletics



PEOPLE

Kmart Ignites the Wonder with Indigenous art in Kmart stores

OTHER BUSINESSES



A BWP Trust development in Harrisdale, Western Australia.

Wesfarmers also holds major investments in the following companies which are not covered in this report. We calculate the emissions for our joint ventures. The total emissions for the Wesfarmers attributed share of these businesses was 410,695 tonnes CO₂e.

BWP Trust

At the end of the 2018 financial year, Wesfarmers owned 24.8 per cent of BWP Trust, which develops and owns properties for our Bunnings business and other retail/commercial companies.

For further information, please click [here](#).

Gresham Partners Group Limited

Wesfarmers has a 50 per cent shareholder interest in Gresham Partners Group Limited, the holding company for the Gresham Partners investment house operations.

For further information, please click [here](#).

Queensland Nitrates Pty Ltd (QNP)

Through WesCEF, Wesfarmers owns a 50 per cent interest in QNP, located at Moura in central Queensland. QNP is an ammonium nitrate producer and services the mining sector in the Bowen Basin.

For further information, please click [here](#).

Wespine Industries

Wesfarmers owns 50 per cent of Wespine, which operates a plantation softwood sawmill at Dardanup in Western Australia.

For further information, please click [here](#).

Quadrant Energy

Wesfarmers owns a 14 per cent interest in Quadrant Energy. All of Quadrant Energy's gas production is supplied to the Western Australian domestic gas market, and currently represents approximately 40 per cent of Western Australia's domestic gas supply.

On 22 August 2018 Wesfarmers announced it had agreed to sell its 13.2 per cent indirect interest in Quadrant Energy Holdings Pty Ltd (Quadrant) to Santos Limited.

For more information, click [here](#).

Bengalla

During the reporting year Wesfarmers owned a 40 per cent interest in the Bengalla coal operation in the Hunter Valley in New South Wales through a joint venture with New Hope Corporation Limited. The Bengalla operation produces steaming coal for export markets.

On 7 August 2018 Wesfarmers announced the agreement to sell its 40 per cent interest in its Bengalla Joint Venture.

For further information, click [here](#).



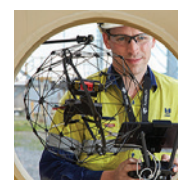
COMMUNITY

Wesfarmers shareholders support Learning for Life



SOURCING

Coles awarded 'Best Sustainable Seafood Supermarket' in Australia



ENVIRONMENT

Innovative technologies automate inspections at CSBP

This is an edited extract of our 2018 Sustainability Report. Our full sustainability report contains numerous case studies and data available for download. It is prepared in accordance with the Global Reporting Initiatives Standards and assured by Ernst & Young.

It is available at sustainability.wesfarmers.com.au