



Sustainability Report 2017

Wesfarmers has been committed to creating value for its shareholders, employees and communities for more than a century.



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This is an edited extract of our 2017 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



THIS IS WESFARMERS' 20TH SUSTAINABILITY REPORT.

Our first sustainability report was released in 1998 and was known as the Environment, Health and Safety Report.

Over the last twenty years Wesfarmers has formally communicated its progress in sustainability by producing an annual sustainability report; but Wesfarmers has been committed to creating value for our shareholders, customers, employees and communities for more than a century. 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 ensure that we will still be creating value in the future.

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 recognise that we have a role in investing in Australia's response to climate change as this will deliver significant economic, social and environmental benefits for us all. For Wesfarmers, this is about good governance, prudent risk management and positioning our businesses competitively for the future.

Wesfarmers is committed to minimising our own 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.

MEMBER OF

**Dow Jones
Sustainability Indices**

In Collaboration with RobecoSAM ●●




This year Wesfarmers scored 78 out of 100 in the Dow Jones Sustainability Index (DJSI). The assessment recognises Wesfarmers as a global leader in sustainability, with our strongest performance in the areas of health and nutrition, information and cyber security, environmental policy and management and corporate citizenship.

Our material issues



The content of this report has been guided by our materiality process. Our material issues reflect Wesfarmers' significant social and environmental impacts that influence the assessments and decisions of stakeholders. In order to determine the material issues which guide our report, we conducted a materiality assessment which involved consulting internal and external stakeholders to prioritise these topics and capture emerging issues.

Our material issues this year include:



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.

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.

Governance

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

Our performance

This year we are proud of our progress in the following areas.

We maintain a relentless focus on providing safe workplaces

SAFETY




Reduced our total recordable injury frequency rate by 16 per cent to 28.3.

We strive to source products in a responsible manner

ETHICAL SOURCING AND HUMAN RIGHTS




Improved the transparency of our supply chain with 5,455 factories in our audit program.

We strive to create an inclusive work environment

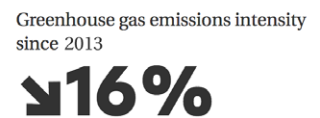
DIVERSITY




Worked to promote diversity in our workplaces, with 4,231 employees identifying as Indigenous.

We strive to reduce the emissions intensity of our businesses

CLIMATE CHANGE RESILIENCE

Reduced our greenhouse gas emissions intensity by 16 per cent over the past five years.

We acknowledge that we can always do better.

- While 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.
- Despite our efforts, ongoing reduction in waste disposed and water use is hard to maintain as our businesses continue to grow. We will continue to seek opportunities to do this.
- We will continue to focus on ethical sourcing and human rights, especially supply chain transparency. Strengthening our relationships with suppliers ensures that we can contribute positively in this area.
- We will continue to focus on climate change resilience, especially energy efficiency. Wesfarmers is committed to minimising its own footprint and to deliver solutions that help its customers and the community do the same.

Managing Director's welcome

Video transcript

WELCOME TO THE 20TH SUSTAINABILITY REPORT FOR WESFARMERS

Sustainability is core to the way we operate at the Group and we can only create value for all our stakeholders if we operate in a sustainable way in the communities and the environment we operate in.

At Wesfarmers we're committed to the ten principles of the UN Global Compact and those ten principles underpin our sustainability strategies.

We're doing some really great things in the Group on the sustainability front. Importantly, safety is a really key focus and our recordable injuries fell 16 per cent last year. But we maintain a really strong focus on ensuring that all our employees are safe.

On diversity, we now employ more than 4000 Indigenous team members across the Group and last year, Coles alone, employed another 1400 Indigenous people. I'm really pleased with the work we are doing on that front.

In terms of ethical sourcing, last year we audited more than 5000 factories that are supplying our businesses and we're really committed to ensuring that our supply chains are operated in an ethical and sustainable way.

In other areas we've got work to do. We're striving to ensure that we can look for more opportunities to save on energy and reduce our carbon footprint.

In terms of water use and waste, as the Group grows we're looking to see how we can become more efficient and reduce our footprint as well.

In terms of women in leadership roles or gender balance, we don't have enough women in senior roles across the Group at the moment and we're very focused to ensure that in the years ahead we'll have a better gender balance in management positions. Given that more than 50 per cent of our employees across the Group are female this is very important.

One of the areas I'm really pleased about is the community contributions we make and last year we contributed, directly and through our staff and customers, more than \$130 million to community groups across the country. At a Wesfarmers Limited level, these contributions were made in the areas of medical research, education and the arts.

We continue to make a difference. This year we celebrate with the West Australian Symphony Orchestra 20 years of supporting each other. This partnerships ensures that WASO makes a wonderful contribution to Western Australia.

We've made significant contributions to groups like Harry Perkins in medical research and Clontarf in terms of developing young Aboriginal men. It's these things that we can do as a successful company that really reinforces the good things Wesfarmers is doing in the communities in which we operate.



A handwritten signature in black ink, appearing to read 'Richard Goyder'.

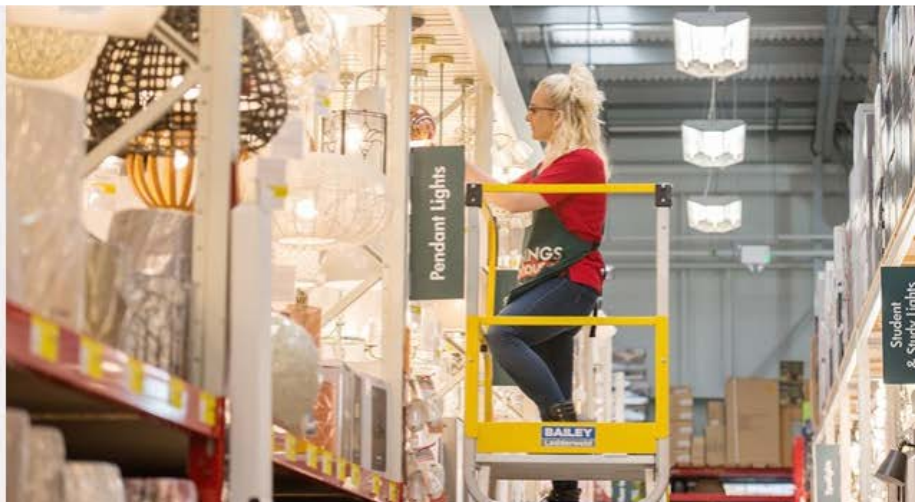
Richard Goyder AO
Managing Director

People



Safety

We maintain a relentless focus on providing safe workplaces.



Bunnings ran a number of initiatives throughout the year to increase safety awareness and address key areas of risk.

Keeping our employees, customers, suppliers and visitors across all our sites safe is our highest priority. Improvements to safety are core to all our operations, whether it is in a retail store or at an industrial site. We are focused on continual improvements in safety leadership, strategies targeting risk reduction and improving physical and mental health.

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

Safety performance

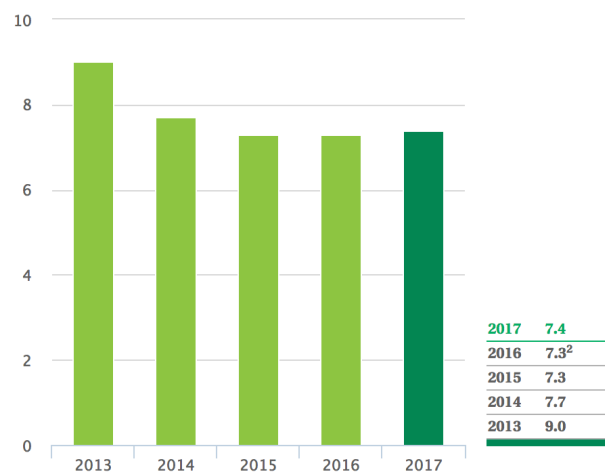
To monitor our historical safety performance, we use total recordable injury frequency rate (TRIFR) and lost time injury frequency rate (LTIFR), which show injuries per million hours worked by employees and long-term contractors. This year, our TRIFR decreased by 16 per cent from 33.6 to 28.3, with improvements across most divisions. Our LTIFR increased 1.4 per cent this year compared to the same time period last year due to a rise in lost time injuries at Coles, Officeworks and Resources. Reducing this is a priority over the coming year.

We were pleased that our workers' compensation claims decreased by more than 1,000 to 6,294.

Tragically, on 27 March 2017 a Kmart team member in Queensland was involved in a car accident driving to work and died of her injuries. Under the journey provisions in the Queensland Act this accident resulted in a workers compensation claim because it happened during a journey between the team member's home and work.

Lost Time Injury Frequency Rate¹

¹LTIFR is the number of lost time injuries per million hours worked.

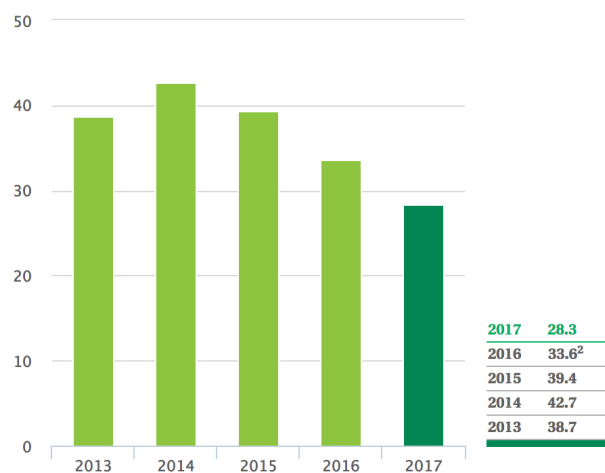


²Restated due to the maturation of data.

Total Recordable Injury Frequency Rate

28.3 total recordable injury frequency rate

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



²Restated 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:

- WesCEF launched its ‘Safe Person Commitments’ to reinforce its expectations of all employees when performing high risk tasks. It also improved its understanding of human error and reduced the opportunities for safety errors to occur.
- Bunnings ran a number of initiatives throughout the year to increase safety awareness and address key areas of risk. These included improved merchandising guidelines to prevent falling stock, phase two of the ‘Making the Invisible ... VISIBLE’ video (sprain and strain prevention), and a number of ‘Protect Your Hands’ campaigns. The business also launched the ‘Rita the Ruler’ video which focuses on maintaining the three-metre exclusion zone around an operating forklift, and a new SMS safety alert system for all forklift operators to communicate urgent updates around forklift safety.
- Officeworks continued to focus on safer manual handling. Several initiatives were implemented to improve manual handling practices, including a comprehensive data review to identify high-risk activities and the controls in place to mitigate the risk of injury.
- Target introduced a safety leadership training module for store management, delivering a safety focus week and development of supply chain safety processes. The focus for next year is to implement safety leadership training across stores, distribution centres and support offices.
- WIS has developed a new four-pillar ‘Health, Safety and Wellbeing strategy’ which includes activities related to governance, operational excellence, physical and psychological wellbeing.
- Coles’ commitment to mental health is reflected in its ‘Mind Your Health program’ which provides a range of online resources to support team members. This year, five wellbeing pillars were introduced to improve mental wellbeing in the workplace and at home. These pillars are to Be Mindful, Stay Connected, Be Active, Keep Learning and Give Back. To complement the program, four online tutorials were launched providing team members with practical ways to create a mentally healthy workplace, promote personal mental health and enable effective mental health conversations, both in and outside the workplace.
- Curragh embarked on a comprehensive review of its safety and health management system, undertaken in consultation with the mine’s workers. The review encompasses all identified high priority safety and health procedures, and will ensure an acceptable level of risk from our mining activities. The review is continuing until the end of the next financial year.



PEOPLE

Australian-first technology helps trolley collection



COMMUNITY

Bunnings’ support for SafeWork NSW TradieSafe Program

People



Diversity

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



Coles team member Dion Patten at the Coles Aurora Village supermarket in Victoria

WESFARMERS CONSIDERS BUILDING A DIVERSE AND INCLUSIVE WORKFORCE AN OPPORTUNITY TO DRIVE STRONG AND SUSTAINABLE SHAREHOLDER RETURNS.

Our customers and stakeholders are increasingly diverse, and to gain the best insight into their needs and how to meet them, diverse and inclusive teams are required. A diversity of perspectives and backgrounds also strengthens creativity and innovation in teams. Moreover, creating an environment that attracts, retains, and promotes talent with a wide range of strengths and experiences ensures Wesfarmers is best equipped for future growth.

Our commitment to diversity across Wesfarmers extends to all individuals and all perspectives. Particular focus is paid to achieving a balance of men and women in senior management positions across Wesfarmers and continuing to boost employment of Indigenous people.

Wesfarmers has developed and implemented a Diversity Policy that aims to foster diversity at all levels within the Group. Some of our businesses have gone beyond the requirements set out by our Gender Diversity policies, to make sure they 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.

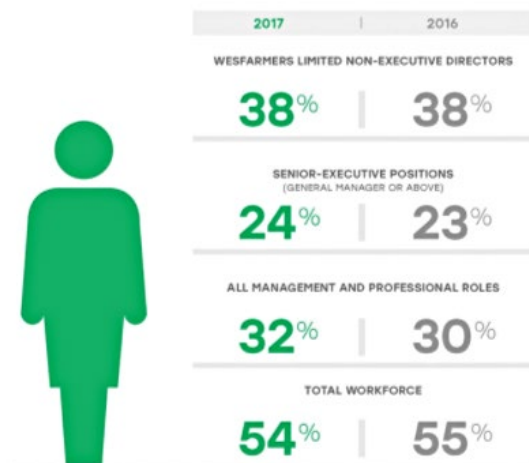
Wesfarmers supports the rights of all our employees and customers to live and work free of prejudice and discrimination.

Gender balance

While Wesfarmers' workforce is made up of 54 per cent women and 46 per cent men, a key opportunity for the Group continues is to increase the percentage of leadership positions held by women.

Women hold 47 per cent of salaried roles and 56 per cent of award or enterprise bargaining agreement (EBA) roles.

WOMEN HOLD 47% OF SALARIED ROLES



The Wesfarmers Diversity Policy outlines four core objectives which are used to measure performance in this area. The objectives are reviewed annually by the Board, as well as Wesfarmers' progress in achieving these objectives. Specific progress targets are linked to senior executive key performance objectives under the incentive plan. Given the diversity of the Wesfarmers portfolio, each division has developed its own gender balance plan in line with the Group objectives.

People

The four objectives and indications of progress achieved for all roles at manager level and above are outlined below.

Foster an inclusive culture: This objective seeks to leverage each individual's unique skills, background, and perspectives.

In 2017, the Wesfarmers leadership model was updated to ensure that our leaders seek to “bring out the best in a diverse range of people” and “lead collaboratively across diverse networks and teams”. Understanding the different strengths and perspectives that individuals bring to our divisions leads to teams that are more engaged and higher performing. In 2017 Wesfarmers and our divisions invested in a number of town hall sessions across the Group by leading gender experts to build awareness about leveraging the economic benefits of gender balance. In addition, forums have been conducted for best practice sharing across the Group and several of our divisions conducted listen and learn sessions with female leaders and team members.

Our divisions continue to introduce and embed practices to improve access to childcare, better manage team members on parental leave, and improve take-up of flexible work arrangements. A number of our positions – from those in the executive teams to those in our stores – are filled by team members who job share or work flexibly.

Of all permanent roles at 30 June 2017, 60 per cent are held by employees engaged on a part-time basis (2016: 62 per cent). Part-time and casual roles account for approximately 73 per cent of our total workforce (2016: 72 per cent).

We recognise the importance of increasing flexibility at senior levels for both males and females. Of all employees at a manager level or above, 90 per cent of employees expected to return from parental leave during the year ended 30 June 2017 returned on either a full-time or part-time basis (2016: 85 per cent).

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.

Developing the leadership capabilities of our female and male talent so that we can have more gender balanced teams at all levels of seniority and across all functional areas, is a priority for Wesfarmers.

Over the 12 months to 30 June 2017, the overall number of women in manager or above roles increased from 30 per cent to 32 per cent. This increase was reflected across various levels of management, including general manager and manager levels, with only the senior manager level experiencing a slight decline in the representation of women managers. 26.5 per cent of all nominated successors to leadership positions across Wesfarmers and its divisions are female.

Female employees represented 33 per cent of all internal promotions at manager level or above, falling slightly from 35 per cent during the previous year.

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.

Women continue to comprise 28 per cent of the divisional leadership team succession pipeline population (roles that report directly to a divisional Managing Director).

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.

Wesfarmers seeks to tap into 100 per cent of the available talent pool for any given role or function. Several of our divisions have put in place structured hiring processes to ensure diversity in recruiting. For instance, through the “hiring for leadership” process, Officeworks mitigates the risk of bias by including a balanced hiring panel.

In the 2017 financial year, 49 per cent of all externally recruited positions were filled by women (2016: 48 per cent). Of all externally recruited positions, 47 per cent of all general manager new hires (2016: 30 per cent), 37 per cent of senior manager new hires (2016: 36 per cent) and 37 per cent of all appointments at manager or above levels (2016: 39 per cent) were filled by women.

Ensure pay equity: This objective aims to ensure 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. Over this period the company has aggressively moved to close any pay equity gaps. For Australian salaried employees Wesfarmers has been able to maintain the pay gap at all managerial levels of the organisation to five per cent with the exception of the General Manager level which stands at 8.1 per cent. 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, 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.

People



Indigenous engagement

MORE THAN 4,000 INDIGENOUS TEAM MEMBERS EMPLOYED

Our vision for reconciliation is an Australia that affords equal opportunities to all. Wesfarmers aims to ensure that Indigenous people feel welcome in our businesses as employees, customers, suppliers and visitors. We will know that we have succeeded when we have a workplace that reflects the diversity of the communities we serve.

Wesfarmers produced its first public Reconciliation Action Plan (RAP) in 2009, with a focus on 'Relationships, Respect, and Opportunities'. Our RAP outlines specific measurable actions undertaken across the Group, targeting Indigenous employment, business engagement, community partnerships and team member volunteering with Indigenous organisations. The RAP is registered with Reconciliation Australia.

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

Indigenous employment

As Australia's largest private sector employer, we believe we are able to provide Indigenous people with greater opportunities to participate in sustainable employment, and this remains the primary focus of our RAP. At 30 June 2017, Wesfarmers had 4,231 Indigenous team members, representing two percent of our current Australian workforce. This is a 27 per cent increase on the previous year.

BUSINESS UNIT	2017	2016	2015	2014	2013
Coles	2,872	2,318	1,765	862	640
Bunnings	516	423	410	336	176
Kmart	429	333	278	279	270
Target	155	136	161	107	86
Officeworks	161	65	73	67	54
WesCEF	29	19	17	13	15
WIS	50	13 ¹	35	28	37
Resources	17	19	20	18	22
Insurance	NR	NR	NR	NR	NR
Corporate	2	19	3	1	2
Group total	4,231	3,327¹	2,762	1,711	1,302

NR means data was not recorded due to the sale of the Insurance division in 2014

¹This number has been restated due to a review which was conducted in 2017.

Our businesses continue to offer full-time and school-based traineeship programs and our corporate office employed an Indigenous cadet during the year.

Wesfarmers retailers engage Goldfields Indigenous communities

In 2017, our Kalgoorlie-based retailers engaged with Indigenous communities across the Goldfields region, and some initiatives included:

- Bunnings and Kmart provided care packs during a community visit by store team members to Laverton.
- Coles ran its First Steps pre-employment training program resulting in seven new team members being employed at two Kalgoorlie Coles supermarkets, a Liquorland and Coles Express.

People

- As part of our commitment to regional and remote areas, in March 2017 Bunnings, Target, Coles and Kmart team members from their Kalgoorlie stores travelled to Leonora, two and a half hours north of Kalgoorlie for a community day. Click [here](#) to view a video of the community event.

Wesfarmers-led community events have on occasion, resulted in employment opportunities being offered to local Indigenous young people.

Indigenous community partnerships

Wesfarmers is committed to establishing community partnerships with Indigenous organisations.

We have supported the Clontarf Foundation since 2001 and in 2015 agreed to a new, three-year partnership with an increased financial contribution to assist the foundation's national expansion. Most of our businesses also engaged with Clontarf across Australia during the year.

We continued to support the Australian Indigenous Mentoring Experience and The Graham (Polly) Farmer Foundation. Wesfarmers also entered into the second year of its partnership with Reconciliation WA. Our divisions also have partnerships with organisations that support Indigenous communities, such as Red Dust Role Models, New Start Australia and The Australian Literacy & Numeracy Foundation. We also contributed to the Centre for Independent Studies 'Prosperity Project' research program, which is looking at funding for Indigenous programs and where it is having the greatest impact.

Indigenous procurement activities

Wesfarmers has committed to increase its procurement from Indigenous suppliers. We are a founding member of Supply Nation, Australia's leading supplier diversity accreditation organisation. In May 2017, nine representatives from our businesses attended the Supply Nation Connect Indigenous business conference. We were also proud to sponsor the Government Member of the Year Award at the Supply Nation 2017 Supplier Diversity Awards.

IN THE SIX YEARS TO 2016, WESFARMERS PROCURED MORE THAN \$47 MILLION IN PRODUCTS AND SERVICES FROM INDIGENOUS SUPPLIERS.

- Our latest RAP report and commitments can be found [here](#).



PEOPLE

Coles employs record number of Indigenous team members in 12 months



PEOPLE

Curragh traineeship forging new paths for Indigenous women



PEOPLE

Blackwoods accelerates its focus on Indigenous inclusion



PEOPLE

Diversity at Coles



PEOPLE

Retail training program opens new doors for Indigenous Australians



People



People development

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

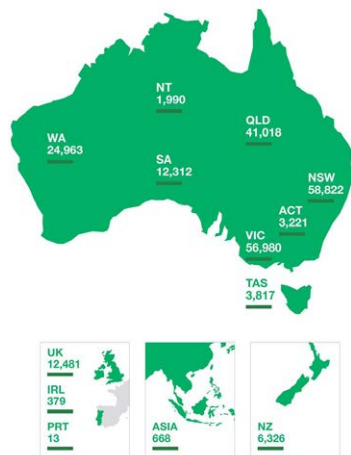


Wesfarmers corporate office team members, from left, John Evans, Alison Bodill and Justin Laird.

Wesfarmers businesses provide employment to approximately one in 60 working Australians or one in 14 working Australians under 20 years of age.

In 2017, we distributed \$8.7 billion to our employees in salaries, wages and benefits.

The quality of our people is our greatest competitive advantage and providing them with opportunities to improve their performance and their careers is key to our success.



Our 222,990 people are mostly located in Australia, with more than 6,000 in New Zealand and nearly 13,000 in the United Kingdom and Ireland.

Employee numbers by location	as at 30 June 2017
Australia	
Australian Capital Territory	3,221
New South Wales	58,822
Northern Territory	1,990
Queensland	41,018
South Australia	12,312
Tasmania	3,817
Victoria	56,980
Western Australia	24,963
Asia	668
Ireland	379
New Zealand	6,326
Portugal	13
United Kingdom	12,481
TOTAL	222,990

Our people

We employ approximately 223,000 people globally, including more than 203,000 in Australia, making Wesfarmers Australia's largest private-sector employer. Of our people, approximately 68 per cent are employed on a permanent basis and 32 per cent are employed on a casual basis.

In the 12 months to 30 June 2017, we employed 58,695 new people across the Group in a range of permanent, part-time and casual roles. Over the same period we have had a net increase in our overall employee numbers of approximately 4,600 people.

Our voluntary turnover rate across the Group was 18 per cent. Given the extensive retail focus of the Group there are seasonal variations in employment numbers, with a peak throughout the Christmas/summer period in line with the broader retail industry. In addition to our employees, our divisions engage contractors in a range of roles. 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. Our divisions offer end-of-career transition services where appropriate including outplacement services. 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.

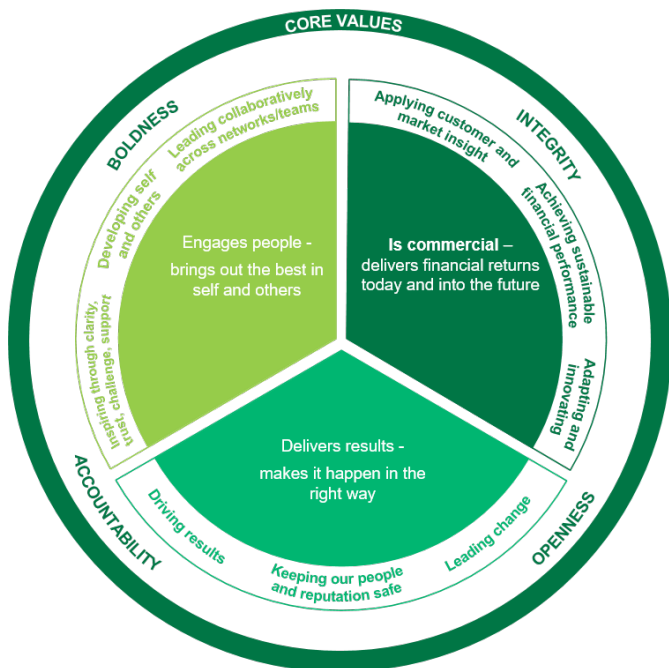
Our businesses are always keen to learn from their employees on issues important to them. Most divisions have already implemented a range of regular employee engagement initiatives, including always-open surveys, regular online surveys or externally designed 'employee pulse' surveys.

People

Training and development

Wesfarmers is committed to providing strong skills-based training and leadership development to all employees. In addition to on-the-job training, Wesfarmers divisions provide job-specific training opportunities as well as more general training opportunities covering areas like technical skills, customer service, team work and leadership. These programs are available to full-time, part-time, and casual employees.

The Wesfarmers Leadership Model



The Wesfarmers Leadership Model and development approach does not aim to pursue a model of leadership ‘perfection’ where our leaders must be strong on every capability. Instead, we support our leaders to be aware of their strengths and development areas and to keep learning.

Our approach to developing our leaders involves individual development investments, including 360 assessment, development planning, external coaching and mentoring. In addition we provide collective learning experiences – through business schools and exceptional executive educators. We are continuing to renew our suite of offers including in-person workshops, virtual classrooms and online learning. In addition to developing our leaders we also ensure that we connect them to Wesfarmers leaders, our values and each other. We do this through events such as Wesfarmers Way breakfasts and lunches for new general managers with the Group Managing Director, Group Finance Director and Chief Human Resources Officer. We also hold ‘WES talks’ events several times a year, where senior leaders bring our values to life through personal storytelling.

At Group level our focus is on developing leadership talent for our critical senior roles. To facilitate this we have a Wesfarmers Leadership Model that defines what ‘good’ looks like for Wesfarmers leaders.

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

We are also focused on training our more junior full-time or part-time team members. Depending on the team member’s role and responsibilities, we offer such training opportunities as first aid, Microsoft Excel courses, people management training, unconscious bias training and LinkedIn profile building.

People

Workplace relations

More than 83 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.

This year, workplace relations at Coles received some attention. The Fair Work Commission declined to approve a new enterprise bargaining agreement covering all Coles store team members. Following that decision, the majority of Coles team members are now covered by the 2011 Store Team Enterprise Agreement. Most meat team members are covered by state-based agreements and a small number of team members (Coles Online customer service agents) are covered by the General Retail Industry Award.

In July 2016, an individual Coles team member filed an application to terminate the 2011 agreement. This matter is currently before the Commission.



ENVIRONMENT

Officeworks launches the Restoring Australia program



GOVERNANCE

Wesfarmers Chairman Michael Chaney on succession planning and sustainability



COMMUNITY

Hoping to halt heart disease



COMMUNITY

Clontarf: a working partnership



Sourcing



Suppliers

We commit to strong and respectful relationships with our suppliers.



Cattle producer Bill Crowther will become the first cattle producer in Queensland to supply to Coles' grass-fed GRAZE beef range, using a \$500,000 grant from the Coles Nurture Fund.

Our relationships with more than 18,000 suppliers across the Group are very important to us. This year we paid our suppliers \$46.4 billion. 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.

Australia First at Coles

Coles has an Australia first sourcing policy to source Australian-grown food whenever and wherever it can. Coles sources more than 96 per cent of fresh fruit and vegetables from Australian growers, 100 per cent of fresh milk and eggs, and 100 per cent of fresh meat for the meat department from Australian producers.

Coles is supporting Australian producers and growers with new and extended long-term contracts. During the year, Coles signed a 10-year agreement with TOP Pork Pty Ltd which paves the way for 12 Victorian and South Australian farming families to supply sow stall free pork directly to Coles each week. In 2015, Coles entered into a ten-year agreement with Sundrop Farms to supply tomatoes and in 2016, secured an eight-year agreement with Manbulloo Mangoes.

During the year Coles extended its milk contract with Norco. The original five-year contract signed in 2014, has been extended until 2023 with Coles having an option to extend to 2026. Under the agreement, around 220 New South Wales and Queensland dairy farmers will supply 60 million litres of Coles Brand milk annually.

Under a supply contract with Simplot, which has been extended until 2024, Coles has committed to sourcing an additional six million kilograms a year of Australian-grown vegetables which was previously sourced from overseas.

Country of origin

The Federal Government's new country of origin labelling scheme comes into effect in July 2018. Over 300 Coles Brand products now bear labels that better support transparency around product origin.

Coles and dairy farmers

More than 100 dairy farmers received grants last year, thanks to sales of more than 2.6 million litres of Farmers Fund milk at Coles supermarkets across Victoria and a \$1 million donation from the Coles Nurture Fund.

Since September last year, Coles has sold Farmers' Fund milk at its supermarkets across Victoria, with twenty cents a litre from all sales directed to an independent fund established by the Victorian Farmers Federation (VFF).

The funds have helped to provide grants of up to \$20,000 to support on-farm innovation and improvements.

Young dairy farmer Jason Riley from Dumbulk in Victoria's South Gippsland was a first round Farmers' Fund grant recipient and put his \$20,000 in funding towards pasture and paddock renovations on his farm.

"I am a young farmer just starting out and following a particularly tough season, a helping hand was very much appreciated. The Farmers' Fund grant has been a huge help and I cannot be more thankful for the contributions that the VFF and Coles have made. Everyone that I have encountered in the dairy industry has been so supportive to work with and it really reaffirms my decision to pursue a life in the farming industry," he said.

As part of similar arrangements in South Australia and Western Australia, Coles sells South Australian Dairyfarmers' Association (SADA) SADA Fresh milk and Western Australian Farmers Federation (WAFarmers) WAFarmersFirst milk where twenty cents a litre is provided to industry funds. Coles has sold more than 5.4 million litres of SADA Fresh milk since 2013 and over 2.7 million litres of WAFarmersFirst milk since 2014.

Sourcing

Sustainable agriculture

Coles continued to roll out the app-based Coles Farm Program to support its suppliers in improving the sustainability of their farming operations through enhanced traceability, environmental performance monitoring and employee training.

During the year, Coles partnered with a leading agri-environmental consultancy to conduct Australia's first on-farm carbon foot-printing assessment of beef producers, using methodology approved by the Carbon Trust. The Carbon Trust is a not-for-dividend company that helps organisations and companies reduce their carbon emissions and become more resource efficient.

Coles Agronomy Group was launched during the year, with 12 growers volunteering their time to work together with Coles to address industry challenges around varietal development, agronomy (fertiliser and pesticides), water use and labour practices in the fresh produce industry.

Farm animal welfare

Coles Brand's animal welfare policies focus on reducing the number of products sourced from close confinement systems such as battery cages and sow stalls. Coles Brand fresh eggs have been cage free since January 2013 and Coles Brand fresh pork has been sow stall free since January 2014.

Coles' approach to animal welfare for Coles Brand farmed animals is based around five freedoms:

- freedom from hunger and thirst;
- freedom from discomfort;
- freedom from pain, injury and disease;
- freedom to express (most) normal behaviour; and
- freedom from fear and distress.

This policy includes dairy, beef, lamb, poultry, eggs, pigs and aquaculture species. The Coles Farm Program assessments provide consistent monitoring and maintenance of animal welfare standards.

A producer steering committee is in place for each key species to review Coles' policies and the results from Coles Farm Program assessments.

All Coles Brand fresh pork, ham and bacon are sourced from farms that only use gestation stalls for a maximum of 24 hours as opposed to the industry standard of 10 days.

Coles free range pork is the only RSPCA Approved fresh pork stocked nationally by an Australian supermarket. A long term contract has allowed an increase in the number of RSPCA Approved pigs grown exclusively for Coles in Western Australia and an increase in farm employment.

All Coles Brand poultry has been exclusively sourced from RSPCA Approved farms since January 2014. In 2013, when Coles started its journey towards higher welfare chicken, less than five per cent of Australian chicken production was approved by the RSPCA. More than 70 per cent of national production now meets this higher welfare standard, as others in the industry and market have followed Coles' lead.



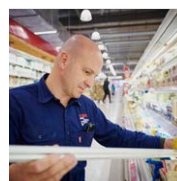
SOURCING

Farmers' Fund milk funds grants for dairy farmers



SOURCING

Nurture Fund provides \$9 million to support innovation



SOURCING

Coles signs 10 year deal for maintenance



SOURCING

Coles works with SEDEX on ethical standards



SOURCING

Coles Brand Suppliers integrated with Coles Fusion



ENVIRONMENT

Coles helps transform organic waste into electricity and compost



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. During the year Kmart and Target along with other brands signed an Agreement with IndustriALL Global Union and Union Network International Global Union to extend the Bangladesh Accord on Building and Fire Safety to 2021.

Wesfarmers' businesses source products from a range of locations. Some of the major locations we source from outside Australia include China, Bangladesh, Europe, Indonesia, India, Thailand, New Zealand, Vietnam, South Korea and Malaysia. Buying products from these regions creates economic benefits for them as well as allowing our businesses to provide affordable products to consumers.

We are committed to working with our suppliers to adhere to ethical business conduct and proactively address human rights through a range of actions.

We have a Group-wide Ethical Sourcing Policy, which sets the minimum standards expected of our divisions. Each division has its own ethical sourcing policy appropriate to its business. Our Human Rights and Modern Slavery statement is available [here](#). Wesfarmers is supportive of establishing a Modern Slavery Act in Australia, our submission supporting this is available [here](#).

Increasing supply chain transparency

The apparel industry is recognised as carrying a higher risk of child labour, forced labour and freedom of association, due to the lower skill level required in the manufacturing process. During the year Target, Kmart and Coles lead the way for Australian retailers in relation to supply chain transparency by continuing to publish the details of the factories that directly produce their own brand apparel.

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 and Officeworks 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.

During the year Target and Kmart undertook a number of initiatives to further their ethical sourcing programs:

- A combined Department Stores Ethical Sourcing Program was established to ensure consistency in ethical sourcing policies and procedures between Kmart and Target, and achieve efficiencies in program implementation, monitoring and reporting. This will be accompanied by an overarching Department Stores Ethical Sourcing Program Standard Operating Procedure
- Target has commenced preparations to join the International Labour Organisation (ILO) and International Finance Company (IFC) Better Work program, which aims to improve working conditions in the garment industry and make the sector more competitive. Kmart has already joined the program
- The businesses have continued their participation in the Action, Collaboration, Transformation (ACT) living wage collaboration. In the past year, ACT was established as a foundation in the Netherlands, an Executive Director was hired and secretariat established in Berlin, and ACT was formally recognised at the G20 Labour Ministers meeting in Hamburg.
- The businesses along with other brands signed an Agreement with IndustriALL Global Union and Union Network International Global Union to extend the Bangladesh Accord on Building and Fire Safety to 2021.

Sourcing

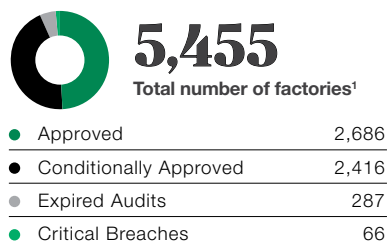
Ethical sourcing and human rights audit programs

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. Suppliers are considered lower risk if they are supplying recognised international brands. While high-risk jurisdictions mainly correlate to our suppliers from emerging markets, we know human rights issues can happen anywhere and we accept that we cannot consider suppliers low risk if they operate in more regulated countries, like Australia.

This year, our audit program covered 5,455 factories or supplier sites in Australia and overseas used to produce products for resale across our retails businesses.

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.

Ethical sourcing audit program findings



¹ Factories include supplier sites.

MORE THAN 5,000 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 2,686 approved factories in our audit program. A further 2,416 factories were conditionally approved and 287 were due to be re-audited.

During the year, we identified 81 critical breaches across 66 factories in our audit program. During the year the major critical breaches identified included no health and safety

policy or injury records, fire extinguishers not functioning or training not provided, no first aid kits, chemicals stored incorrectly, no emergency lighting, inaccurate attendance records, goods obstructing emergency exit path, attempted bribery, forced labour, unauthorised subcontracting and child labour. Where a non-compliance is identified, the factory is required to fix the issue, within an appropriate period of time, depending on the nature of the non-compliance.

We were able to remedy 44 of these issues immediately, eight had action plans that were on track at the end of the reporting period and no further supply orders were placed at the remaining 29.

Ethical sourcing and human rights training

Wesfarmers businesses deliver training on ethical sourcing requirements to our team members, third-party auditors, suppliers and factories to ensure they understand ethical sourcing risks and the standards expected by our divisions. During the year, our divisions delivered 3,783 hours of training which is 32 per cent more hours than last year, 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 are up to industry standards and meet 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. Bunnings, for example, has become a key signatory to the European DIY Retailers Association (EDRA) and Global Home Improvement Network platform (GHIN). EDRA/GHIN is a proactive initiative from the home improvement industry focused on mutually recognised supplier audits and working together to share best practice and tackle emerging supply chain issues. Kmart and Target have signed ‘ACT’ (Action, Collaboration, Transformation) a partnership between brands, retailers, manufacturers and IndustriALL (the global union) aimed at achieving living wages in apparel-sourcing countries. ACT aims to improve wages by establishing industry-wide collective bargaining, supported by world-class manufacturing standards and responsible purchasing practices.

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.

Timber and paper procurement

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 85 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.

Sourcing

In 2016, Merbau/Kwila timber supplier PT Wijaya Sentosa became the first large scale Indonesian forest operation to achieve FSC certification. Since January 2017, all stores in New Zealand have stocked FSC certified Merbau/Kwila timber decking, with Australian stores beginning to stock FSC certified Merbau/Kwila decking in selected locations.

Bunnings continued to collaborate with environmental non-government organisations on raising awareness of responsibly sourced timber and participated in a case study in the WWF International Report entitled *Responsible Sourcing of Forest Products: The Business Case for Retailers*.

Officeworks continues to responsibly source products with wood and fibre content. In the past 12 months, Officeworks' forestry questionnaire has been incorporated into its product registration process. This ensures all products with wood and fibre content registered for sale by Officeworks have met a set of sourcing requirements that ensure there is no illegal timber in the supply chain. In the last year, 61 per cent of products sold with wood or fibre content were obtained from 100 per cent recycled or FSC certified sources.

The transparency and quality of forestry product data has enabled Officeworks to develop and launch the Restoring Australia initiative. The core premise of this initiative is to plant two trees for every one tree used, based on the weight of paper and wood used in office supplies products sold to Officeworks' customers. Officeworks has partnered with Greening Australia to plant the trees in degraded Australian landscapes. The goal is to restore damaged parts of the Australian landscape for a variety of reasons, including the reversal of the decline in the number of threatened species in these areas.

During the year, customer receipts at all Coles Supermarkets, Liquor and Coles Express outlets were certified to the FSC standard to complement Coles' ongoing commitment to sustainable paper products. Coles' aim is that by 2020 all Coles Brand timber, pulp based paper and pulp based tissue products will be made with certified timber and paper.

Responsible sourcing of palm oil

All palm oil used in Coles Brand food and drink products is sustainable palm oil. Coles is also progressing the conversion of Coles Brand homecare, health, beauty and baby products to use sustainable palm oil and palm derivatives. To offset the use of palm oil in Coles Brand non-food products, Coles purchase GreenPalm certificates which support sustainable palm oil farmers and processes.

Sustainable cocoa

Kmart and Target sell chocolate products throughout the year, particularly at Christmas and Easter time. These businesses believe they have a responsibility to work with the cocoa industry and their partners to ensure that cocoa is sourced sustainably for use in their house-branded products. In early 2017 Target and Kmart launched a project to develop a sustainable cocoa and chocolate policy.

Both businesses announced to their suppliers that all cocoa ingredients used in their house-branded products must comply with one of their preferred sustainable cocoa standards, either Cocoa Horizons (Barry Callebaut) or UTZ (any certified supplier), by 30 June 2019.

Implementation has commenced and it is expected that the first sustainably-labelled house brand products will appear in Target's stores by Christmas 2017 and Kmart's stores by Easter 2018.

All Coles Brand tea and coffee is now obtained from certified sources (UTZ, Fairtrade or Rainforest Alliance) and by 2020 the aim is to source all Coles Brand chocolate from certified sources.

Supporting the communities we source from

Our businesses are committed to supporting the communities in which they source their products.

The Kmart Australia Sourcing team continues to provide financial and volunteer support to the Half the Sky Foundation, including the annual Half the Sky gala benefit dinner. This foundation supports and cares for orphaned children in China.

Kmart continued its relationship with the Salaam Baalak Trust (SBT) in India. SBT is a not-for-profit organisation established in 1988 to support street children in New Delhi and Mumbai by providing secure shelter, food, education, health support, skill development and job placement, as well as working to reunite these children with their families.

In Bangladesh, Kmart continued support for Room to Read, a not-for-profit organisation that runs programs aimed at improving literacy levels at primary school level and supporting girls to complete their secondary education.

Target is in its third year of a partnership with CARE to deliver The Safe Motherhood Program. The program supports women and their families in Gazipur by delivering vital pre- and post-natal education programs and by connecting them to lifesaving healthcare services.

The Target Bangladesh office provides product sample donations to the School of Hope in Dhaka. The School of Hope is a non-profit, non-political, non-religious educational institute providing primary school education, high school sponsorship and a school meal program to economically disadvantaged children within their community.

Coles assists small businesses through the \$50 million Coles Nurture Fund. The Fund which was established in 2015, supports small to medium businesses in the food and grocery sector with the development of new market-leading products and technologies. 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 on farms across Australia.

Sourcing

Wesfarmers human rights and modern slavery statement

Wesfarmers Limited (Wesfarmers) 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 (Act)*, describes the steps taken by Wesfarmers and all its subsidiaries during the financial year ending 30 June 2017 to seek to ensure that slavery and human trafficking are not occurring in any of our businesses or their supply chains. It uses the United Kingdom government's definition of "modern slavery", which includes slavery, human trafficking and forced labour.

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 chain.

We are committed to respecting and supporting 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

Wesfarmers has adopted a risk based approach to human rights due diligence and has focused on protecting the human rights of our direct employees and the rights of those in our supply chains who are supplying own brand products.

Our structure, business 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, industrial and safety products and coal.

Wesfarmers employs more than 223,000 people in Australia, New Zealand, the United Kingdom, Ireland, Portugal, and several countries in Asia including Bangladesh and China. In the financial year ending 30 June 2017, Wesfarmers paid AU\$46.4 billion to our more than 18,000 suppliers in more than twenty countries.

Wesfarmers' businesses work within large, diverse supply chains of partners and stakeholders. We recognise that 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 from a range of locations outside Australia, with the largest volume sourced from China, Bangladesh, Hong Kong, New Zealand, India, Thailand and Vietnam. While our operations and supply chains are complex, our aim is to ensure that human rights issues 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.

Policies and governance

Policies

The policies and frameworks that support the Group's day to day operations are designed to ensure all relevant universally recognised human rights are observed and 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, forced, trafficked and child labour and are committed to safe and healthy working conditions, including the right to freedom of association and collective bargaining. Our Group-wide Ethical Sourcing Policy sets the minimum standards expected of our divisions. Each division has its own ethical sourcing policy appropriate to its business which it communicates to its suppliers.

Governance

All sustainability issues at Wesfarmers, including human rights, are managed at a divisional level by senior management. Each division has strategic teams which identify and manage sustainability issues relevant for their business including modern slavery and human rights risks. Senior management in each business is responsible for managing human rights issues with their suppliers. Each business has its own process and triggers for identifying human rights risks and impacts. For example, some businesses use platforms such as the Supplier Ethical Data Exchange (SEDEX) to streamline ethical and human rights compliance and monitoring. The businesses also conduct audits and use risk tools to understand potential human rights violations in their supply chains where appropriate.

Ethical sourcing and human rights issues are overseen through regular reporting to the Wesfarmers Audit and Risk Committee, a committee of the Wesfarmers Board.

Our due diligence process

Wesfarmers has adopted a risk based approach to human rights due diligence and is currently focused on respecting the human rights of our direct employees and the human rights of those in our supply chains who are supplying own brand products in tier one factories or supplier sites. The due diligence processes are in varying degrees of development across the Group's businesses. We recognise we are on a continuous journey to improve our human rights due diligence processes.

Our businesses conduct human rights due diligence assessments regularly. More about these due diligence processes is explained below.

Sourcing

Respecting the human rights of our employees

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.

Employee standards

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 introduced Gender Affirmation and Transition Guidelines 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.

Freedom of association and collective bargaining

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 the provisions for consultation and negotiation. We also believe in maximising the flexibility of workplace arrangements available to our employees and their managers.

Respecting human rights in our supply chain

While our operations and supply chains are complex, our aim is to ensure that human rights are respected and understood. We regularly undertake the following due diligence actions to seek to ensure that modern slavery is not occurring in our supply chains and that human rights are being upheld:

Establishing which suppliers to work with

Taking a risk-based approach, the decision to conduct detailed due diligence on an own-brand supplier of goods for resale is based on the goods or services, country of origin and vendor. Before we contract with a new supplier who has been identified as high risk we require it to complete a self-assessment questionnaire. We investigate the supplier to understand risks of bribery, money laundering, human rights breaches, ethical sourcing and modern slavery. 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.

Communicating our ethical and responsible sourcing policy to suppliers

We will only work with suppliers to supply goods for resale who operate in line with our Ethical Sourcing Policy. This is communicated in our terms of reference with suppliers. Suppliers must agree to act transparently, to remedy any issues, and to drive continuous improvement. Each division/business unit must adopt policies and procedures so that suppliers engaged by the division/business unit to supply goods take all reasonable steps to comply with our minimum standards. These minimum standards include:

- No forced or bonded labour
- No child labour
- Wages, benefits and transparent record keeping
- Working hours. 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 units*
- Environmental compliance

All suppliers producing goods for resale must agree to comply with these minimum standards in their agreements with our businesses.

Mapping our supply chain

To manage business and sustainability issues with such a complex supply chain we are working to map our suppliers beyond tier one (supplier producing the final product for resale) to include, where possible, tier two and three suppliers (suppliers producing components which go into a final product e.g. cotton suppliers).

Building long-term relationships

We aim to build long term direct relationships with suppliers as this may have a number of 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 while safeguarding human rights.

- Coles’ Australian fresh produce suppliers form a significant component of its supply chain. Coles has an Australian First Sourcing Policy, which aims to support Australian farmers and manufacturers when sourcing fresh produce and Coles brand products. At 30 June 2017, 96 per cent of fresh fruit and vegetables sourced for Coles’ customers are Australian-grown, along with 100 per cent of fresh milk, 100 per cent of eggs and 100 per cent of fresh meat from the meat department.

Sourcing

- Bunnings source 40 per cent of their products from businesses who manufacture in Australia and New Zealand. The countries and communities from which Bunnings source products are very important to Bunnings. Bunnings is committed to ensuring the products it sells comes from legal and sustainable operations, with good working conditions and fair treatment of people. Bunnings merchandising team and buying agents are responsible for building long term relationships with suppliers with a common vision towards a responsible and sustainable sourced supply chain.

Risk assessment and mitigation

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. 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.

Our businesses use a number of tools and processes to better understand and manage these risks. For example:

- Country Risk Ratings to better understand local human rights contexts as well as exposure to related issues;
- Integrating responses to our due diligence into our internal systems, acting on the findings, tracking our actions, and communicating with our stakeholders about how we address impacts;
- Some of our businesses use the internationally recognised platform, SEDEX, to assess risk in the supply chain under this framework. Some suppliers complete an assessment and based on the results of the assessment, are deemed to be low, medium or high risk. This rating then determines future monitoring and assessment criteria.

As part of these processes, the apparel and agricultural industries have been identified as carrying a higher risk of child labour, forced labour and freedom of association, due to the lower skill level required in the manufacturing and farming processes. In addition, in recent years we have recognised that increased due diligence around human rights, including modern slavery, may be needed when our suppliers engage with third party labour hire companies, especially those who are lower skilled and providing physical labour.

To address these risks and to better respect and uphold human rights, we have undertaken a number of activities, including:

- To manage the risks in the agricultural sector Coles has introduced a new Ethical Supplier Policy. While the previous policy covered only high-risk suppliers, the new policy is aimed at ensuring that all Coles Brand suppliers are compliant with its expectations on ethical sourcing.
- Coles recognises that increased due diligence around human rights and modern slavery may be needed when our suppliers engage with third party labour hire companies. Coles has sought to monitor supplier risk through its use of the SEDEX platform and establish open engagement with external stakeholders including unions and government and relationships with suppliers through the Coles Agronomy Group.

- Coles previously sub-contracted its cleaning and trolley collection requirements. To minimise the risk of underpayment by subcontractors, Coles has moved all of its daily cleaning requirements and 90 per cent of trolley collection in-house. Third-party contractors responsible for the remaining 10 per cent of trolley collection are subject to a range of measures to monitor compliance. These include use of an approved payroll to maintain records, operations of a hotline to allow employees to report issues and annual reporting to the Fair Work Ombudsman.
- Bunnings continues to work towards mitigation of modern slavery within its supply chain. Bunnings established Timber policy provides transparency on human rights and sustainable outcomes within the supply chain. 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.
- Bunnings has conducted a review of its cleaning contractors to provide assurance that forced labour is mitigated. During the year, Bunnings became 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.
- To manage the risks in the apparel industry 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 apparel industry and make the industry more competitive overall.
- Kmart and Target have continued their participation in the Action, Collaboration, Transformation (ACT) living wage collaboration. In the past year, ACT was established as a foundation in the Netherlands, an Executive Director was hired and secretariat established in Berlin, and ACT was formally recognised at the G20 Labour Ministers meeting in Hamburg.
- Kmart and Target along with other brands signed an Agreement with IndustriALL Global Union and Union Network International Global Union to extend the Bangladesh Accord on Building and Fire Safety to 2021.

Methodology used to track and measure performance

We measure Wesfarmers businesses' performance in respect of ethical and sustainable practices against a number of key performance indicators including:

1. Coverage of our ethical sourcing audit programs including the total number of factories audited program, the number and nature of critical breaches and the speed of remediation and improvement.
2. Training and capacity building
3. Effectiveness of grievance mechanisms
4. Stakeholder engagement

Sourcing

1. Coverage of our ethical sourcing audit programs

To mitigate the risk of unethical practices occurring in our supply chains, we apply an ethical sourcing audit program to higher risk own brand suppliers. This year our ethical sourcing program covered more than 5,400 suppliers. Suppliers are considered lower risk if they are providers of recognised international brands.

The audit considers a number of factors, including forced labour indicators such as restriction of movement, intimidation and threats, retention of identity documents, withholding of wages, debt bondage, abusive working and living conditions and excessive overtime.

Total factories in audit program

This year, our audit program covered 5,455 supplier sites used to manufacture house-brand products for resale, across our international and local supply chain. 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 findings are made, an audit will be repeated three months later to confirm that any findings have been addressed.

Total number and nature of critical breaches

This year we identified 81 critical breaches across 66 factories in our audit program. These concerned issues (or suspected issues) of attempted bribery, forced labour, unauthorised subcontracting, and child labour. We remedied 44 of these issues immediately, formulated eight action plans that were compliant at the end of the reporting period and ceased supply orders relating to the remaining 29.

Remediation

Where non-compliance is 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 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.

2. 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 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. During the financial year ending 30 June 2017, our divisions delivered more than three thousand hours of training.

Cross-functional teams in our businesses regularly collaborate, as in our quarterly ethical sourcing forums, to discuss what types of goods which we procure may present higher risks for human rights breaches including modern slavery.

3. Effectiveness of grievance mechanisms

We place importance on the provision of effective company-based 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 speak up about any concerns they may have, without fear of retribution and with full confidentiality if required. They can speak up informally or through our whistle blower and human resources grievance channels. We also promote the provision and implementation of effective grievance mechanisms by our suppliers.

Our company based grievance mechanisms are accessible by our employees and external community and stakeholders. Information on the mechanisms may be accessed here.

We have also established specific grievance mechanisms for workers in our supply chain. For example, Coles has set up the Coles Wages and Conditions Hotline for Farm and Factory Workers. In Australia, employees who work for a Coles supplier can call 1300 532 515 between 8am-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.

4. Stakeholder engagement

We regularly engage with our stakeholders to understand their expectations.

Non-government organisations: 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 on the possible introduction of a Modern Slavery Act in Australia, which Wesfarmers supports. For example, Kmart and Target are members of ACT (Action, Collaboration, Transformation) a partnership between brands, retailers, manufacturers and IndustriALL (the global union) aimed at achieving living wages in apparel-sourcing countries.

Suppliers: 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.

Sourcing

For example, Coles' Agronomy Group was launched during the year, with 12 growers volunteering their time to work together with Coles to address industry challenges around varietal development, agronomy (fertiliser & pesticides), water use and labour practices in the fresh produce industry.

Workers in our supply chain: 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 (outlined elsewhere in this document). During the year our apparel businesses, Kmart and Target, participated in the following key initiatives aimed at enhancing their ethical sourcing programs and improving human rights in supply chain:

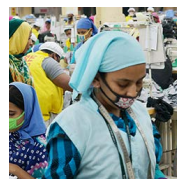
- Kmart joined the ILO/IFC Better Work program as a Buyer Partner. The Better Work program aims to make sustainable improvements in working conditions within the garment industry and make the sector more competitive overall.
- Kmart and Target continued their participation in the Action, Collaboration, Transformation (ACT) living wage collaboration. In the past year, ACT was established as a foundation in the Netherlands, an Executive Director was hired, a secretariat established in Berlin, and ACT was formally recognised at the G20 Labour Ministers meeting in Hamburg.
- Kmart trialled a wage monitoring system for suppliers in Bangladesh to improve transparency and enable tracking of wage movements over time.
- Kmart and Target along with other brands signed an agreement with IndustriALL Global Union and UNI Global Union to extend the Bangladesh Accord on Building and Fire Safety to 2021.

We track and publicly report on progress on an annual basis in our Sustainability Report.



Richard Goyder AO
Managing Director and Director Wesfarmers
13 October 2017

*Note this does not extend to Coles proprietary brand suppliers



SOURCING

Kmart joins partnership to improve working conditions in apparel factories



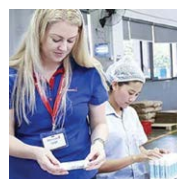
COMMUNITY

Target and CARE helping mothers deliver healthy babies



SOURCING

Kmart and Target commit to sustainable cocoa and chocolate




SOURCING

Improving working conditions in Officeworks' supply chain



Community



Community contributions

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



Officeworks' 'Back to School' appeal raises money for The Smith Family

In 2017, the Wesfarmers Group contributed \$73 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 \$59 million this year.

Wesfarmers is a successful company, and one that creates value for all its stakeholders. During the year, we generated more than \$68 billion in revenue, which was distributed to our various stakeholders. As a result, we have a significant positive impact on the Australian economy. Wesfarmers is Australia's largest private sector employer. The vast majority of our shares are held in Australia, and we invest in the local communities where our businesses operate.

Wesfarmers is among Australia's top 10 taxpayers paying more than \$2 billion in taxes and royalties. Our Tax Contribution Report is available here.

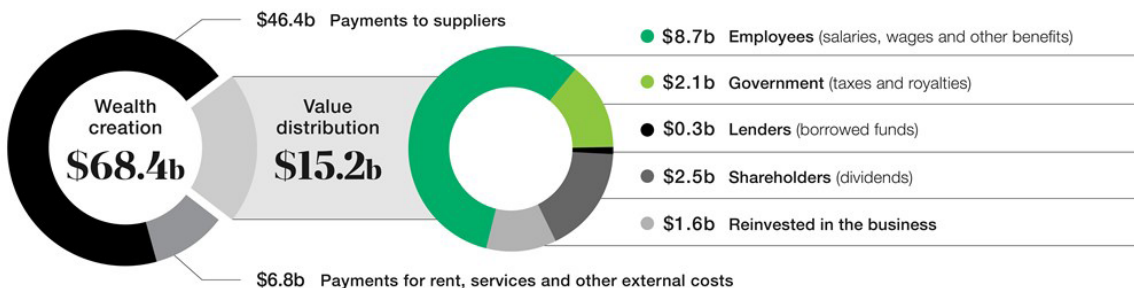
Wesfarmers has always believed that a strong business environment is underpinned by a cohesive and inclusive community environment. Accordingly, Wesfarmers has had a long-term commitment to investing in community initiatives linked to long-term social and economic outcomes.

Further detail on our community contributions can be found in Our data.

Economic contribution to the community

Below is a summary of how we distribute the wealth we create. Further detail on our financial performance for the year can be found in our 2017 annual report.

Wesfarmers plays a vital role in the broader community.



\$53.2b	\$8.7b	\$2.5b	\$2.1b	\$1.6b	\$0.3b
Suppliers and other external costs	Employees	Shareholders	Government	Reinvested in the business	Lenders
<ul style="list-style-type: none"> More than 18,000 suppliers More than 5,000 factories and supplier sites in the audit program 	<ul style="list-style-type: none"> Wesfarmers employs more than 223,000 people 54% female, 46% male 1 in 60 Australians work for Wesfarmers More than 4,000 Indigenous team members 	<ul style="list-style-type: none"> More than 500,000 shareholders Approx. 90% of Wesfarmers' profits distributed in dividends 	<ul style="list-style-type: none"> One of Australia's 10 largest taxpayers Signatory to the Voluntary Tax Transparency Code 	<ul style="list-style-type: none"> Retained as capital to support new investments 	<ul style="list-style-type: none"> Comprises interest payments and fees paid to: Wesfarmers' 15 funding banks Direct investors in Wesfarmers' AS, Euro and US\$ bond issues

Community

Contributing locally across many communities

DIRECTLY AND THROUGH SUPPORT FROM OUR CUSTOMERS AND TEAM MEMBERS, OUR COMMUNITY CONTRIBUTIONS WERE \$132.2 MILLION

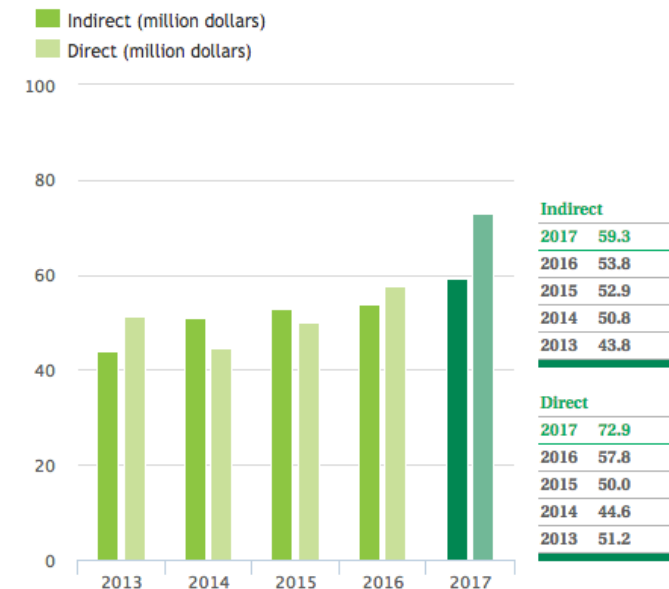
Reflecting the Group's divisional autonomy, our approach to community engagement is driven and managed by our businesses to ensure value is created in ways that best fit with their operations and geographic spread.

With businesses across Australia, New Zealand, the United Kingdom and Ireland, Wesfarmers has a local footprint in many communities. Many of our divisions have major, long-term partnerships at a national level such as Coles' support of national cancer charity RedKite. This partnership achieved a significant milestone in 2017, with more than \$24 million raised since the partnership started in 2013.

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, the Bunnings sausage sizzles and cake stalls enjoyed by many Bunnings customers every week are valuable fundraising opportunities for local community groups, where all of the funds raised go directly to the group conducting the fundraiser. Coles, Kmart and Target provide gift cards to community groups or facilitate the collection of customer donations for local fundraising initiatives. As a result of these locally-driven activities, there is a significant number of community programs supported across Australia, including environmental projects, education programs and mental health initiatives. Investing now and for the future.

Community contributions

132.2 \$m



Community



For almost 10 years, Wesfarmers has supported Surf Life Saving WA through the Wesfarmers Lifesaver Jetski Teams

Investing now and for the future

Each of our businesses include information about their community partnership programs in their sections of this report and information on our community contributions can also be found in Our data.

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

IN 2017, MORE THAN \$8.8 MILLION WAS CONTRIBUTED TO OUR PARTNERS

The majority of these partnerships are long-term commitments with West Australian-based organisations.

This year, we entered into a number of new partnerships. Our four-year commitment to partner with Teach for Australia is focused on growing the best leadership talent to address educational disadvantage by assisting the organisation expand its operations into Western Australia. We became the inaugural partner with the newly-created WA Parks Foundation which is focused on projects that celebrate, promote, protect and enrich West Australian parks so everyone can enjoy them. We also contributed to the Centre for Independent Studies 'Prosperity Project' research program, which is looking at funding for Indigenous programs and where it is having the greatest impact.

The achievements of the Wesfarmers Centre of Vaccines and Infectious Diseases resulted in a renewed partnership with the Telethon Kids Institute. The Wesfarmers Board agreed to another four-year partnership, increasing the funding amount to a total of \$6 million. Our partnership with The Australian Alzheimer's Research Foundation was also extended for another three years.

We increased our contribution to Indigenous programs, in part due to the increase in funding for the Clontarf Foundation to assist its national expansion and double its student intake. A number of our divisions have established relationships with Clontarf Academies around Australia and provide work experience and employment opportunities, as well as mentoring and other in-kind support. For more information see our story on Clontarf. We also sponsored the Recognise Dinner in support of Constitutional Recognition, held in December 2016.

Wesfarmers continues to be a major partner with Harry Perkins Institute of Medical Research, Australian Indigenous Mentoring Experience, the Graham Farmer Foundation, Reconciliation WA, Curtin Business School, Surf Life Saving WA, the General Sir John Monash Foundation, Mission Australia, The Fathering Project and Leadership WA.

In 2017, Wesfarmers Limited elected to withdraw its membership from the London Benchmarking Group (LBG). Coles, Target and WesCEF continued to use LBG in 2017. The methodology used in previous years to capture Wesfarmers' community contributions is largely unchanged. As in previous years, our contributions are assured by Ernst & Young, whose assurance statement can be found here.

Community



Thanks to support from Wesfarmers, the Telethon Kids Institute has established a centre with the aim of preventing and improving the treatment of infectious diseases in children and adolescents.

Wesfarmers' contribution to health and medical research

Thanks to support from Wesfarmers, the Telethon Kids Institute has established a centre with the aim of preventing and improving the treatment of infectious diseases in children and adolescents.

Wesfarmers has supported organisations involved in medical research programs over a long period of time, because we believe investing in innovation in this area provides long-term benefits to the broader community.

Harry Perkins Institute of Medical Research

The Harry Perkins Institute of Medical Research is a world-class facility based in Perth, Western Australia. Its priority is to recruit and build internationally renowned, highly skilled research teams, working together with cutting edge technologies to develop more effective treatments and cures for common diseases in the community. Former Wesfarmers chairman, Harry Perkins AO, was instrumental in establishing the Institute, and was its inaugural chairman. Committing to Harry Perkins' vision, Wesfarmers was a founding sponsor in 1998, and has continued to support the centre as a long-term partner.

In 2017, Professor Girish Dwivedi was appointed as the Perkins' inaugural Wesfarmers Chair in Cardiology - read more about Professor Dwivedi's appointment [here](#).

Some of the Perkins' most significant recent breakthroughs include:

- the discovery of the SLIRP gene, a regulator of hormone action in breast and prostate cancer;
- identification of microRNA-7, a powerful inhibitor of cancer cell growth, specifically in liver, brain, head and neck and melanoma;
- contributed to an international consortium that identified more than 40 genetic variants that affect the risk of someone developing type 1 diabetes.

Telethon Kids Institute

Infectious diseases are the most common reason for hospitalisation of young children in Western Australia, and the number one cause of death in children worldwide.

Thanks to support from Wesfarmers, the Telethon Kids Institute has established a centre with the aim of preventing and improving the treatment of infectious diseases in children and adolescents.

The Wesfarmers Centre of Vaccines and Infectious Diseases at the Telethon Kids Institute was established in 2014, and it has quickly become a national leader in paediatric infectious diseases research. Its mission is to find and deliver on better ways to prevent and treat infections in children, especially those who are vulnerable to much higher rates of serious infection than the rest of the population.

In 2017, based on the success of the Institute's programs Wesfarmers agreed to a new four-year partnership, increasing its contribution to \$6 million.

More information about Wesfarmers partnership with Telethon Kids Institute can be found [here](#).

Australian Alzheimer's Research Foundation

Wesfarmers has supported the Australian Alzheimer's Research Foundation since 2005, and this year agreed to extend the partnership for another three years.

The Australian Alzheimer's Foundation collaborates as part of an international research effort to find an early diagnosis, develop lifestyle interventions to delay the onset of symptoms, and work to develop better treatments for those already diagnosed with this disease.

Community



Wesfarmers is a long-term partner of Clontarf Foundation.

Wesfarmers' contribution to Indigenous programs

Wesfarmers partners with organisations who are focused on Indigenous education and transition to work opportunities.

The Clontarf Foundation

The Clontarf Foundation exists to improve the education, discipline, self-esteem, life skills and employment prospects of young Indigenous men and by doing so, equip them to participate more meaningfully in society. The first Academy for 25 boys opened in 2000, and the Foundation has since grown to cater for about 4,700 boys in 84 schools across Australia. Wesfarmers has supported Clontarf since its inception, recently increasing its funding commitment as the Foundation seeks to expand its program nationally. A number of Wesfarmers businesses are also engaged at a local level with Clontarf around Australia.

Read more about Clontarf and our working partnership [here](#).

Australian Indigenous Mentoring Experience

AIME provides a structured educational program for Indigenous students to access throughout their high school experience. AIME has been running since 2005 and students completing the program are proven to finish school and transition to university, training, further education and employment at the same rate as every Australian child – effectively closing the gap in educational outcomes.

Wesfarmers has been supporting AIME for a number of years. As a national partner, Wesfarmers is helping AIME deliver a range of programs targeting local Indigenous high school students through mentoring and outreach initiatives across the country.

Graham Polly Farmer Foundation

The Graham Polly Farmer Foundation fosters the long-term education and support of Indigenous students, with the objective of helping them achieve their potential. Wesfarmers supports the Foundation develop educational programs that help to increase the number of Indigenous students entering tertiary education or alternative qualifications for their careers. The Foundation's programs are in 28 locations across Australia, with more than 1,100 Aboriginal students currently participating.

Reconciliation WA

Reconciliation WA is a not-for-profit organisation providing leadership, advocacy and support to people and organisations driving the movement for reconciliation in Western Australia.

Wesfarmers' vision for reconciliation is an Australia that affords equal opportunities to all. Our partnership with Reconciliation WA supports its work in fostering value and respect for the special place, culture, rights and contributions of First Australians.

In December 2016, Wesfarmers sponsored the 'Recognise' dinner held in Sydney, New South Wales, in support of Constitutional Recognition.

Kaiela Institute

The Kaiela Institute is an independent centre for leadership and innovation, based in the Goulbourn Murray region. The Institute supports the collaboration between Aboriginal and non-Aboriginal leaders to envision, design and implement an inclusive future for all people in the region. Wesfarmers has been the centre's major employment partner since 2012, providing funding for an employment broker to operate in Shepparton, Victoria. It is a collaborative model which looks to facilitate employment for Aboriginal people in sustainable roles within the Wesfarmers Group or other businesses in the area.

Community



In 2017, Wesfarmers entered into a new partnership with WA Parks Foundation.

Wesfarmers' contribution to education and community

Wesfarmers has long-term partnerships with a number of leading not-for-profit organisations in the education and community sector, because we believe that a strong, cohesive community is important for everyone.

Curtin Business School

Wesfarmers has partnered with Curtin University in Western Australia to create a dynamic and innovative courtyard area as part of the transformation of the Bentley campus into an innovation precinct. The development, named 'Wesfarmers Court', has revolutionised the northern entrance to the university and has become a central point for student engagement events.

The newly created courtyard provides students, staff and the wider community with access to a technology-filled environment and the flexible outdoor business and study-focused facilities encourage industry collaboration with the Curtin community.

General Sir John Monash Foundation

The General Sir John Monash Foundation was established in 2001. Its purpose is to address major challenges facing our nation by identifying and nurturing scholars – the John Monash Scholars – who are likely to be Australia's future leaders.

Wesfarmers has partnered with the Foundation to provide a scholarship for an outstanding student to study at a postgraduate level overseas. As Australia's most prestigious postgraduate scholarships, they recognise academic excellence, leadership and likely future contribution to Australia.

In 2017, the second Wesfarmers John Monash scholar was announced - Timothy Delport. Timothy is studying for a DPhil in Engineering Science at Oxford University, exploring opportunities to reduce barriers to the adoption of geothermal energy.

Leadership WA

Wesfarmers is a major and long-standing partner of Leadership Western Australia, supporting its key objective to champion those who make a difference. Those who enroll with Leadership WA come from diverse backgrounds, roles and levels of experience. Through their immersive programs, Leadership WA

instils the courage, skills and tenacity in our leaders to make an impact and create stronger communities in Western Australia and beyond.

Mission Australia

Mission Australia's goal is to reduce homelessness and strengthen communities, helping disadvantaged Australians get back on their feet.

In Western Australia, Wesfarmers is helping Mission Australia achieve this through its support of the Youth Withdrawal and Respite Service, a facility directed at young people in Western Australia.

Surf Life Saving WA

Surf Life Saving in Western Australia (SLSWA) is a volunteer based, not-for-profit community service association, providing essential educational and emergency rescue services to all users of Western Australian beaches. SLSWA plays a fundamental role in building healthy communities.

For almost 10 years, Wesfarmers has supported SLSWA through the Wesfarmers Lifesaver Jetski Teams. These emergency response services operate in rural and metropolitan locations across Western Australia and have become an integral part of their local communities.

Last year, Wesfarmers agreed to a new partnership with SLSWA, increasing the funding amount to engage, develop and train new club volunteer jetski services.

Teach for Australia

In 2017, Wesfarmers entered into a new partnership with Teach for Australia, part of a global movement dedicated to breaking the cycle of disadvantage through teaching and leadership in education. Wesfarmers is supporting Teach for Australia as a cornerstone partner in Western Australia, helping to increase its scale and deepen its impact within schools serving low socio-economic communities.

The Fathering Project

The Fathering Project is a program based at The University of Western Australia that seeks to inspire and equip fathers and father figures to be better in order to improve the development outcomes for children.

Wesfarmers is partnering with The Fathering Project to support its schools' program, which aims to develop fathering groups in primary schools across Western Australia. The program includes workshops and resources for fathers, supported by a range of project activities for fathers (or father figures) and their children.

The University of Western Australia (UWA)

Wesfarmers has partnered with UWA to establish a perpetual Chair in Australian History, the first fully privately-funded position of its kind in Australia. Professor Jane Lydon was appointed to the inaugural position.

Wesfarmers has been a long-term supporter of UWA, and this collaboration is designed to boost the study of Australian history at both tertiary and secondary levels, especially from a West Australian perspective.

WA Parks Foundation

Western Australia has a spectacular network of national parks, with millions of visitors each year. Wesfarmers has entered into a three-year partnership with WA Parks to celebrate, promote, protect and enrich these parks for our local community.

Community



In recognition of our 20 year partnership with West Australian Symphony Orchestra (WASO) Wesfarmers announced an expanded partnership which will focus on regional and international touring, as well as the development of WASO's education and community program.

Wesfarmers Arts

Wesfarmers has supported the arts in Australia for more than three decades. Our engagement in the cultural life of the Western Australian and broader national 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.

In 2017, the Wesfarmers Arts program continued to build on the contribution made by our arts partnerships and our art collection to the life of the company and our engagement with the community. Wesfarmers provided \$3.1 million in support of the activities of 12 leading arts organisations, including the National Gallery of Australia, Perth International Arts Festival, Art Gallery of Western Australia, West Australian Ballet, West Australian Opera, West Australian Symphony Orchestra (WASO), Black Swan Theatre Company, 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.

During the year, Wesfarmers Arts and WASO celebrated 20 years in partnership with the announcement of an expanded long-term partnership which will focus on regional and international touring and the development of WASO's extensive and award-winning Education and Community Engagement program.

Two new partnerships were announced with Western Australia's flagship contemporary dance company Co3 and Yirra Yaakin Aboriginal Theatre.

A highlight of the year came with the announcement of Wesfarmers partnership with the National Gallery of Australia to present the 3rd National Indigenous Art Triennial: Defying Empire. The exhibition, opened by the Prime Minister on 26 May 2017, commemorates the 50th anniversary of the 1967 Referendum that recognised Indigenous people as Australians for the first time. It explores the ongoing resilience of Indigenous Australians since first contact, through to the historical fight for recognition and ongoing activism in the present day, bringing the work of 30 contemporary Aboriginal and Torres Strait Islander artists from across the country into the national spotlight.

Community



Product safety

We are committed to providing consumers with safe products.

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 do not sell banned products and we ensure that all our products comply with relevant mandatory standards before they are offered for sale. As well as safety testing and compliance with required standards, our divisions implement product recalls where possible safety issues may arise.

Product safety initiatives

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

Coles

Coles works with suppliers to provide its customers with high quality, safe Coles brand products.

More than 100 supply partners have been trained in the Coles Food Manufacturing Supplier Requirements, with 45 supplier sites achieving the highest rates of compliance with quality and safety requirements during the year. Coles invests in building supplier capability and is exploring a set of standards to support its non-food suppliers to demonstrate quality and safety compliance.

All Coles 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.

During the year, the business' rigorous Coles Brand supplier testing program completed more than 47,000 checks of Coles Brand food products covering allergens, imported food, residue, organic products and microbiology.

Coles also performed quality checks on more than 4,000 products at the Store Support Centre and conducted more than 158,000 arrival checks at its fresh produce distribution centres, with an additional 34,000 checks on chilled products.

Target

Target is committed to consistently delivering safe quality products to its customers in compliance with its safety and quality standards. Target takes an active approach to ensuring that its products are of the highest safety standards, comply with the very latest legal requirements, and meet customer expectations. Improvements this year included:

- A complete review of Target's quality strategy was undertaken with a focus on production processes and controls to deliver consistent quality to its customers.
- New hires for key management roles across Target Australia Sourcing to ensure Target's safety and quality standards and delivery of a new strategy.
- High priorities in Target's quality strategy to deliver safe and consistent quality to customers were presented at the supplier forums in Hong Kong and Bangladesh in June 2017.
- Following updates to Target's apparel design and construction safety standards, training was conducted for all childrenswear and footwear suppliers to improve product safety awareness with ongoing auditing and controls in place.
- A Target technical re-audit program was developed for rollout from 1 July 2017 for ongoing monitoring and auditing of suppliers' compliance to Target's quality requirements.
- All 72 Target Hardgoods Safety and Quality manuals have been updated to include the latest industry and mandatory standards, legislation and Target requirements.
- A more detailed chemical policy manual has been developed in conjunction with an updated safety manual.
- To effectively manage quality and safety incidents reported by Target customers, a new root cause analysis procedure was developed.
- A new internal process was developed for responding to and investigating customer reported incidents and quality issues.

Community

Wesfarmers Industrial and Safety

WIS continues to enhance its own-brand purchasing specification and product testing regime through a framework aligned with international product safety standards to further assure customers of its due diligence process. This is strengthened by the business' quality management systems and ISO9001:2015 certification across Workwear Group, Coregas and Bullivants.

Bunnings

Bunnings Australia and New Zealand and United Kingdom and Ireland continue 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 in addition undertakes independent safety tests on selected product to confirm compliance with safety standards and customer expectations.

Product safety incidents and recalls

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

Coles

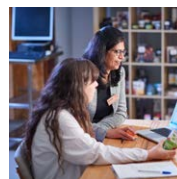
Five Coles Brand products were recalled in 2017. While this was regrettable, Coles supported its suppliers to mitigate these issues and to make improvements and changes to reflect its commitment to processes to provide safe and quality products.

Kmart

Two Kmart brand products were recalled in 2017. The two recalls involved a child's wooden train and a spiral vegetable cutter. No reportable injuries were sustained but investigations conducted in response to customer complaints identified the potential for injury to occur.

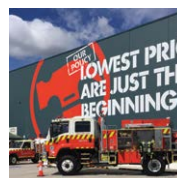
Kmart recorded one fatal injury during the year whereby a child choked on a gumball. The product was withdrawn from sale as a precautionary measure whilst investigations were conducted. Although not required by law, a cautionary message was added to the packaging and the product was subsequently returned to sale. The experiences and outcomes were shared with Coles and Target to ensure a consistent Wesfarmers approach in response to this tragic event.

Kmart's customers reported 124 product-related injuries during the 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.



SOURCING

Coles Brand Suppliers integrated with Coles Fusion



COMMUNITY

Bunnings helps build resilient communities



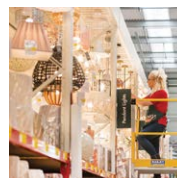
ENVIRONMENT

Extending the corporate uniform lifecycle at Workwear Group



COMMUNITY

Bunnings' support for SafeWork NSW TradieSafe Program



ENVIRONMENT

Bunnings UK and Ireland rolls out LEDs



COMMUNITY

Queensland stores host sensory shopping days for children with autism

Environment



Climate change resilience

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



In early 2017, Blackwoods installed a 200 kilo watt solar array at its Canning Vale, Western Australia distribution centre. This solar energy installation now accounts for 30 per cent of the site's electricity consumption.

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 which has developed voluntary, consistent climate-related financial disclosures for companies, and is committed to providing stakeholders with information in relation to how we are managing climate change risks.

Our position on climate change

Wesfarmers accepts the Intergovernmental Panel on Climate Change's assessment of climate change science and believes the world can pursue three objectives: a stable and reliable energy market; reduce emissions; and reduce the cost of energy. We have identified climate change as the most material environmental and social sustainability issue relevant to our businesses and have incorporated it into our long-term planning.

We recognise that the climate is changing due to human actions and we acknowledge that business has a part to play in mitigating this climate change. Wesfarmers supports Australia's commitments under the Paris Agreement to limit global warming to 1.5°C-2°C above pre-industrial levels. Industry and governments must work together to achieve this outcome. Long-term policy certainty is a prerequisite for decarbonisation (meaning the economy reaches net zero carbon emissions) by 2050 to occur efficiently and affordably. During the year, we met with the Federal Government to reiterate our position that stable bipartisan action on climate change is critical for business to manage risk and invest in climate mitigation. Click [here](#) to read Wesfarmers' submission to a senate inquiry into the current and future impact of climate change on housing, buildings and infrastructure.

Wesfarmers recognises that climate change, industry trends and long-term customer trends mean we need to consider our exposure to the coal sector. The impact of climate change has introduced the question of 'stranded assets' to the wider fossil fuel sector. Click [here](#) to read about Wesfarmers' position on investing in coal assets.

Climate change governance

Climate change is a critical, Board-level, governance and strategic issue at Wesfarmers. Management is responsible for assessing and managing climate related risks and opportunities and the Board of Wesfarmers has oversight of these risks and opportunities.

Climate change strategy

Climate change is incorporated into our broader sustainability strategy which is described in the Sustainability at Wesfarmers section of this report. The governance structure we have in place has been designed so that it is flexible enough to cater to the needs of our diverse conglomerate business model while remaining clear and practical.

Given the diversity of our businesses and consequently the range of risks and opportunities posed by climate change, we believe this approach is more effective than a stand-alone Group strategy.

We are focused on improving the greenhouse gas efficiency of our operations, which reduces our own business costs and risk, as well as contributing to climate change mitigation. We have identified the material climate change issues relevant to our business and incorporated them into our short and long term planning.

Two degree scenario analysis

To understand the longer term impacts to the Australian economy, including risks and opportunities for Wesfarmers, of limiting global warming to less than two degrees Celsius above pre-industrial levels, we have undertaken scenario analysis. This analysis helps our business to examine what outcomes we can expect under a wider range of economic, regulatory and societal conditions.

Environment

The scenarios below are based on different approaches to global climate change cooperation:

- **Lagging action:** Climate change mitigation is accelerated after an initial delay. A lack of early private sector investment due to limited incentives to reduce emissions and an increasing carbon price result in slow cost reductions of low carbon technologies. This scenario includes an expectation that emission reduction targets will strengthen over time.
- **Global action:** Action from major emitting countries results in a globally coordinated transition to a low carbon economy. A global carbon market trading system which can be accessed by all countries would provide Australia with the opportunity to trade carbon competitively.
- **National action:** Each country takes action individually to decarbonise efficiently. Stable Federal Government policy drives private sector investment in technologies to mitigate and adapt to climate change.

Based on these scenarios above, since 2014, Wesfarmers has put a shadow price on carbon to help 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	0	15	20	25	33

This is based on a moderated view of necessary and likely carbon prices in Australia and overseas based on the three scenarios described above. 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.

Natural resource management

We are committed to being responsible stewards of the natural resources used in our operations. Forests are a critical part of our efforts to reduce greenhouse gas emissions and our businesses are focused on ensuring the forestry products they source are from legal and well managed forests. For example, Officeworks prioritises 100 per cent recycled content or Forest Stewardship Council (FSC) certification as best practice. Bunnings supplied the first FSC certified Merbau/Kwila timber decking into New Zealand stores in January 2017.

Helping customers reduce their emissions

Our divisions are helping customers reduce greenhouse gas emissions. For example, Bunnings continues to provide information and education to help customers make sustainable living choices and take practical actions at low cost or no cost to save energy, use less water and reduce waste. This includes providing a wide range of expert advice

in-store and online, free DIY workshops and DIY how-to guides.

Officeworks is Australia's largest retail collector of used printer cartridges, computers and electronic accessories. Through recycling these materials, Officeworks has reduced the need for resource extraction, thus reducing the carbon intensity of its products. Officeworks has also partnered with Restoring Australia to plant two trees for every one tree used in the paper and wood products it sells.

Climate change risk management

Our divisions respond to climate change in two ways. Firstly, we work to understand the specific risks created by climate change for our businesses and address those risks. Secondly, we actively monitor and manage our own greenhouse gas emissions and reduce them where possible.

This year once again we tested the robustness of our businesses against climate change using CSIRO 2030 data in our annual risk process. Our annual risk review process confirmed that our existing operational, strategic and compliance risk controls are adequate for managing climate change risk in our businesses. We believe suitable action is being taken and we are making appropriate disclosures.

Our annual risk review process has identified climate change as an emerging risk and our businesses are therefore taking steps to actively consider and monitor its potential impact on business operations, the community and the broader economy. The climate change risks we assess are physical, regulatory, reputational and competitive risks.

Physical risks

Our analysis has found that projected changes in sea level, storm surge intensity, temperature, precipitation and more frequent changes in extreme weather will exacerbate existing risks while also exposing our divisions to the following risks. This list is not exhaustive and does not extend to our supply chain.

- **Energy infrastructure reliability:** Extreme weather (including heat waves) will likely impact energy infrastructure, including generators and transmission and distribution lines. This will affect energy reliability.
- **Food safety:** Any extended outage of power or heatwaves leads to large-scale food spoilage. This means food is not available to customers and cannot easily be re-supplied to stores. The flow on consequences of food shortages, albeit temporary impact public health and safety.
- **Energy cost:** The cost of refrigeration, heating, ventilation and air conditioning is expected to increase each year due to an increased number of unseasonably hot days.
- **Store openings:** More severe and frequent extreme weather events will likely mean roads and buildings rendered temporarily unusable. During these extreme weather events customers are unable to reach stores to get essential items, stores are unable to open and stores cannot be re-supplied.
- **Infrastructure damage:** Extreme weather events could damage our physical assets such as stores, as well as transport infrastructure.

Environment

To mitigate the effect of physical risks for our businesses, we are working to improve the efficiency of our electricity supply which reduces our overall emissions as well as demands on distribution networks. Where we are tenants in buildings, we work with landlords to improve our site's physical resilience to climate change. Some of our retail business units are working to include solar systems into new stores as standard and on existing stores where feasible and with landlord agreement. Most of our retail stores have detailed equipment-level energy consumption monitoring in place. Intelligent management systems go beyond the equipment level to optimise overall site operations, interfacing with preventive maintenance, proactive energy management and forward planning of energy efficiency opportunities.

Our businesses are focused on diversifying their supply base as a way of mitigating risk and also building long-term relationships to help suppliers make investments for the long term. Strong business continuity plans are in place to ensure we can still transport and provide products to customers living in areas experiencing extreme weather events.

We work to educate our customers about sustainable living choices to reduce their carbon footprint and provide them with products which can assist with adapting to climate change.

Regulatory risks

There has been a significant shift in governments' attitudes to emissions regulation since the Conference of the Parties in Paris in 2015 where 197 countries agreed to limit global warming to two degrees above pre-industrial levels. Large countries such as China are setting ambitious targets and encouraging more global consistency in approach. This trend is expected to continue. Our businesses test resilience against a climate change regulatory risk scenario where the governments of Australia and our trading partners implement regulation to limit global warming to 1.5°C-2°C above pre-industrial levels.

We anticipate that there are a number of policy levers the Federal Government could use between now and 2030, which could have an impact on our businesses.

By reducing our emissions as much as possible through employing innovative energy efficiency projects, staying abreast of any regulatory changes and incorporating a shadow carbon price into our capital expenditure decision-making, we believe our existing controls are adequate for managing regulatory risk.

Reputational risks

In the context of more frequent severe weather events and shifting global attitudes, customers may have changing expectations of companies, including their operational efficiency, environmental transparency in their supply chain and product range. While this is difficult to quantify, by reducing emissions as much as possible through employing innovative energy efficiency initiatives and reporting on our progress to stakeholders, we believe our existing controls are adequate for managing reputational risk.

Competitive risks

Emerging business models that take advantage of climate change opportunities or are more resilient to climate change risks may become a threat. Such business models are considered in the context of our current business model and our businesses consider whether any competitive risk mitigation is required over the next 10 years.

Our annual risk review process confirmed existing operational, strategic and compliance risk controls are adequate for managing climate change risk in our businesses. We believe appropriate action is being taken including appropriate disclosures.

Opportunities

The Group actively explores opportunities to support positive environmental outcomes as we transition to a low carbon economy.

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 technology improvements in our industrial processes and through energy efficiency initiatives in all our businesses.

Our emissions

This year, we emitted a total of 4,078 thousand tonnes of carbon dioxide equivalent (CO₂e) in scope one and two emissions, which was 4.2 per cent per cent higher than last year. This represents a 16 per cent improvement in emissions intensity over the past five years. This year, the increase in our emissions was driven predominantly by our Resources business which increased its emissions by 32 per cent. Production at Curragh mine was up 14 per cent on 2016 levels and this was associated with an increase in truck and excavator activity. Our total energy use increased by 6.4 per cent compared to last year with an energy intensity for all energy consumed for 469 gigajoules per million dollars of revenue.

Environment

This year we have estimated scope three emissions of 823 thousand tonnes CO₂e. This includes:

- 29 thousand tonnes CO₂e from air travel;
- 213 thousand tonnes CO₂e in emissions that escape from waste that is disposed to landfill;
- 482 thousand tonnes CO₂e in emissions from electricity; and
- 99 thousand tonnes CO₂e in emissions from LPG, petroleum, natural gas and diesel.

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

Our businesses are taking steps to reduce their greenhouse gas emissions. During the year:

Coles invested in excess of \$15 million in energy efficiency projects, equating to more than 1,000 installations. These projects included LED lighting retrofits, improved hot water controls, upgrades in electrical infrastructure and solar power installations.

Bunnings installed 100 kilowatt solar photovoltaic systems in five stores in Queensland, three stores in Western Australia and one store in the Northern Territory. Each system is currently generating on average between 10 and 20 per cent of those stores' daily energy needs.

The Kmart Energy Centre commenced operations in January 2017, joining Target to provide a range of services including continuous monitoring of energy use and demand; energy event and demand response; benchmarking of sites to identify best practice and poor performance; tariff management and optimisation; and business case development to support further investment in energy efficiency initiatives.

Officeworks rolled out LED lighting to an additional 35 stores and installed building energy management systems in another nine stores. As a consequence of this work, 63 per cent of stores now have LED lighting. Based on the energy efficiency program, Officeworks energy consumption per store has reduced by more than 9.5 per cent in the past twelve months.

WIS installed nearly 1 megawatt of solar photovoltaic (enough to power 160 average Australia homes) continuing its focus on sustainable buildings.

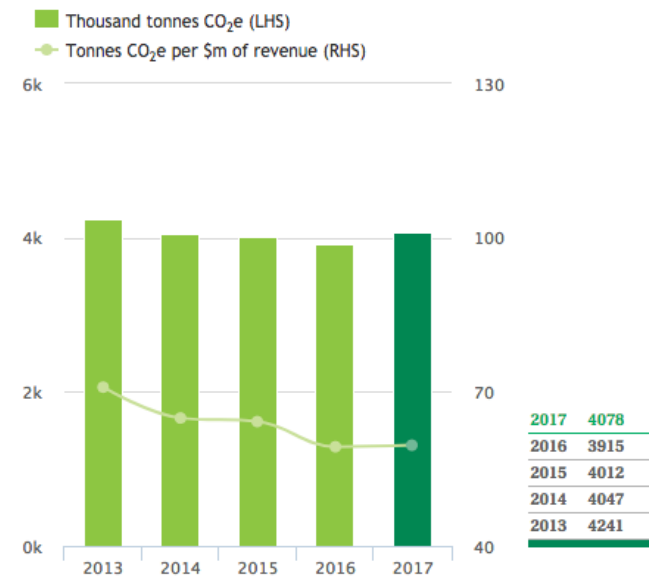
WesCEF's nitrous oxide abatement technology installed in CSBP's nitric acid plants continued to reduce greenhouse gas emissions. An average 89.8 per cent total nitrous oxide abatement was achieved during the year, which equates to a reduction of 1,221,681 tonnes of CO₂e (carbon dioxide equivalent).

Targets

Wesfarmers does not set a Group-wide greenhouse gas emission target. All our businesses run autonomously and set targets appropriate to their operations. At a Wesfarmers level, we believe by analysing capital expenditure and corporate plans with an eye to current and future climate change risks we can manage the economic risk and opportunities of a carbon-constrained future and induce more consistently cost-effective abatement than alternative approaches such as targets for internal energy efficiency standards or renewable energy procurement.

Greenhouse gas emissions

4,078 tonnes CO₂e: '000



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 which was scored A- in 2016. Wesfarmers' responses are available on the CDP website.

National Pollutant Inventory

Two of our businesses, WesCEF and Resources, are required to report under the National Pollutant Inventory (NPI). Full details are available on the NPI website, with 2016/17 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. Details of WesCEF's potential environmental non-conformances can be found [here](#).

Environment



Waste and water use

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



During the year Bunnings maintained a strong focus on sending less waste to landfill by providing more resources and tools for team members and seeking innovative waste management solutions.

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 WesCEF, Resources, Coles 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 and replacing scheme water with reclaimed or recycled water where possible.

Reducing water use

This year, the Group recorded water use of approximately 16,000 megalitres. Of this, 32 per cent is reclaimed and recycled water at the Curragh mine site. This represents an increase in water use by three per cent due to the growth of our business to include 255 Homebase and Bunnings UK and Ireland stores and a seven per cent increase in water use at Curragh mine due to a 14 per cent increase in production.

Since raw water saving initiatives were introduced in 2014, Curragh has cut back consumption of raw water by almost one-third. This means the team is exceeding its target of a five per cent annual reduction, and has achieved a further eight per cent reduction this financial year from the prior year's raw water usage.

In 2016, infrastructure was installed to connect harvested water to Curragh's industrial water system. Flows were initially lower than expected, but a change of filter type fixed the issue and saved water. Curragh now has the capacity to blend more harvested water with less raw water for industrial applications, therefore reducing the mine's reliance on raw water as the primary water source.

Water use by source



● Municipal supply	57%
● Recycled and reclaimed	32%
● Ground water	11%

Municipal supply includes surface water from our mine Curragh. Recycled and reclaimed water includes rainwater.

Recycling and waste

This year, we increased our waste to landfill by six per cent to 160 thousand tonnes and increased our waste recycled by six per cent to 373,000 tonnes. This was primarily due to an increase in our store network to include 255 Homebase and Bunnings stores in the United Kingdom and Ireland.

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 increased three per cent this year, while waste to landfill increased 11 per cent. Of total waste (both landfill and recycled), two-thirds is recycled.

In July 2017, Coles announced it would phase out single use plastic bags from all stores nationwide over the next year. The move will bring Coles stores in Queensland, New South Wales, Victoria and Western Australia in line with Tasmania, South Australia, the Northern Territory and the Australian Capital Territory, where Coles already complies with bans on single-use bags.

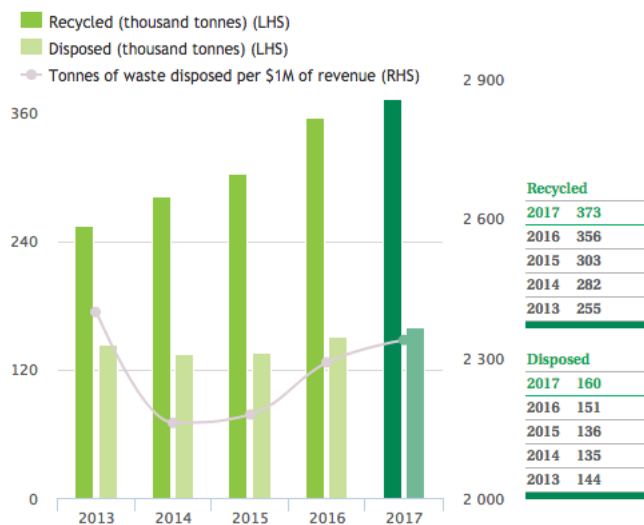
Environment

More than 670 Coles supermarkets across Australia also donate surplus fresh food to SecondBite, an organisation redistributing food to community food programs, with a total of 23 million kilograms donated since the partnership began in 2011.

During the year Kmart, Target and Officeworks supported the recycling of more than 230 tonnes of e-waste under its obligations to the National Television and Computer Recycling Scheme.

Waste

533 tonnes '000



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:

- **Officeworks** collected more than one million printer cartridges for recycling through the Cartridges 4 Planet Ark program during the year. In addition, more than 400 tonnes of computers and accessories and the equivalent weight of over 45,000 mobile phones were collected. The 400 tonnes of computers and accessories translates to the separation and reuse of over 345 tonnes of metal, 44 tonnes of plastic, 20 tonnes of circuit boards and six tonnes of glass.

- **Officeworks** applied the Australian recycling label to more than 800 Officeworks products to make it easier for customers to recycle product packaging.
- **Bunnings** continued to drive product stewardship initiatives on a local level for products including batteries, plastic pots and paint. In June 2017, the Bunnings Alexandria Warehouse hosted a paint collection day run by Paintback, collecting more than 3.4 tonnes of paint for recycling.
- **Coles** continued its REDcycle plastic packaging recycling program. Through the program, Coles’ customers can recycle plastic bags and soft plastic packaging using specially marked bins at the front of more than 670 participating stores. Coles recycling partner, Replas, then converts the plastic into new products, including outdoor furniture. Last year, an additional 149 Coles stores across Australia introduced soft plastic recycling through REDcycle. Most Coles Online customers can also recycle their soft plastics by providing them to their delivery driver for collection.

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 2016-18 packaging action plan is available [here](#).

Our 2017 report is available [here](#).

Contaminated sites

Some of our businesses are actively managing contaminated sites. Wesfarmers is involved in the remediation of several contaminated sites 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.

Governance



Wesfarmers corporate office team member Vivian Chiam

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 2017. A copy of Wesfarmers' full 2017 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 2017 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, guide and monitor the management of Wesfarmers and its businesses in achieving its strategic plans and oversee good governance practice. The Board's duty is to protect and enhance the interests of the Company and its shareholders, while taking into account the interests of other stakeholders, including employees, customers, suppliers and the wider community. In performing its role, the Board is committed to a high standard of corporate governance practice and fostering a culture of compliance which values ethical behaviour, personal and corporate integrity, accountability and respect for others.

The Wesfarmers 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 under the Wesfarmers Leadership Team profiles 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, some key focus areas for the Board during the 2017 financial year are set out below.

Key focus areas of the Board during the 2017 financial year included:

- Overseeing Group Managing Director succession planning, resulting in the appointment in February 2017 of Mr Rob Scott as the Group's Deputy Chief Executive Officer, to succeed the current Group Managing Director, Mr Richard Goyder, at the conclusion of the 2017 Annual General Meeting
- Approving leadership appointments, including Mr Anthony Gianotti who became the Group's Deputy Chief Financial Officer in July 2017 and will succeed the current Chief Financial Officer, Mr Terry Bowen, on 10 November 2017, and senior management changes
- 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 development plans of each division likely to impact long-term shareholder value creation through portfolio management and consideration of divestment options
- 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
- Approving revisions to the Board and committee charters
- Reviewing policies, reporting and processes to improve the Group's system of corporate governance
- Reviewing and monitoring the management of the Group's key risks

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 2017 are set out on pages 62 and 63 of the annual report.

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 industrial division with businesses in chemicals, energy and fertilisers, industrial and safety products, and coal.

On 14 February 2017 Wesfarmers announced that Mr Richard Goyder will retire from the Board and his role as Group Managing Director at the end of the 2017 Annual General Meeting after serving as a director for more than 15 years. Mr Rob Scott was appointed as Wesfarmers' Deputy Chief Executive Officer in February 2017 and will join the Board as Group Managing Director at the conclusion of the 2017 Annual General Meeting.

On 4 September 2017 Wesfarmers announced that Mr Terry Bowen resigned from the Board after serving as a director for eight years. Mr Bowen will remain as Wesfarmers Chief Financial Officer until 10 November 2017.

The Board skills matrix set out below describes the combined skills, experience and expertise presently represented on the Board.

Skills, experience and expertise:

- CEO level experience
- Capital markets
- ASX-listed company experience
- Finance and banking
- Strategy and risk management
- E-commerce and digital
- Governance
- Human resources and executive remuneration
- Financial acumen
- Marketing/customers/retail
- Regulatory and government policy
- Resources and industrial
- International experience
- Corporate sustainability

To the extent that any skills are not directly represented on the Board, they are augmented through management and external advisors. Mr Archie Norman, who has significant retail experience, was appointed in 2009 as an advisor to the Board on retail issues. In this role, Mr Norman attends Wesfarmers Board meetings as required and is a director of the Coles and Target boards. Mr Norman is also an advisor to the Bunnings UK & Ireland business.

Director independence

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

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

The Board has reviewed the position and relationships of all directors in office as at the date of the company's 2017 annual report and considers that:

- Seven of the eight non-executive directors are independent.
- The Chairman is independent.
- Mr James Graham is not independent, by virtue of his position as Chairman of Gresham Partners Limited (Gresham), which acts as an investment advisor to the company. Details of Mr Graham's association with Gresham are set out in note 25 on pages 134 and 135 of the company's 2017 annual report.

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. Details of the current membership and composition of each committee are set out on page 5 the 2017 Corporate Governance Statement.

Role of the Nomination Committee

As part of the Nomination Committee's oversight of Board succession planning, it is responsible for identifying suitable candidates to fill Board vacancies as and when they arise, or to identify candidates to complement the existing Board, and make recommendations to the Board on their appointment. Where appropriate, external consultants are engaged to assist in searching for candidates.

Governance

The Nomination Committee is responsible for scheduling formal performance reviews of the Board and its committees at least every two years. The Board then undertakes an evaluation process to review its performance which is facilitated by an external consultant. More details about Wesfarmers' review process for both the Board and its committees is set out in the 2017 Corporate Governance Statement.

Key focus areas of the Nomination Committee during the 2017 financial year included:

- Succession planning for the Group Managing Director
- Consideration of directors to be recommended to shareholders for re-election at the 2016 Annual General Meeting
- Consideration of feedback from major shareholders during the Chairman's Roadshow conducted prior to the 2016 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 73 to 92 of the company's 2017 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 either under an annual incentive and long-term incentive arrangement or under the Key Executive Equity Performance Plan (KEEPP). The mix of remuneration components and the performance measures used in the incentive plans have been chosen to ensure that there is a strong link between remuneration earned and the achievement of the Group's strategy and business objectives and, ultimately, generating satisfactory returns for shareholders.

Annual performance reviews of each member of the Wesfarmers Leadership Team, including the executive directors, for the 2017 financial year have been undertaken. More details about Wesfarmers' performance and development review process for senior executives is set out in the 2017 Corporate Governance Statement.

Key focus areas of the Remuneration Committee during the 2017 financial year included:

- Reviewing and making a recommendation to the Board in relation to the fixed remuneration, annual incentive and long-term incentive awards for the Group Managing Director and his direct reports
- Reviewing the succession and transition plans for the Wesfarmers Leadership Team, including recommending to the Board the remuneration package and contractual arrangements for the incoming Group Managing Director and Group Chief Financial Officer

- Reviewing the senior executive remuneration framework and policies, including terms of employment such as notice periods, restraint and non-solicitation clauses
- Reviewing and making a recommendation to the Board in relation to the structure of the Wesfarmers variable remuneration plans, including the approval and implementation of KEEPP and recommending to the Board the vesting outcomes of the 2013 Wesfarmers Long Term Incentive Plan shares, based on the achievement of the performance conditions as at 30 June 2017
- Reviewing and making a recommendation to the Board in relation to non-executive director fees
- Reviewing and monitoring diversity targets and gender pay equity

Role of Audit and Risk Committee

Wesfarmers is committed to the identification, monitoring and management of material 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, integrity, fairness and accountability, and these values are reflected in the Group Code of Conduct. The Audit and Risk Committee monitors internal control policies and procedures designed to safeguard Group assets and to maintain the integrity of financial reporting.

Key focus areas of the Audit and Risk Committee during the 2017 financial year included:

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

Governance

Risk management framework

The Risk Management Framework of Wesfarmers is reviewed by the Board on an annual basis and was approved in May 2017. This framework details the overarching risk management controls that are embedded in the Group's risk management processes, procedures and reporting systems, and the division of the key risk management functions between the Board, Wesfarmers Managing Director and Finance Director, Audit and Risk Committee, divisional management and Group Assurance and Risk, including:

- 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;
- 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; information technology; the environment; legal liability; 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 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 2017 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 boldness. 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.

Anti-bribery Policy

Wesfarmers is committed to complying with the laws and regulations of the countries in which its businesses operate and acting 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](#).

Coles



Coles team member Lovell Penalba at Coles in Lakelands, Western Australia

Coles provides fresh food, groceries, general merchandise, liquor, fuel and financial services through our national store network and online channels to more than 21 million customers on average each week.

We operate a store network of 801 supermarkets, 883 liquor stores, 89 hotels and 702 convenience outlets, and employ more than 106,000 team members nationally.

Coles focused on the following material issues during the year:

- Australian sourcing and supplier engagement
- Community partnerships and support
- Economic contribution
- Product quality and safety
- Responsible and ethical sourcing
- Reducing our environmental impact
- Career development and diversity
- Health and safety

Australian sourcing and supplier collaboration

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

Coles has an Australia-first sourcing policy to source Australian-grown food whenever and wherever we can. Coles sources more than 96 per cent of fresh fruit and vegetables from Australian growers, 100 per cent of fresh milk and eggs, and 100 per cent of fresh meat for the meat department is from Australian producers.

Coles is also supporting Australian producers and growers with new and extended long-term contracts. During the year, Coles signed a 10-year agreement with TOP Pork Pty Ltd which paves the way for 12 Victorian and South Australian farming families to supply sow stall free pork directly to Coles each week. In 2015, Coles entered into a 10-year agreement with Sundrop Farms to supply tomatoes and in 2016, Coles secured an eight-year agreement with Manbulloo Mangoes.

During the year Coles extended its milk contract with Norco. The original five-year contract, signed in 2014, has been extended until 2023 with Coles having an option to extend until 2026. Under the arrangement, around 220 New South Wales and Queensland dairy farmers will supply 60 million litres of Coles Brand milk annually.

Under a supply contract with Simplot, which has been extended until 2024, Coles has committed to sourcing an additional six million kilograms a year of Australian-grown vegetables which were previously sourced from overseas.

Sustainable agriculture

Coles continued to rollout the app-based Coles Farm program to support its suppliers to improve the sustainability of their farming operations through enhanced traceability, environmental performance monitoring and employee training.

During the year, Coles partnered with a leading agri-environmental consultancy to conduct Australia's first on-farm carbon foot-printing assessment of beef producers, using methodology approved by the Carbon Trust.

Coles Agronomy Group was launched during the year, with 12 growers volunteering their time to work together with Coles to address industry challenges around varietal development, agronomy (fertiliser and pesticides), water use and labour practices in the fresh produce industry.

Country of origin

Coles has supported the launch of the Federal Government's new country of origin labelling scheme, which comes into effect in July 2018. More than 300 Coles Brand products now bear labels that better support transparency around product origin.

Coles

Community partnerships and support

Partnerships

Coles supports national and local charities with financial contributions, fundraising, food donations and disaster relief. For the 2017 financial year, Coles' direct support totalled close to \$55 million with an additional \$8.9 million contributed by customers, team members and suppliers.

Coles' support for national cancer charity, Redkite, reached a significant milestone during the year with more than \$24 million raised since our partnership began in 2013.

During the year, more than 40 Redkite and Coles 'Dare to Dream' scholarships were awarded to young people across the country whose lives have been impacted by cancer. Since 2013, over 150 scholarships have been offered.

Coles' national partnership with SecondBite supports Australians who do not have access to safe, regular and affordable food. Over 670 Coles Supermarkets donate fresh produce and bakery items to communities across Australia, with a total of 23 million kilograms donated since our partnership began in late 2011. Together, Coles Supermarkets and Liquor team members, as well as customers, raised over \$1.5 million during the year to help SecondBite provide nutritious food to people in need.

Coles supported Guide Dogs Australia with a record \$1.2 million raised by Coles customers and team members last financial year, taking Coles' total contribution to more than \$8.2 million since 1982.

In the lead up to ANZAC Day, Coles ran a national fundraising campaign, raising more than \$950,000 for Bravery Trust. Since 2014, Coles has raised more than \$5.2 million for the national charity, which provides financial support to current and former members of the Australian Defence Force and their families.

Coles Express supported the Cancer Council, raising more than \$600,000 during the year for cancer research, education and support services. Through regular payroll giving, Coles Express team members also contributed to Red Dust Role Models, which helps deliver healthy living programs to remote Indigenous youth. Over the last four years, 37 team members have volunteered their time delivering the programs, encouraging Indigenous youth to learn more about health, and inspiring them to live healthier lifestyles.

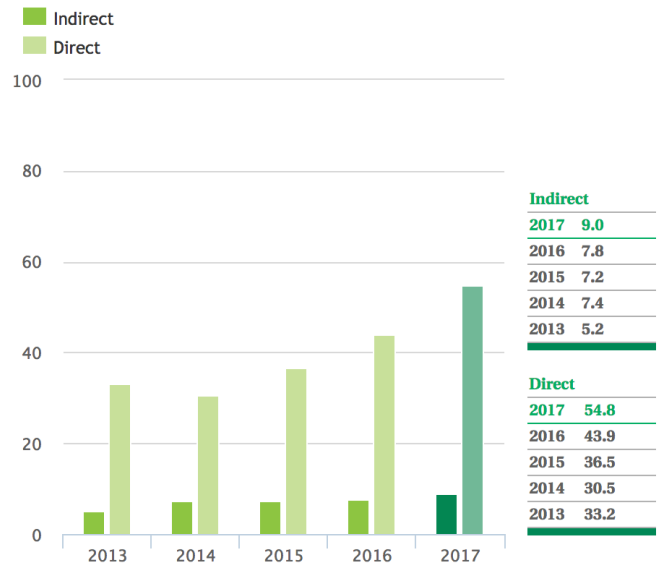
Disaster relief

Coles has a strong history of supporting the communities in which it operates. During the year, Coles team members supported relief efforts linked with Cyclone Debbie. Supporting Red Cross disaster relief and recovery work, Coles donated \$100,000 and raised over \$60,000 through fundraising for disaster-affected communities and farmers across NSW and Queensland.

Through the Coles Nurture Fund, the company also extended \$150,000 in direct financial assistance to five suppliers severely impacted by Cyclone Debbie.

Community contributions

63.8 \$m



Economic contribution

Coles is proud of its contribution to Australia over more than a century, and remains committed to helping Australia grow as we grow.

Coles is one of Australia's largest private employers with 801 supermarkets, 883 liquor stores, 89 hotels and 702 convenience outlets employing more than 106,000 team members nationally.

For the past five years, Coles has averaged an investment of close to \$1 billion a year (based on Coles capital expenditure over five years) in the nation's economy, generating tens of thousands of jobs in construction of new stores and refurbishments, as well as ongoing jobs as these stores become operational.

From 1 July 2017, small businesses who supply Coles Supermarkets and Coles Express with up to \$1 million of goods for resale annually, will have their electronic invoices paid within 14 days. This initiative is designed to help smaller suppliers to focus on producing and innovating great products for our customers.

Coles' most important contribution is helping to contain cost-of-living increases for Australian families by giving them a better deal on high-quality food and groceries. For 25 consecutive quarters, Coles has recorded food and liquor price deflation in our stores.

Coles Nurture Fund

Coles assists small business through the \$50 million Coles Nurture Fund. The fund, which was established in April 2015, supports small-to-medium businesses in the food and grocery sector with the development of new market-leading products, technologies and processes.

Since its launch, Coles has provided close to nine million dollars in grants and interest-free loans to around 20 businesses including cattle farmer Bill Crowther. Using a \$500,000 grant, Mr Crowther will become the first cattle

Coles

producer in Queensland to supply locally-grown beef to Coles' grass-fed GRAZE beef range. Mr Crowther and his sons will use the funding to plant a resilient tree-legume, *Leucaena*, at two family farms in Central Queensland, increasing the land's productivity by 20 per cent and enabling consistent production of grass-fed beef.

“RATHER THAN TRYING TO IMPLEMENT THIS PLAN OVER 10 YEARS, WE’LL BE ABLE TO TURBO CHARGE OUR OPERATION AND BRING IT DOWN TO TWO. THIS INNOVATION WILL HELP US TO HAVE GRASS-FED CATTLE READY FOR MARKET ANNUALLY, BETWEEN JANUARY THROUGH TO OCTOBER, FROM 2018.”

- BILL CROWTHER, QUEENSLAND CATTLE FARMER AND COLES NURTURE FUND RECIPIENT.

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 containers directed to the fund. In addition, \$1 million was donated to the Farmers Fund from the Coles Nurture Fund. By June 30, more than 100 dairy farmers received grants from the Farmers Fund.

Coles also sells South Australian Dairy Farmers' Association (SADA) Fresh Milk and Western Australian Farmer Federations (WAFarmers) WAFarmersFirst milk where 20 cents a litre is provided to industry funds. Coles has sold more than 5.4 million litres of SADA Fresh milk since 2013 and more than 2.7 million litres of WAFarmersFirst milk since 2014.

Product quality and safety

Coles has a range of own brand products, which include Coles Brand, Coles Finest and Mix apparel. More than 80 per cent of Coles Brand food and drink is sourced in Australia.

Coles works with suppliers to provide our customers with high quality and safe Coles Brand products. Over the past year, Coles Brand products were recognised with 51 industry awards.

Over 100 supply partners have been trained in the Coles Food Manufacturing Supplier Requirements, with 45 supplier sites achieving the highest rates of compliance with quality and safety requirements over the year. Coles invests in building supplier capability and is exploring a set of standards to support our non-food suppliers to demonstrate quality and safety compliance.

All Coles 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.

During the year, its rigorous Coles Brand supplier testing program completed more than 47,000 checks covering allergens, imported food, residue, organic products and microbiology.

Coles also performed quality checks on more than 4,000 products at its Store Support Centre and conducted more than 158,000 arrival checks at its fresh produce distribution centres, with an additional 34,000 checks for chilled products.

During the year, five Coles Brand products were recalled. While this was regrettable, Coles supported its suppliers to mitigate the issues and make improvements and changes to reflect its commitment to processes to provide safe and quality products.

Nutrition

Health star ratings are currently included on over 1,550 Coles Brand products. Coles is working to have more eligible Coles Brands products carrying this labelling in the future.

Coles is developing targets for the reduction of sodium and sugar across the Coles Brand range. It aims to remove more than 100 tonnes of sugar from the Australian food supply in 2018 through a specific reduction strategy in its nutritional snacks range.

Coles is also working hard to remove sodium from its sausage ranges, reformulating its products while preserving quality and taste for its customers. Sugar and sodium reduction initiatives will continue to improve the nutritional profile of our products across the Coles Brand range.

Coles is also driving initiatives to remove additives from its products. Responding to customer feedback on the use of colours, Coles Brand has removed 28 artificial colours from its products and continues to remove other additives where possible to provide products for its customers which are as natural as possible.

Coles continues to actively participate in the Healthy Food Partnership, a Federal Government initiative aimed at encouraging Australians to make healthy food choices. Coles provide transparent and clear labelling on Coles Brand products to enable customers to make informed choices.

During the year Coles also worked with growers across Australia to introduce no added wax apples and pears, offering a more natural product for customers.

Responsible service of alcohol and gaming

Coles Liquor participates in a number of industry-wide initiatives focused on the Responsible Service of Alcohol (RSA) and achieving better health outcomes for our customers. Coles Liquor is a signatory to the Alcohol Beverage Advertising Code (ABAC) which requires that all of its advertisements, communications and product labelling include messages promoting responsible alcohol consumption and it continues to partner with DrinkWise an industry-led, not-for-profit organisation promoting a healthier and safer drinking culture in Australia.

Coles Liquor actively participates in more than 180 Liquor Accords nationally and works collaboratively with other stakeholders, including the police and other licensees to help address alcohol-related issues in the community. This year, Coles Liquor introduced new Liquor Accord participation guidelines to assist store managers when attending Liquor Accord meetings.

Coles

Coles Liquor is committed to training its team members in the responsible service of alcohol. During the past year Coles Liquor:

- created four online training modules to support learning and compliance (covering Liquor and Tobacco Obligations, ID25-Age Identification, Unaccompanied Minors and Secondary Supply and Store Manager Responsibilities) with more than 3,900 team members participating;
- 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;
- supported stores in managing schoolies week by providing additional signage and communications materials in popular school leavers locations; and
- introduced new “Our Community in Mind” signage and customer communications for stores centred on four key responsible service of alcohol messages.

Coles Liquor is building the cultural capacity of its team through Indigenous cultural diversity training. Sessions were delivered in several locations including South Hedland, Kalgoorlie, Mandurah, Perth and Darwin. The sessions aim to increase team member understanding of Indigenous culture and facilitate proactive engagement with the local Indigenous communities in which it operates.

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



SOURCING

SA Indigenous company supplies Coles with fresh produce



SOURCING

Coles works with SEDEX on ethical standards



PEOPLE

Australian-first technology helps trolley collection



Responsible and ethical sourcing

Coles defines ethical sourcing as minimising the potential for labour and human rights issues in its supply chain, while responsible sourcing is focused on animal welfare and the sourcing of raw materials. Some of the key ways in which Coles manage these issues is through certification, monitoring and compliance audits, and product labelling.

Seafood

Through the Responsibly Sourced Seafood program, Coles maintains its commitment to independently assess all wild fisheries and aquaculture farms which supply Coles Brand. Coles’ seafood products are all certified to Marine Stewardship Council (MSC) certification, Aquaculture Stewardship Council (ASC) certification or meet Coles Responsibly Sourced Seafood criteria.

“COLES HAS PLAYED A PIONEERING ROLE IN SUSTAINABLE SEAFOOD. IT HAS THE ONLY MARINE STEWARDSHIP COUNCIL (MSC) CHAIN OF CUSTODY CERTIFIED WETFISH COUNTERS IN AUSTRALIA, AND OFFERS THE LARGEST RANGE OF CERTIFIED PRODUCTS OF ANY AUSTRALIAN RETAILER. COLES’ SOURCING POLICY IS WORLD-LEADING.”

- PATRICK CALEO, MSC REGIONAL DIRECTOR, ASIA-PACIFIC

Meat and poultry

Coles Brand’s animal welfare policies focus on reducing the products sourced from close confinement systems, such as battery cages and sow stalls. Coles Brand fresh eggs have been cage free since January 2013 and all fresh pork has been sow stall free since January 2014.

Coles’ approach to animal welfare for Coles Brand farmed animals is based around the five freedoms:

- freedom from hunger and thirst;
- freedom from discomfort;
- freedom from pain, injury and disease;
- freedom to express (most) normal behaviour; and
- freedom from fear and distress.

This policy covers dairy, beef, lamb, poultry, eggs, pigs and aquaculture species with Coles Farm program assessments providing consistent monitoring and maintenance of animal welfare standards.

A producer steering committee is in place for each key species, to review Coles’ policies and the results from Coles Farm program assessments.

All Coles Brand fresh pork, ham and bacon are sourced from farms that only use gestation stalls for a maximum of 24 hours, as opposed to the industry standard of 10 days.

Coles free range pork is the only RSPCA-Approved fresh pork stocked nationally by an Australian supermarket. A long-term contract has allowed an increase in the number of RSPCA-Approved pigs grown exclusively for Coles in Western Australia and an increase in farm employment.

Coles

All Coles Brand poultry has been exclusively sourced from RSPCA Approved farms since January 2014. In 2013, when Coles started its journey towards higher welfare chicken, less than five per cent of Australian chicken production was approved by the RSPCA. Over 70 per cent of national production now meets this higher welfare standard, as others in the industry and market have followed Coles' lead.

“THE RSPCA IS PROUD TO SUPPORT COLES IN ITS GOAL TO PROVIDE HIGHER WELFARE PRODUCTS AVAILABLE TO ITS CUSTOMERS. COLES WAS THE FIRST NATIONAL SUPERMARKET TO MAKE THE SWITCH TO SOURCING RSPCA-APPROVED CHICKEN UNDER ITS OWN BRAND - A DECISION WHICH HAS IMPROVED THE LIVES OF HUNDREDS OF MILLIONS OF MEAT CHICKENS. COLES IS ALSO THE ONLY NATIONAL RETAILER TO STOCK RSPCA APPROVED PORK AND ENSURE RSPCA-APPROVED TURKEY IS AVAILABLE AT CHRISTMAS. THE DECISION BY COLES TO SOURCE A RANGE OF RSPCA-APPROVED PRODUCTS DEMONSTRATES A GREAT COMMITMENT TO IMPROVING THE LIVES OF FARM ANIMALS.”

HEATHER NEIL, CEO RSPCA AUSTRALIA

Certified ingredients

All palm oil used in Coles Brand food and drink products is sustainable palm oil. Coles are also progressing the conversion of Coles Brand homecare, health, beauty and baby products to use sustainable palm oil and palm derivatives. To offset the use of palm oil in Coles Brand non-food products, Coles purchase GreenPalm certificates which support sustainable palm oil farmers and processes.

During the year, customer receipts at all Coles Supermarkets, liquor and convenience outlets were certified to the Forest Stewardship Council standard to complement Coles' ongoing commitment to sustainable paper products. Coles aim is that by 2020 all Coles Brand products will be made with certified timber and paper.

All Coles Brand tea and coffee is now from certified source (UTZ, Fairtrade or Rainforest Alliance) and by 2020 the aim is to source all Coles Brand chocolate from certified sources.

Ethical sourcing

In July 2016, Coles introduced an Ethical Supplier Policy. While the previous policy covered only high-risk suppliers, the new policy is aimed at ensuring that all Coles Brand suppliers are compliant with its expectations on ethical sourcing.

The internationally recognised platform, SEDEX will provide the mechanism to assess risk in the supply chain under this framework. Suppliers complete an assessment and based on this, they are deemed to be low, medium or high risk. This rating then determines future monitoring and assessment criteria.

Reducing our environmental impact

Coles invests in projects and partnerships aimed at reducing the impact of its assets and operations on the environment. These include reducing our greenhouse gas emissions, promoting efficiencies in its supply chain, and improving waste reduction and recycling.

Waste reduction and recycling

Coles' main sources of waste are cardboard, food and plastic, and it is focused on innovating and improving its recycling programs across these areas.

The total amount of waste (both landfill and recycled) increased by six per cent compared with the previous year. There was a three per cent increase in recycled waste and an 11 per cent increase in waste to landfill. The increased volume from waste to landfill was as a result of an increased number of stores in its network. Of total waste (both landfill and recycled), 70 per cent is recycled.

In July 2017, Coles announced it would phase-out single use plastic bags from all stores nation-wide over the next year. The move will bring Coles 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 complies with bans on single use bags.

Soft plastics recycling bins will remain in place as part of Coles' REDcycle plastic packaging recycling program. Through the program, Coles' customers can recycle plastic bags and soft plastic packaging using specially marked bins at the front of over 670 participating stores. Coles' recycling partner, Replas, then converts this plastic into new products, including outdoor furniture.

Last year, an additional 149 Coles stores across Australia introduced soft plastic recycling through REDcycle. Most Coles Online customers can also recycle their soft plastics by providing them to their delivery driver for collection.

A key feature of REDcycle is that it gives twice - firstly by helping reduce landfill and then by using the donated plastic to make outdoor furniture for schools and other community members. Since the program began, Coles has diverted more than 300 million pieces of flexible plastic from landfill across Australia.

Since 2014, Coles has used Plantic™, the world's first ultra-high barrier renewable and recyclable material, to package Coles Brand fresh beef, pork and lamb mince. There are considerable environmental benefits from using this renewable and recyclable packaging, derived from non-genetically modified corn starch. Over the year, Coles used more than 3,000 tonnes of Plantic™, helping to save more than 17 million kilowatt hours of energy or enough to power 2,600 homes for a year.

Coles is exploring opportunities to divert organic waste from landfill and have expanded its program in Western Australia to include recycling of packaged bread and bakery products.

Through its national partnership with SecondBite over 670 Coles Supermarkets donate fresh produce and bakery items to communities across Australia. Twenty-three million kilograms of product have been donated since the partnership began in 2011.

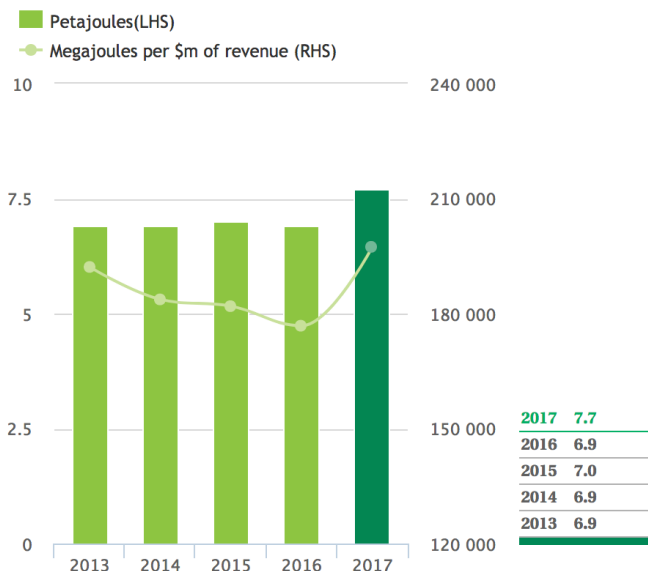
Coles

During the year, Coles increased its food donations by 9.8 per cent, donating more than 8,600 tonnes of food through our partnerships with SecondBite and Foodbank.

Coles continues to reduce food losses across the supply chain by redirecting food that cannot be sold whole, to other value-added products. It recently launched three new fresh produce lines (broccoli and cauliflower rice, cauliflower rice, carrot and pumpkin noodle) which all use fresh vegetables which would otherwise contribute to landfill. Coles has also launched a new banana bread product, which uses more than 600 tonnes of bananas per annum which would have otherwise gone to landfill.

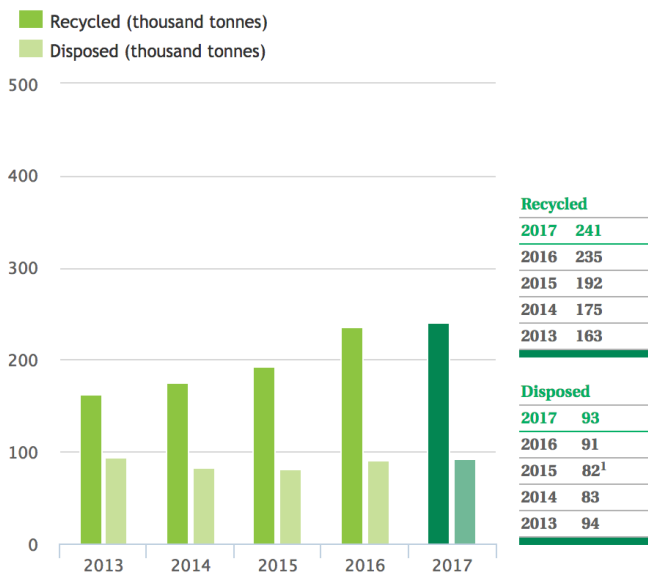
Energy use

7.7 petajoules



Waste

334 tonnes '000



¹ This does not include approximately 28,000 kL of liquid waste disposed.

Energy efficiency in store

Refrigeration, lighting and air-conditioning account for the majority of energy used in Coles stores. Coles increased its number of supermarkets by 14 and liquor and convenience stores by 30 over the reporting period. While the total floor area increased by more than 3.7 per cent, Coles reduced its total energy consumption by 0.5 per cent in the same period. Coles' greenhouse gas emissions associated with electricity decreased by three per cent between 2017 and 2016.

Coles has reduced its emissions by more than 30 per cent since 2009. It reduced emissions from energy consumption by 15 per cent and from refrigerant use by 72 per cent.

Last year, Coles invested in excess of \$15 million in energy efficiency projects, equating to more than 1,000 installations. These projects included LED lighting retrofits, improved hot water controls, upgrades in electrical infrastructure and solar power installations.

By the end of June 2017, Coles installed solar panels on six supermarkets with a seventh soon to commence. It aims to install solar panels on up to 20 more supermarkets nationally by the end of the next financial year and to make solar a standard feature of new stores in the future.

Career development and diversity

During the year, Coles' workforce increased to more than 106,000 team members. This included an expansion of its existing graduate program to include Coles Express and distribution centres. In 2017, Coles hired 199 graduates taking the total number of graduates at the end of the financial year to 402.

In addition to the graduate program, Coles offered 140 bakery apprenticeships to support its commitment to providing an additional 180 in-store bakeries. Coles also plans to recruit an additional 100 qualified bakers next year.

More than 6,000 Coles Liquor team members took part in a new service training program, focused on developing product knowledge and world-class customer service skills.

This year, Coles Retail Leaders program was redesigned and relaunched to better support team members for a career in retail management. More than 600 team members have been trained through the program since its inception.

Pay and conditions

The majority of team members are covered by the Coles Supermarkets Australia Pty Ltd and Bi-Lo Pty Limited Retail Agreement 2011, with most meat team members covered by State based agreements and a small number of Coles Online customer service agents covered by the General Retail Industry Award.

In July 2016, an individual team member filed an application to terminate the 2011 Agreement. If the application is successful, and the 2011 Agreement is terminated, the General Retail Industry Award will apply. The matter has been referred to the Full Bench of the Fair Work Commission for hearing in November/December 2017.

Coles has also initiated bargaining for a new agreement for our wages-paid store team members. Coles believes this is the best way forward for its team members.

Coles

Diversity at Coles

Coles has prepared a 2020 inclusion strategy to enhance its workplace diversity. This strategy has been developed following collaboration with a leading business school, and Coles is confident it will build on its work to provide an inclusive workplace where all team members feel supported.

Indigenous engagement

This year, 2,872 team members or approximately 2.7 per cent of Coles' workforce, self-identified as Indigenous. Coles is confident that the company's target, to have 3,000 Indigenous team members by 2020, will be met during the next year.

Coles continued to roll out the First Steps three-week pre-employment program for Indigenous job seekers and during the year, expanded the program to include a remote location for the first time. The expansion of the program to include Kalgoorlie was also the first time all Coles' retail brands had participated – including Coles Supermarkets, Liquor and Coles Express.

More than 700 team members have joined Coles through the First Steps program since it was established in 2010.

Coles is also committed to providing opportunities for career progression, with more than 140 Indigenous people employed in skilled and leadership roles across Australia.

Pride

Pride at Coles, Coles' Lesbian, Gay, Bisexual, Transgender and Intersex (LGBTI) committee, promotes an inclusive workplace where all team members can feel confident and supported.

This year, Coles again sponsored Melbourne's annual Midsumma Pride Festival with more than 80 team members, their friends and family, marching under the Coles banner. A Coles Brand food truck also joined in the celebrations serving more than 3,500 party goers Coles Brand water, ice cream sandwiches, and rainbow cake.

For the first time, Coles participated in the Australian Workplace Equality Index and was awarded a Bronze Employer status, recognising our actions to improve LGBTI workplace inclusion.

Accessibility

Coles is preparing to re-launch its accessibility action plan with a focus on improving the accessibility of its stores, sites and workplaces for people with disability, while supporting its customers and the community.

Coles has partnered with Autism Spectrum Australia (Aspect) to pilot Quiet Hour, a low-sensory shopping experience in our supermarkets, offering dimmed lights, reduced noise and limited overhead announcements at specified times.

Coles is also exploring opportunities to improve pathways to employment and the recruitment process for people with a disability.

Coles actively review its digital platforms to check they are accessible to a wide range of users, including those who have a disability. Coles is working with external partners to provide best practice and continuing to develop digital accessibility across Coles platforms.

Women in leadership

Coles maintains a focus on gender balance in leadership positions within its business. This year, it piloted a Women in Leadership development program in its merchandise function, with 16 team members completing the full program. The success of the program enabled its expansion across other business functions, with more than 100 additional team members starting the program. Coles is working to increase the representation of women in leadership through central and functionally tailored plans.

During the year, Coles increased its paid parental leave from eight weeks to 12 weeks for the primary care giver. For the first time, it also introduced one week paid parental leave for the secondary care giver.

Coles also launched a pilot parental leave support program with Parents@Work, aimed at providing working parents with confidence and practical solutions to support them as working parents. Twenty nominated team members are taking part in the pilot and their experiences and feedback will help shape the approach for further parental leave support.

Health and safety

Creating a safe workplace for its team members, suppliers and other visitors, as well as a safe shopping environment for our customers, is a key priority for Coles.

Coles total recordable injury frequency rate (TRIFR) was 38.1 for the year, a 13.6 per cent improvement on last year due to a continued focus on safety leadership, risk reduction, and new health and wellbeing programs. Additional business functions were included in this year's data, reflecting Coles' commitment to safety across our entire network. Coles' lost time injury frequency rate increased marginally from 8.4 to 8.8.

Coles maintained its focus on mitigating potential safety incidents, improving incident investigation and analysing the root cause of any issues in order to implement effective corrective actions. Teams across the business are working hard to create a culture where safety is proactively reported and discussed, while also simplifying processes and developing effective training tools.

More than 60,000 team members from Coles Supermarkets received safety refresher training during the year.

To simplify manual handling of bulk merchandise, Coles Express invested in more than 100 mini pallet trolleys for team members and Coles Supermarkets is exploring solutions to eliminate manual-handling hazards involved in trolley collection.

Coles Express installed bollards at more than 130 sites during the year, taking the total number of sites fitted with the units to 250. The protection is designed to enhance customer safety when obtaining merchandise from the front of Coles Express sites.

Coles' commitment to mental health is reflected in the Mind Your Health program, which provides a range of on-line resources to support team members. This year, five wellbeing pillars were introduced to improve mental wellbeing in the workplace and at home. These pillars are to Be Mindful, Stay Connected, Be Active, Keep Learning and Give Back. To

Coles

complement the new wellbeing pillars, four online tutorials were launched, providing team members with practical ways to create a mentally healthy workplace, to promote personal mental health and to enable effective mental health conversations, both in and outside of the workplace.

Mental health training was also provided to Coles Supermarkets' store managers to help them identify and support team members who may be experiencing mental health issues.

In October 2016, Coles launched an enhanced Employee Assistance Program (EAP). The program provides team members with direct access to confidential counselling, coaching and support for personal and workplace issues.

The EAP supports the Mind Your Health program and brings to life Coles' commitment to create a positive, healthy team member experience and to reduce the stigma around mental health.

Coles also encourages team members to maintain physical health through the Every Day Steps program. The program is aimed at supporting team members to invest in their mental health by improving their physical health through the use of fitbit devices. At Coles Express, team members taking part in Express Steps were awarded more than 4,600,000 flybuys points during the year.

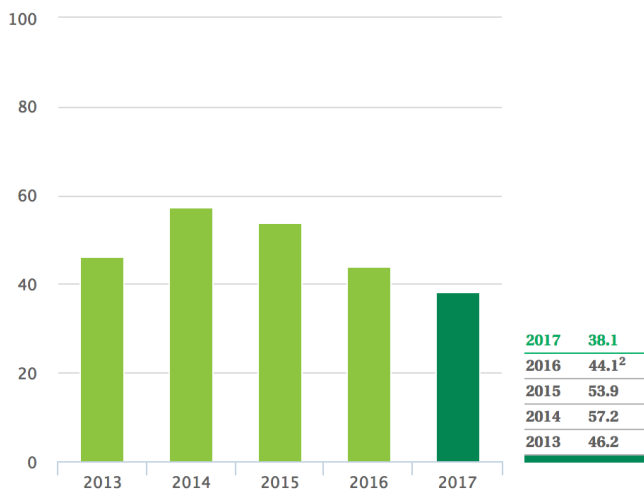
2017-18 priorities

- Building stronger, deeper relationships with its suppliers and increasing the transparency of its supply chain;
- Working with stakeholders to improve contract labour practices for Australia's fresh produce industry;
- Driving responsibly and ethically sourced products for Coles Brand;
- Diverting more waste from landfill and maximising store recycling programs;
- Making its operations more energy efficient;
- Increasing the diversity of its workforce with greater Indigenous representation and providing workplace flexibility;
- Engaging its stores and operations to focus on safety performance improvements; and
- Promoting personal wellbeing and mental health for its team members in the workplace.

Safety performance

38.1 total recordable injury frequency rate

■ TRIFR is the number of lost time and medical treatment injuries per million hours worked¹



¹Excludes Coles store support injuries and hours

²Restated due to maturation of data

Bunnings Australia and NZ



Bunnings team members Stella Frederica, Arun Shanmugam, Hashni Perera, Connie Harman and Zachary Murphy at the Bunnings Warehouse in Mentone, Victoria

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 40,000 team members and operated a network of 249 large warehouse stores, 77 smaller format stores, 33 trade centres and three frame and truss manufacturing centres.

Bunnings defines sustainability as being actions that are socially responsible and environmentally aware and economically viable. Highlights during the year included the installation of solar photovoltaic systems at a further nine warehouses and the supply of the first Forest Stewardship Council (FSC) certified Merbau/Kwila timber decking into New Zealand stores in January 2017. The continued focus on waste reduction produced strong results along with increased recycling initiatives for batteries, plastic pots and paint.

Bunnings Australia and New Zealand focused on the following material issues during the year:

- Ensuring that we maintain good support internally and within the wider community to grow our community involvement in a sincere, localised and meaningful manner;
- Maintaining strong processes to ensure product sourcing continues to meet or exceed the requirements of local and global standards;
- Maintaining and, where feasible, increasing our current levels of water conservation, waste reduction and recycling (on a like-for-like site basis) and finding new ways to reduce our reliance on grid-sourced energy, with a view to achieving further cost-effective reductions in our overall carbon footprint; and
- Maintaining a positive safety performance trend as we continue to grow our business, increase our store network and employ more team members.

Bunnings Australia and NZ community support

Bunnings is committed to supporting the communities in which it operate 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 \$43 million through over 76,000 community activities. A wide variety of national and local community organisations were supported through a number of activities including fundraising sausage sizzles, hands-on projects, local fundraising initiatives and product contributions.

This included more than 24,000 activities in rural and regional communities, helping to raise and contribute over \$11 million for local causes and community groups. More than 3,800 sustainability related activities were conducted, including more than 2,500 school visits and projects as part of Bunnings decade long Schools Sustainability Program.

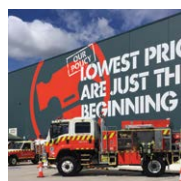
Bunnings continued to support emergency services throughout the year with all stores raising funds for local volunteer fire brigades and emergency services through the Aussie Day Weekend Fundraiser BBQ and New Zealand Volunteer Fundraiser BBQ on Saturday 28 January 2017.

Team members continued to work closely with local branches from major not-for-profit organisations including The Salvation Army, Rotary, Lions Australia, Men's Shed, Scouts, RSL, and the Royal New Zealand Returned and Services Association, as well as thousands of local community groups across Australia and New Zealand.

Bunnings Australia and NZ

Community contributions

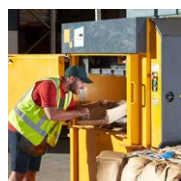
43.2 \$m



COMMUNITY
Bunnings helps build resilient communities



COMMUNITY
Bunnings' support for SafeWork NSW TradieSafe Program



ENVIRONMENT
Bunnings drives better waste solutions

GOAL
LIFE ON LAND

Bunnings Australia and NZ stakeholder engagement

Throughout the year, Bunnings team members collaborated with a range of government stakeholders on state and national awareness initiatives. This involved working closely with 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, 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 to help kids and families engage with the campaign.

The business continued to work with state governments to actively support bushfire and extreme weather preparedness initiatives in Queensland, New South Wales, South Australia, Victoria and Tasmania. Community education campaigns included NSW Rural Fire Service's Get Ready Week and the Victorian Government's Powerline Bushfire Safety Program. Bunnings also supported the Victorian CFA's Smoke Alarm Campaign which saw CFA brigades deliver important smoke alarm safety messages to customers in selected stores.

In Western Australia, Bunnings supported the Water Corporation's Waterwise Garden Rewards Program, which enabled Water Corporation customers to redeem more than 11,000 Waterwise products from stores across the state. Water Corporation also ran D.I.Y. Waterwise Irrigation Workshops at selected stores, providing advice to customers on saving water in the garden.

As part of the NSW Ageing Strategy, Bunnings worked with the NSW Department of Family and Community Services to develop in-store and online advice on how to better equip homes for independent and assisted living. Pilot D.I.Y. Workshops commenced in four metro Sydney Bunnings Warehouses in May 2017, complemented by comprehensive online resources.

During Asbestos Awareness Month in November 2016 Bunnings Australian stores supported a number of initiatives including the Asbestos Diseases Research Institute's 'Betty the Asbestos Education House' which was hosted at 14 stores in the Northern Territory and South Australia. In Queensland, Bunnings supported the Queensland Department of Justice's asbestos awareness campaign by displaying flyers in all stores and inspectors attending selected stores to talk to customers about home renovations. In New South Wales all stores displayed New South Wales Government flyers on asbestos awareness in the D.I.Y. area.

Bunnings Australia and NZ

Bunnings Australia and NZ ethical sourcing and product safety

Bunnings continued to work closely with its suppliers to strengthen sourcing practices. While Bunnings direct sourced supplier base increased by 11 per cent, 100 per cent were screened through its Ethical Sourcing Program.

Bunnings also continues 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 in addition undertakes independent safety tests on selected product to confirm compliance to safety standards and customer expectations.

In November 2016, Bunnings became 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.

During the year, Bunnings commissioned two separate independent risk assessments, the first on timber supply chains and the second on a small selection of key high volume product lines to identify risks and opportunities in primary, secondary and tertiary materials. Further work is now being undertaken on a responsibly sourced program for quarried materials across the group.

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 85 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).

In 2016 Merbau/Kwila timber supplier PT Wijaya Sentosa became the first large scale Indonesian forest operation to achieve FSC certification. Since January 2017 all stores in New Zealand have stocked FSC certified Merbau/Kwila timber decking, with Australian stores beginning to stock FSC certified Merbau/Kwila decking in selected locations.

Bunnings continued to collaborate with environmental non-government organisations on raising awareness of responsibly sourced timber and participated in a case study in the WWF International Report: Responsible Sourcing of Forest Products: The Business Case for Retailers.

Bunnings Australia and NZ waste reduction and packaging

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

With an increased focus on team member led initiatives and innovative waste management Bunnings decreased its waste to landfill intensity rate at 2.5 tonnes of landfill per \$1 million dollars of revenue, compared to 2.9 tonnes the previous year. In total, 65.1 per cent of waste was diverted from landfill across the business.

Highlights included metro Sydney stores achieving an 85 per cent diversion rate, and metro Adelaide stores diverting over 95 per cent of waste from landfill.

During the year Bunnings also continued its national program in Australia to reuse and recycle plain timber pallets, utilising the backload capacity of vehicles. The 210 participating stores reused more than 41,000 timber pallets, diverting more than 1,040 tonnes from landfill.

Bunnings also continued to drive product stewardship initiatives on a local level for products including batteries, plastic pots and paint. In June 2017 its Alexandria Warehouse hosted a paint collection day run by Paintback, resulting in over 3.4 tonnes of paint being collected for recycling.

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

Waste

56 tonnes '000



Bunnings Australia and NZ

Bunnings Australia and NZ energy efficiency

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

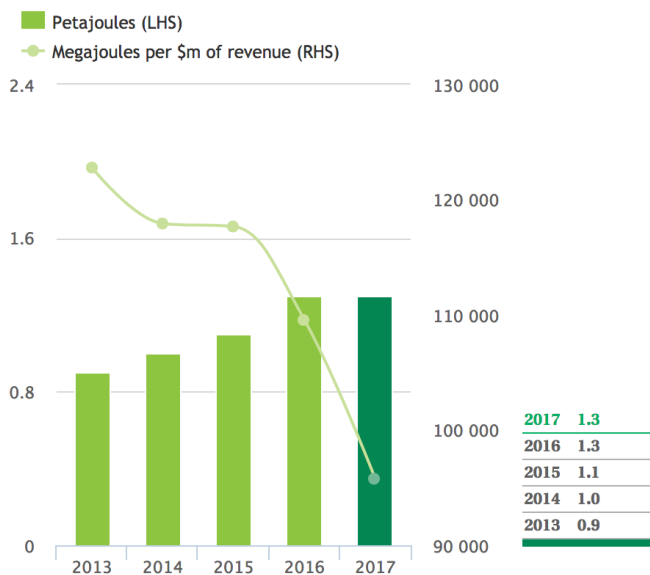
During the financial year a further five stores in Queensland, three stores in Western Australia and one store in the Northern Territory had 100 kilowatt solar photovoltaic systems installed. Each system is currently generating on average between 10 and 20 per cent of those store's daily energy needs.

Bunnings continues to install energy efficient LED lighting in new stores and upgraded stores progressively, and retrofitting selected existing stores. Five existing stores had LED lighting installed throughout the year, with 14 stores retrofitted to date.

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

Energy use

1.3 petajoules



Bunnings Australia and NZ Safety

Safety remains a key focus and Bunnings strive to ensure everyone goes home safe every day. This was reflected in a 15.3 per cent reduction in the number of injuries recorded and a 16.8 per cent reduction in the total recordable injury frequency rate. Additionally, the lost time injury frequency rate reduced by 6.8 per cent.

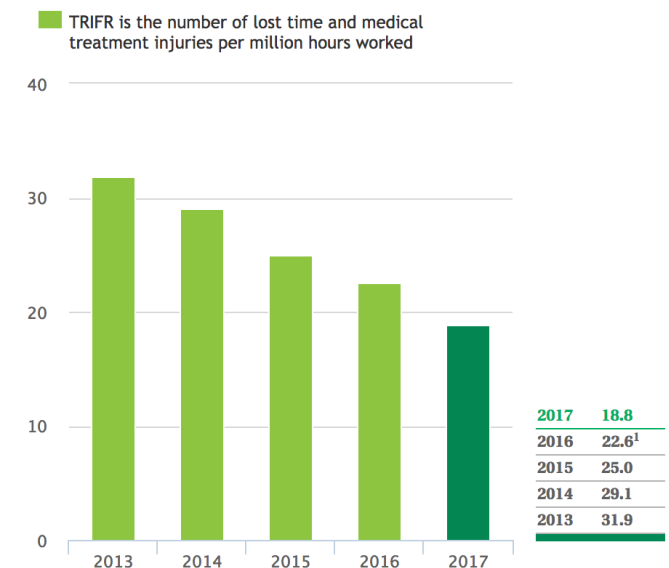
A new objective was added to the five key safety objectives in the Bunnings Health and Safety Strategy this financial year. This objective, 'Make Our Stock Safe', focuses on the prevention of stock and displays falling from height.

A number of initiatives were run throughout the year to increase safety awareness and address key areas of risk. These included improved merchandising guidelines to prevent falling stock, phase two of the 'Making the Invisible ... VISIBLE' video (sprain and strain prevention), and a number of 'Protect Your Hands' campaigns. Bunnings also launched the 'Rita the Ruler' video which focuses on maintaining the three-metre exclusion zone around an operating forklift, and a new SMS Safety Alert System for all forklift operators to communicate urgent updates around forklift safety.

In addition to these initiatives there has been a strong focus on the care of the Bunnings team. This year Bunnings conducted a physiotherapy trial, reinvigorated its treating practitioner network and commenced a roll out of mental health training for leaders.

Safety performance

18.8 total recordable injury frequency rate



¹Restated due to maturation of data

Bunnings Australia and NZ

Bunnings Australia and NZ 2017-18 priorities

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



COMMUNITY

Bunnings helps build resilient communities



COMMUNITY

Bunnings' support for SafeWork NSW TradieSafe Program



COMMUNITY

Coles and Bunnings provide assistance to eliminate trachoma



ENVIRONMENT

Bunnings drives better waste solutions

Bunnings UK and Ireland



Bunnings team members Andy Herst, Melanie Templeman, Simon Woodhall and Ben Wells at the Bunnings Warehouse in Broadstairs, United Kingdom

Bunnings acquired Homebase in February 2016 and opened the first Bunnings Warehouse in the United Kingdom and Ireland in February 2017. Bunnings has long-term investment plans in the UK and Ireland, and aspires to become the leading retailer of home improvement and garden products in that market.

At year-end, four Bunnings Warehouse pilot stores and 251 Homebase sites operated, employing approximately 12,000 team members.

Bunnings defines sustainability as being actions that are socially responsible and environmentally aware and economically viable. As it continues to grow there will be a strong focus on driving energy efficiency, waste reduction and ethical sourcing actions across the business.

Bunnings United Kingdom and Ireland focused on the following material issues during the year:

- Ensuring that it maintains good support internally and within the wider community to grow its community involvement in a sincere, localised and meaningful manner;
- Maintaining strong processes to ensure product sourcing continues to meet or exceed the requirements of local and global standards;
- Maintaining and, where feasible, increasing current levels of waste reduction and recycling (on a like-for-like site basis) and finding new ways to reduce its reliance on grid-sourced energy, with a view to achieving further cost-effective reductions in overall carbon footprint; and
- Maintaining a positive safety performance trend as it continues to grow its business, increase its store network and employ more team members.

Bunnings UK and Ireland community support

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

Bunnings

Since February 2017, Bunnings stores helped raise and contribute more than \$51,000 (£30,500) and participated in and supported over 35 community activities. A number of local community organisations such as schools, hospices, emergency services and youth groups were supported through activities, including fundraising sausage sizzles, hands-on projects, local fundraising initiatives and product contributions.

Homebase

Since March 2015, Homebase stores have supported Macmillan Cancer Support and the Irish Cancer Society. During the year, Homebase helped raise and contribute more than \$414,000 (£245,000) to Macmillan Cancer Support and the Irish Cancer Society, helping to fund more than 8,000 nursing hours in communities across those countries. Funds were raised through team member-led activities, as well as volunteers fundraising in-store. Support for Macmillan Cancer Support and the Irish Cancer Society will continue in the next financial year with the World's Biggest Coffee Morning.

Bunnings UK and Ireland also commenced support for Prostate Cancer UK through a two-week fundraising campaign. Activities included cake sales, customer competitions, awareness tables and team member step count challenges, which helped raise and contribute more than \$39,000 (£23,500) in June 2017.

Team members also continued to support local community and not for profit groups such as schools, care homes, hospices, Scouts and Girl Guides through hands-on projects, as well as product donations and awareness tables.

Homebase continued to support Greenfingers a charity that builds therapeutic and recreational outdoor spaces for children's hospices across the UK, through the sale of single use carrier bags. During the year, more than \$65,000 (£38,500) was raised for Greenfingers.

Bunnings UK and Ireland

Bunnings UK and Ireland ethical sourcing and product safety

The countries and communities from which it sources products are very important to Bunnings UK and Ireland and it is committed to ensuring the products it sells come from legal and sustainable operations, with good working conditions and fair treatment of people. A Bunnings Group approach was adopted as of July 2017, to ensure all buyers across all countries are aligned.

Working closely with suppliers to strengthen sourcing practices is a key focus. While its direct-sourced supplier base expanded 14 per cent, all suppliers were screened through the Bunnings Ethical Sourcing Program.

Bunnings also continues 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 in addition undertakes independent safety tests on selected product to confirm compliance to safety standards and customer expectations.

In November 2016, Bunnings Group became 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. This is an important step in ensuring we maintain ethical supply chains across the United Kingdom and Ireland.

During the year, Bunnings UK and Ireland commissioned two separate independent risk assessments: the first on timber supply chains; and the second on a small selection of key high-volume product lines to identify risks and opportunities in primary, secondary and tertiary materials. Further work is now being undertaken on a responsibly sourced program for quarried sources.

Since 1992 Bunnings Group has been a retail participant in the WWF Global Forest and Trade Network (GFTN), a program established to encourage markets to responsibly source forest products and progress beyond legality, towards credible certification.

Bunnings UK and Ireland 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 85 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 UK and Ireland waste and packaging

Bunnings UK and Ireland is committed to reducing supply chain resource waste and achieving greater packaging efficiencies, as well as helping customers make sustainable living choices.

Bunnings

All Bunnings Warehouse pilot stores are plastic bag free, instead providing customers with cardboard boxes to take products home or the option to purchase a tote bag.

Homebase

Box bays have been introduced at all Homebase sites to provide customers with an alternative to reusable and single-use carrier bags.

Alongside this initiative, Homebase continued to support Greenfingers a charity that builds therapeutic and recreational outdoor spaces for children's hospices across the UK, through the sale of single use carrier bags. During the year, more than \$65,000 (£38,500) was raised for Greenfingers,

Year on year, dry mixed recycling, including cardboard, was down 18 per cent following the introduction of box bays and total waste across our business increased 7.9 per cent.

Bunnings UK and Ireland energy efficiency

The major focus is on lowering energy use through a range of initiatives including energy efficient lighting systems.

Bunnings

As the rollout of the pilot program continues, Bunnings UK and Ireland remain committed to identifying commercially viable ways to increase energy efficiency.

Homebase

Homebase remains committed to reducing its carbon footprint through greater energy efficiency, as well as the further rollout of renewable energy systems.

New LED lighting has been rolled out to a further 77 stores, which meets key financial hurdles and has reduced energy consumption by eight per cent.

In the next financial year, an additional 32 stores will be retrofitted with LED lighting.

Bunnings UK and Ireland

Bunnings UK and Ireland safety

Safety is a key focus and Bunnings UK and Ireland is committed to ensuring everyone goes home safe each day. New metrics were introduced to better understand and communicate safety performance, and to promote an open and honest safety culture. This resulted in a 33 per cent increase in incident and near miss reporting during the year when comparing the figures from July to December 2016 and January to June 2017 reporting periods.

Several safety initiatives were run throughout the year to increase safety awareness and address key areas of risk. This included the ‘Go Home Safe’ and ‘Caught Being Safe’ campaigns, which helped to personalise and simplify the safety message. Safer cutting tools were also introduced to reduce the risk of hand cuts and lacerations. ‘Forklift Forums’ were also successful in increasing safety awareness around forklifts and stock at height, our two highest risk work activities.

The safety journey from ‘compliance to care’ continues, with the recent introduction of a more targeted safety strategy. The Bunnings Health and Safety Strategy includes four objectives focusing on caring for its teams, increasing leadership engagement, reducing risks and preventing injuries.

Bunnings UK and Ireland 2017-18 priorities

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



ENVIRONMENT

Bunnings UK and Ireland rolls out LEDs



ENVIRONMENT

Bunnings UK and Ireland replaces bags with boxes

Kmart



Kmart team member Emma Hurd at the Chadstone store in Victoria

Kmart Australia is one of Australia and New Zealand's largest retailers, with a network of discount department stores offering customers a wide range of apparel and general merchandise products at low prices, every day. Kmart Tyre & Auto Service is one of Australia's largest providers of car repairs, servicing, brake repairs and suspension, and tyre replacement.

Kmart sources its products through a diverse range of suppliers who manufacture in countries including China, Bangladesh, India, Indonesia and Cambodia. As at 30 June 2017, Kmart had 220 stores across Australia and New Zealand and Kmart Tyre and Auto Service had 251 centres across Australia. Kmart has 34,947 team members and revenue this year was \$5,578 billion.

Kmart focused on the following material issues during the year:

- Energy efficiency
- Product quality and safety
- Ethical sourcing
- Diversity and inclusion
- Employee safety
- Community contributions
- Reducing waste
- Materials

Maximising energy efficiency

In the past year, Kmart committed to establishing a dedicated function to monitor and manage energy use and costs across the business. The Kmart Energy Centre commenced operations in January and provides a range of services including: continuous monitoring of energy use and demand; energy event and demand response; benchmarking of sites to identify best practice and poor performance; tariff management and optimisation; and business case development to support further investment in energy efficiency initiatives.

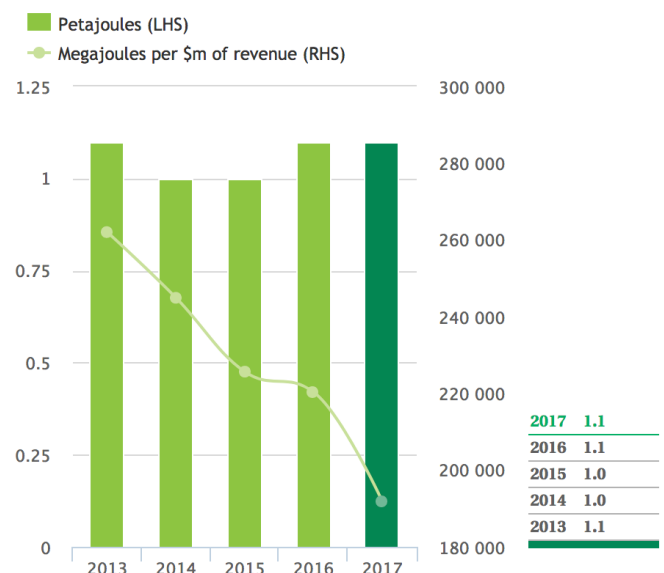
By working closely with functions including facilities management, finance, property and procurement, the Energy Centre has been able to establish energy baselines for all sites, reduce unnecessary overnight energy use which was previously invisible, and move stores onto more cost-effective tariffs.

Replacement of old fluorescent tubes with LED lighting was temporarily put on hold during the year due to safety concerns, including two near misses linked to light fittings falling from ceilings. Although no individuals were hurt, the reasons for the incidents were investigated and rectified. Kmart has also implemented a review process and stronger safety checks to prevent further occurrences, and replaced one installation contractor that failed to meet expected safety standards. The program has now resumed.

As at 30 June, LED lighting has been installed at 66 stores with an average energy reduction of 27.1 per cent. The remaining 48 eligible stores will be completed by the end of the 2017 calendar year.

Energy use

1.1 petajoules



Kmart

Enhancing the health and safety of our team

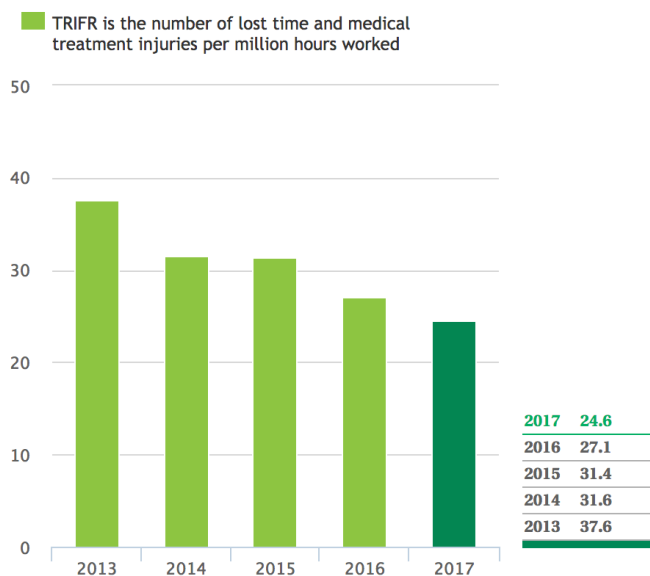
Kmart’s total recordable injury frequency rate (TRIFR) during the year was 24.6, a 9.2 per cent reduction on the previous financial year. Its lost time injury frequency rate (LTIFR) was 6.0, a 10 per cent decrease on last year.

Primary reasons for the fall in injury rates was a 15 per cent reduction in sprains and strain injuries and a 13 per cent reduction in slips, trips and falls compared to the previous year due to improved supervision and housekeeping.

Key projects planned for 2018 include the introduction of a fitness for work application and strengthening program, a safety foundation training module for managers, and new auditing and monitoring tools to improve compliance and consistency in performance across all stores and distribution centres.

Safety performance

24.6 total recordable injury frequency rate



Ensuring the safety and quality of our products

In the past year, Kmart continued its drive for improvement in the quality, safety and performance of its products with the appointments of a Head of Quality for Apparel and a Head of Quality for General Merchandise (previously there was one role covering apparel and general merchandise).

In addition, several new and improved initiatives were also rolled out, including:

- Further improvement of the format and content of factory technical audits to more clearly identify the capabilities and competencies of each factory;
- Shifting the focus of inspections away from post-production final inspections to during-production inspections to assist in identifying quality improvements earlier in the manufacturing process;

- Refresher training of inspection team members to ensure consistent interpretation and application of Kmart standards; and
- Increased levels of engagement and support for factories through the deployment of Quality Team resources into certain locations that are closer to the factories.

Fostering an inclusive culture

Kmart remains committed to ensuring our team reflects the communities where we operate.

Kmart’s gender balance in leadership roles increased from 38.7 per cent for females in the 2016 financial year to 41.5 per cent for females in FY17. The increase was a result of enhanced leadership team focus, explicit goals, listening sessions with high potential females in stores, and quarterly reporting of progress across all functions.

Employment of Kmart team members in Australia with Indigenous backgrounds increased from 1.1 per cent in the 2017 financial year to 1.3 per cent in the 2017 financial year. Twelve focus stores were selected and engaged, and employment targets have been set based on the percentage of Indigenous people living in these communities. These 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. These key steps will assist to build an inclusive environment at these stores.

The employment of people with (dis)abilities* remained a key focus for Kmart this year. The business reviewed its recruitment process with the support of disability service provider Mylestones and the Australian Network on Disability, to ensure people with (dis)abilities could participate equitably in the process and felt safe in Kmart stores. This was achieved by providing workplace adjustments and by developing a job dictionary, which is used to match a candidate’s abilities with the inherent requirements of a role in store. This new process, along with team members who approached stores directly, resulted in Kmart employing a total of 70 people with (dis)abilities during the year, exceeding its target of 50. For more information on how Kmart is supporting people with (dis)abilities, please see [here](#). To view a video on Kmart’s inclusive advertising, please see [here](#).

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

Contributing to the community

Kmart introduced its new community focus this year, which aims to help young people thrive by supporting programs and organisations focused on youth self-resilience and wellbeing. In line with this new focus, its spare change program introduced two new beneficiaries - Headspace and the Reach Foundation - in selected states. Overall, \$160,000 was raised through the spare change program, with an additional \$110,000 provided in gift cards and goods to support local communities.

Kmart

The Kmart Wishing Tree Appeal continued to collect gifts and funds for families and individuals needing help at Christmas and beyond with The Salvation Army and Mission Australia distributing aid to their clients. During the year 387,318 gifts were collected and \$242,000 raised across Australia and New Zealand. The appeal is set to celebrate 30 years in 2017 and will look to showcase community champions and team members that have supported the tradition of the Appeal over the years.

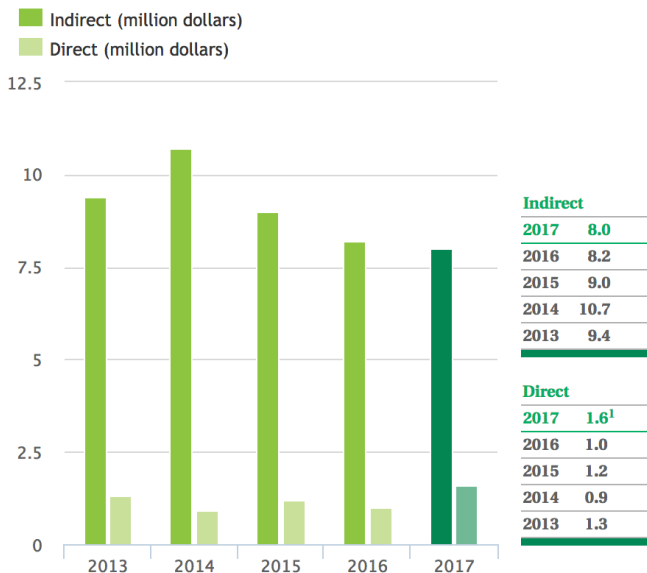
Kmart donated \$30,000 in gift cards to The Salvation Army to help bring relief to Queensland and New South Wales communities affected by Cyclone Debbie and her aftermath. The funds enabled The Salvation Army to assist people impacted by the extreme weather to restock on essential items.

The Royal Children's Hospital Melbourne was lit up again with a giant Christmas tree in the main foyer and smaller trees throughout the hospital installed by Kmart team members, family and friends. Children unable to leave the hospital were also able to enjoy gifts donated by Kmart.

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

Community contributions

9.6 \$m



Sourcing materials sustainably

As part of its commitment to use natural resources responsibly, in the past year Kmart launched a project to develop a sustainable materials strategy.

Starting with a comprehensive list of materials used in our products, Kmart's specialist advisors, RESET Carbon, conducted a social and environmental risk assessment of each material to assist with prioritisation. A final list of high priority materials was identified, which now form the basis of a long-term roadmap for action. These materials are: cotton, cocoa, palm oil, wood and pulp, down and feathers, and plastics.

Building on the strategy, Kmart set the following long-term targets:

- By 1 July, 2019, all cocoa ingredients used in Kmart brand products will be sourced through a sustainable cocoa standard; and
- By 1 July, 2020, all cotton used in Kmart brand and licensed brand products will be sourced through a sustainable cotton standard.

For more information on why Kmart developed a policy and target on sustainable cocoa, please see [here](#).

Minimising our waste

As part of its commitment to reduce, reuse and recycle, in the past year Kmart increased its focus on packaging reduction through its supply chain overseas initiative. This included a focus on reducing or eliminating all forms of cardboard packaging and replacing it with reusable PVC bags.

To date, the initiative has been rolled out to more than 75 per cent of apparel suppliers, and is currently being trialled with home textiles suppliers.

Building on this experience, Kmart aim to set a long-term target to reduce cardboard usage across our supply chain in the 2018 financial year.

Waste

63 tonnes '000



Kmart

Ensuring our products are sourced ethically

During the year there were five key initiatives aimed at enhancing Kmart’s ethical sourcing program:

- Kmart and Target commenced work on establishing a combined Department Stores (Kmart/Target) Ethical Sourcing Program. The combined program will ensure consistency in ethical sourcing policies and procedures between Kmart and Target, and achieve efficiencies in program implementation, monitoring and reporting.
- Kmart 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 continued its participation in the Action, Collaboration, Transformation (ACT) living wage collaboration. In the past year, ACT was established as a foundation in the Netherlands, an Executive Director was hired and secretariat established in Berlin, and ACT was formally recognised at the G20 Labour Ministers meeting in Hamburg.
- Kmart trialled a wage monitoring system for suppliers in Bangladesh to improve transparency and enable tracking of wage movements over time.
- Kmart along with other brands signed an agreement with IndustriALL Global Union and UNI Global Union to extend the Bangladesh Accord on Building and Fire Safety to 2021.

During the year, Kmart also conducted 619 ethical sourcing audits of our suppliers’ factories. Although the majority of factories were approved or conditionally approved, our audit program and ongoing monitoring efforts identified five critical breaches of Kmart’s Code in the past year – all breaches related to attempted bribery. All of these factories have now been deregistered, meaning no further orders can be placed.

2017-18 priorities

- Create an inclusive culture – further development of attraction and retention strategies for women in leadership roles, people with disabilities and people of Aboriginal and Torres Strait Islander descent;
- Helping Kmart’s communities thrive – implementation of a new community plan and programs focused on youth self-resilience and wellbeing;
- Respect Kmart’s partners – continued rollout of the ILO/ IFC Better Work program to Kmart’s apparel factories in Bangladesh, Indonesia and Cambodia;
- Create great value products without compromise – implementation of a strengthened technical audits and during production inspection process.
- Use natural resources responsibly – implementation of Kmart’s sustainable cotton strategy and sustainable factories roadmap;
- Reduce, reuse, recycle – the development of action plans to reduce waste-to-landfill, phase-out plastic bags in-store, and reducing cardboard packaging across the supply chain.



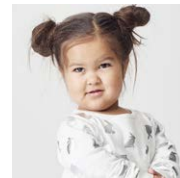
COMMUNITY

Kmart fosters an inclusive environment



SOURCING

Kmart joins partnership to improve working conditions in apparel factories



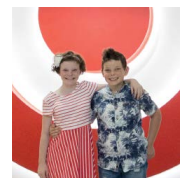
PEOPLE

Kmart and Target’s inclusive advertising - changing society’s attitude



SOURCING

Kmart and Target commit to sustainable cocoa and chocolate



COMMUNITY

Queensland stores host sensory shopping days for children with autism

Target



Target team member David Duong at the Chadstone store in Victoria

Target is a department store supported by a strong brand heritage and characterised by quality, fashion and basics at low prices. The business sells a wide range of products for the whole family, including apparel, homewares and general merchandise.

Target operates a national network of more than 300 stores, as well as an online business. The business's objective is to provide quality, fashion and basics for everyone at low prices. Target employs more than 14,000 team members across its stores, support offices and direct sourcing operations in Asia.

Target focused on the following material issues during the year:

- Ensuring the safety and quality of its products
- Ethical sourcing of its products and services
- Embracing a diverse and inclusive culture; and developing careers
- Using natural resources efficiently
- Investing in its communities
- Ensuring a safe environment for its teams and customers
- Minimising its waste

Ensuring the safety and quality of our products

Target is committed to consistently delivering safe quality products to its customers in compliance with Target's safety and quality standards. Target takes an active approach to ensuring that its products are of the highest safety standards, comply with the very latest legal requirements, and meet customer expectations. Improvements this year included:

- A complete review of Target's quality strategy was undertaken with a focus on production processes and controls to deliver consistent quality to Target's customers.
- New hires for key management roles across Target Australia Sourcing (TAS) to ensure Target's safety and quality standards and delivery of the new strategy.

- High priorities in Target's quality strategy to deliver safe and consistent quality to its customers were presented at the supplier forums in Hong Kong and Bangladesh in June 2017.
- Following updates to Target's apparel design and construction safety standards, training was conducted for all TAS childrenswear and footwear suppliers to improve product safety awareness with ongoing auditing and controls in place.
- A Target technical re-audit program was developed for rollout from 1 July 2017 for ongoing monitoring and auditing of suppliers compliance to Target's quality requirements.
- All 72 Hardgoods Safety and Quality manuals have been updated to include the latest industry and mandatory standards, legislation and Target requirements.
- A more detailed Chemical Policy manual has been developed in conjunction with an updated Safety Manual.
- To effectively manage quality and safety incidents reported by Target customers, a new root cause analysis procedure was developed.
- A new internal process was developed for responding to and investigating customer reported incidents and quality issues.

The focus for the coming year is to implement the initiatives identified in the new quality strategy, to deliver consistent quality products.

Sourcing our products and services ethically

Target continues to focus on an ethical and transparent supply chain. During the year there were four key initiatives aimed at enhancing Target's ethical sourcing program.

- Target and Kmart commenced work on establishing a combined Department Stores (Kmart/Target) Ethical Sourcing Program. The combined program will ensure consistency in ethical sourcing policies and procedures between Kmart and Target, and achieve efficiencies in program implementation, monitoring and reporting. This will be accompanied by an overarching Department Stores ethical sourcing program Standard Operating Procedure

Target

- Target commenced preparations to join the International Labour Organisation (ILO) and International Finance Company (IFC) Better Work program, which aims to improve working conditions in the garment industry and make the sector more competitive.
- Target continued its participation in the Action, Collaboration, Transformation (ACT) living wage collaboration. In the past year, ACT was established as a foundation in the Netherlands, an Executive Director was hired and secretariat established in Berlin, and ACT was formally recognised at the G20 Labour Ministers meeting in Hamburg.
- Target along with other brands signed an Agreement with IndustriALL Global Union and UNI Global Union to extend the Bangladesh Accord on Building and Fire Safety to 2021.

During the year, Target conducted 176 ethical sourcing audits of its suppliers' factories and accepted 614 audit reports through its mutual recognition program. Although the majority of factories were approved or conditionally approved, its audit program and ongoing monitoring efforts identified 13 critical breaches of Target's Code in the past year. Nine of these breaches related to bribery of a Target inspector or third-party auditor, and one case related to a third-party auditor asking for a bribe from the factory. Target also identified one case of forced labour, one case of child labour, and one case of unauthorised subcontracting. Nine factories will be deregistered after last shipment (meaning no further orders can be placed), remediation was implemented in three factories and one is under investigation.

Diversity, learning and development, and engagement

Target is committed to the success of its business by creating an inclusive culture that supports its team members and communities, and to employee development, to keep its people thriving and adapting.

Diversity

Target is committed to creating an environment that respects differences in age, shape, size, race, gender, sexual orientation, ability, appearance and family responsibilities.

This year, the percentage of women in leadership roles increased from 38.5 per cent in 2016 to 42.4 per cent; and employment of Indigenous people increased from 0.87 per cent of our workforce to 1.1 per cent.

Target's journey to create an inclusive culture by representing our diverse communities in our marketing has seen it receive positive feedback from customers and media thanking Target for helping more people with disabilities to feel included. Target's participation in hosting two sensory shopping days for local customers affected by autism or sensory processing disorder was also received well by local communities and media.

Learning and development

The focus for the learning and development programs in 2017 was to target key areas in the business that would most impact in our turnaround success. The following programs consisting of internal and external facilitation were developed to align with Target's strategy to focus on commercial acumen, leadership and strategic thinking:

- More than 300 store and regional managers attended the launch of an Effective Conversations Workshop, providing insights on how to lead and engage with their teams in a more impactful way.
- A Target Leaders Program pilot was established to equip new and potential regional managers to make the jump from single site management to multi-site management and strategically lead their teams.
- In May 2017 a 12-month Merchandise Development Program was launched for existing and new buyers and planners to support the merchandise led turnaround. Sixty three team members are currently participating in the program.

Engagement

Target continued with its bi-annual roadshows across its national stores, distribution centres, offices and Asia offices. This is 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. Each roadshow takes on a different theme, with the last one focussing on its product and marketing strategy. These have been well received, building understanding and confidence to deliver Target's strategy.

Energy efficiency

Target has continued to improve energy and carbon performance across the reporting period. Ongoing management and investment in efficiency upgrades has delivered year-on-year reductions in electricity use of 13 per cent and 15.5 per cent reduction in carbon use per metre across all stores. Key activities this year included:

- Replacement of 62,916 inefficient fluorescent tubes with LED at 53 stores
- Integration of energy efficiency systems into the new Truganina distribution centre in Victoria, which uses less than half the energy of the system it replaced
- 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 design, installation and management standards for solar panels

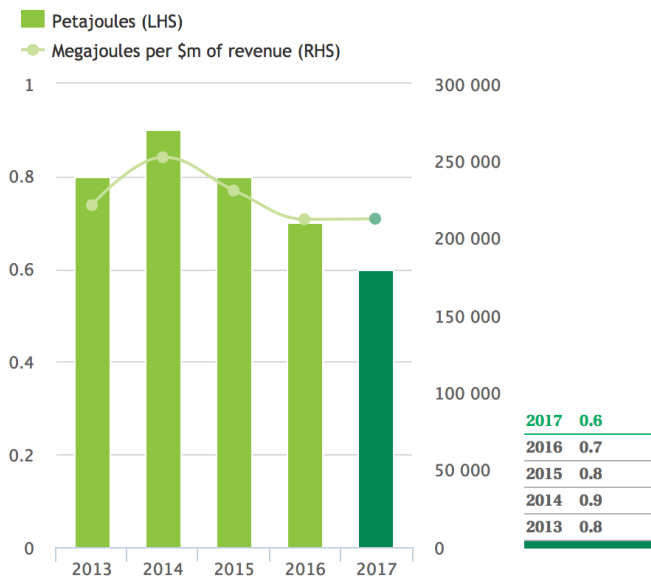
These results take energy and carbon reductions across stores since 2014 to 29.9 per cent (electricity) and 35.5 per cent (carbon).

Target

Target has committed to continue the demand and cost management activities of its Energy Centre and another package of lighting upgrades that will see up to 30 stores have inefficient fluorescent tubes replaced with LED. Further demand, cost and supply initiatives are also being investigated and are expected to be completed over the coming year.

Energy use

0.6 petajoules



Connecting with our community

Target is an active supporter of its local communities, and partners with organisations that support families in need and children’s health and safety. This year Target, together with its team members and customers, contributed more than \$3.0 million to local and overseas communities.

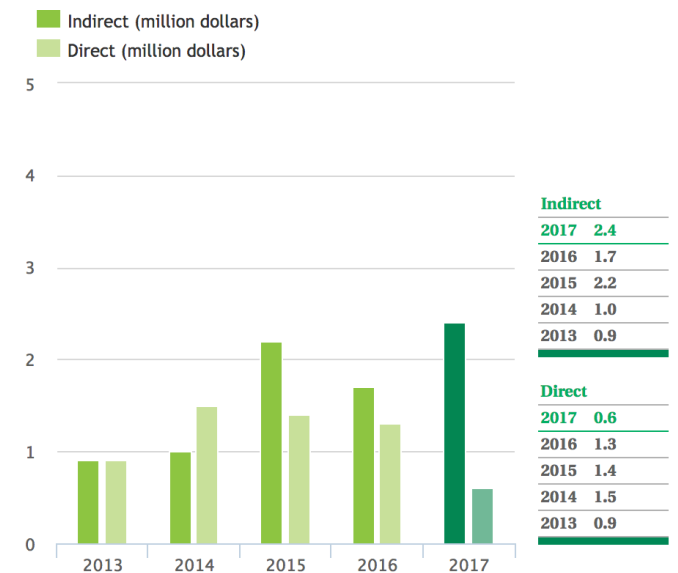
Target has proudly been the Principal Partner of the Alannah & Madeline Foundation’s Buddy Bags program since 2008, donating more than \$80,000 in 2017 and more than \$2.3 million since 2008 through the sales of co-branded reusable bags in its stores nationwide. The Foundation cares for children who 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. The bags contain basic, essential items to help children on arrival at emergency accommodation, not only providing material aid, but also helping restore a sense of safety and security, which is one of the first steps to recovery. By funding the program and encouraging Target team members to regularly volunteer to pack and distribute buddy bags, since 2008 Target has helped deliver more than 75,000 bags across Australia.

Together with its charity partner, UnitingCare, Target donated \$30,000 in gift cards to help bring relief to Queensland and New South Wales communities affected by Cyclone Debbie and her aftermath. The gift cards distributed by UnitingCare allowed people to restock on essential items from a variety of stores.

Target also supported SIDS and Kids Red Nose Day through the sales of red nose product in stores; donated of product samples to the School of Hope educational institute in Dhaka; provided collection points in stores for the Nappy Collective; contributed to matched workplace donations to Give Where You Live; and supported local communities through our Online Community Gift Card Program.

Community contributions

3.0 \$m



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

Safety

Target had its safest year in its history, recording our lowest ever injury frequency rates and number of injury claims. Target’s Lost Time Injury Frequency Rate declined by 35.2 per cent on last year to 2.9 and Total Recordable Injuries declined by 2.6 per cent to 28.7. As a result of this positive performance, new claims reduced by 28.5 per cent on the previous year and Target recorded a reduction of \$800,000 in its workers compensation premium.

Key safety projects delivered for the year included the introduction of a safety leadership training module for Target store management, delivery of most successful safety focus week and development of Supply Chain safety processes. The focus for this coming year is to implement safety leadership training across stores, distribution centres and support offices to help improve Target’s safety record even further.

Target

Security

The health, safety and security of Target’s team members are paramount. To ensure the security of team members, a security guard was appointed at our Geelong Store Support Office; providing security services such as floor walks, walking team members to their cars, first aid support and incident response. Target also implemented security improvements to the store support building to continue to keep team members safe.

In stores, the ‘push to talk’ communication initiated to improve customer service had a surprising add-on benefit by allowing team members to alert each other of concerns within the store. Not only did this help to mitigate theft, it also provided team members with a faster response when dealing with issues.

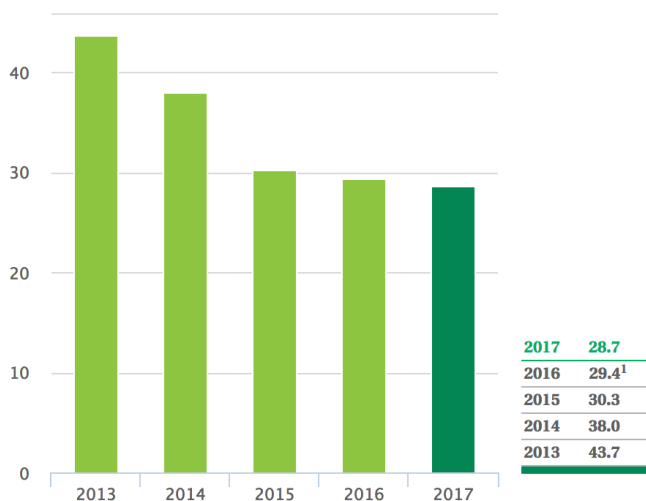
Health and wellbeing

Target recognises the importance of its teams’ health and wellness. Throughout the year, team members were encouraged to participate in initiatives to reduce stress and improve fitness. Some of these included health and fitness offers, mindfulness sittings, yoga classes and boot camp sessions. The upcoming year will see the introduction of a health and wellbeing program across all levels of the business to help team members maximise their physical and psychological health. To support this strategy, a Workers Compensation and Well Being Manager has recently been appointed.

Safety Performance

28.7 total recordable injury frequency rate

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



¹Restated due to maturation of data.

Minimising and managing waste

Product packaging

The largest source of Target’s store waste is its packaging. A commercial business decision was made to end the delivery method of apparel lines on hanging racks, reducing freight costs and emission but potentially increasing packaging waste numbers. These lines are now delivered in large cardboard cartons into its distribution centres. For this reason, a project team was formed to focus on reducing cardboard cartons exiting its apparel factories without compromising product presentation and quality; and to explore ways to maximise product packing capacity.

Target also continues to seek ways to remove excessive packaging from our suppliers. A hard lines packaging manager was recently appointed in Target’s Hong Kong office to look at opportunities to reduce packaging and our sourcing and buying teams are assessing and actioning apparel and footwear lines. Recent reviews have resulted in the removal of approximately 120 million A3 size sheets of tissue paper from footwear packaging, and the elimination of over 240,000 stickers from quilt cover sets.

Site waste and recycling

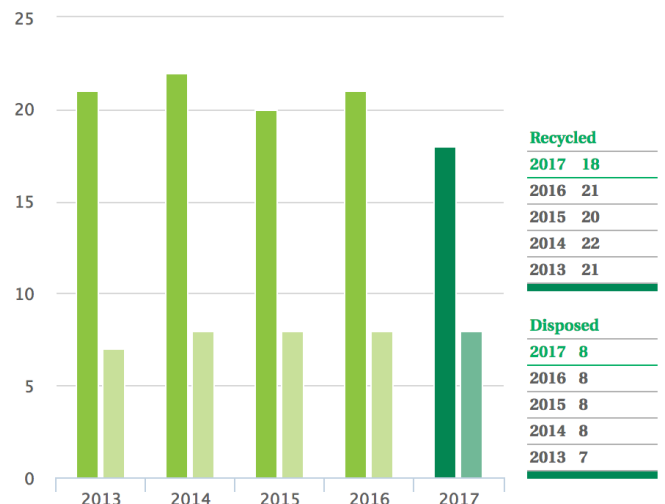
This year the Target waste procurement process focused on seeking proposals from waste collection and recycling providers on solutions to reduce its waste stream and increase recycling. Opportunities for improvements were identified in areas such as comingled and polystyrene recycling, and the continual monitoring and optimisation of waste collections.

Target funded the collection and recycling of 156,906 kilograms of unwanted televisions and computer waste this year, under the National Television and Computer Recycling Scheme Product Stewardship Agreement.

Waste

26 tonnes '000

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



Target

2017-18 priorities

- Focus on initiatives identified in the new quality strategy, to deliver consistent quality product.
- Work towards improving working conditions and environmental practices within offshore supplier partner factories through a transparent and ethical supply chain and by rationalising our supply base.
- Foster an inclusive culture that supports Target’s team members and communities.
- Develop employees through initiatives implemented to align with Target’s strategy.
- Reduce the environmental impact of the store network through energy efficiency initiatives, packaging reduction, waste diversion and the phase out of single use plastic bags in stores.
- Partner with organisations that support families and children’s safety and being active supporters of local communities.
- Implement safety leadership training across the business to help improve Target’s safety record even further; and introduce of a health and wellbeing program.



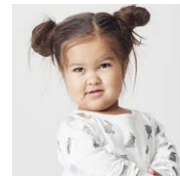
COMMUNITY

Target and CARE helping mothers deliver healthy babies



COMMUNITY

Target and UnitingCare giving families a helping hand for 25 years



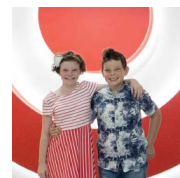
PEOPLE

Kmart and Target’s inclusive advertising - changing society’s attitude



SOURCING

Kmart and Target commit to sustainable cocoa and chocolate



COMMUNITY

Queensland stores host sensory shopping days for children with autism

Officeworks



Officeworks team member Caitlin Fraser at the North Lakes store in Queensland

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 164 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 \$1,964 million.

Officeworks focused on the following material issues during the year:

- Sourcing wood fibre responsibly
- Keeping team members safe
- Supporting local communities
- Reducing operational environmental impact
- Reducing product environmental impact
- Lifting team member diversity
- Sourcing goods and services ethically

Sourcing wood fibre responsibly

Officeworks continues to responsibly source products with wood and fibre content.

In the past 12 months, Officeworks’ forestry questionnaire has been incorporated into the product registration process. This ensures all products with wood and fibre content registered for sale by Officeworks have met a set of sourcing requirements that ensure there is no illegal timber in the supply chain.

IN THE LAST YEAR, 61 PER CENT OF PRODUCTS SOLD WITH WOOD OR FIBRE CONTENT WERE OBTAINED FROM 100 PER CENT RECYCLED OR FSC CERTIFIED SOURCES.

The transparency and quality of data has enabled Officeworks to develop and launch the Restoring Australia initiative. The core premise of this initiative is to plant two trees for every one used, based on the weight of paper and wood used in the office supplies products by Officeworks’ customers. The goal is to restore damaged parts of the Australian landscape for a variety of reasons, including the reversal of the decline in the number of threatened species.

Keeping team members safe

Officeworks is committed to ensuring everyone goes home safely.

SAFETY PERFORMANCE CONTINUES TO IMPROVE, WITH A YEAR END ALL INJURY FREQUENCY RATE RESULT OF 12 INJURIES PER MILLION HOURS WORKED, A 24.4 PER CENT IMPROVEMENT ON THE PRIOR YEAR.

While the goal is always zero injuries, good progress was made over the last 12 months to keep team members safe.

To instil shared accountability for safety and develop understanding and awareness of the difference between safety management and safety leadership, all managers attended safety leadership training. Personal safety goals defined during the training program are to be implemented and monitored over the next 12 months. The next phase of safety leadership training will be extended to involve all team members across the business.

A scheduled Health and Safety Management System review has commenced with Incident Management, Fitness for Work and Hazard Management programs the initial areas of focus. This review is critical in ensuring the systems and processes currently in place effectively support ongoing health and safety management.

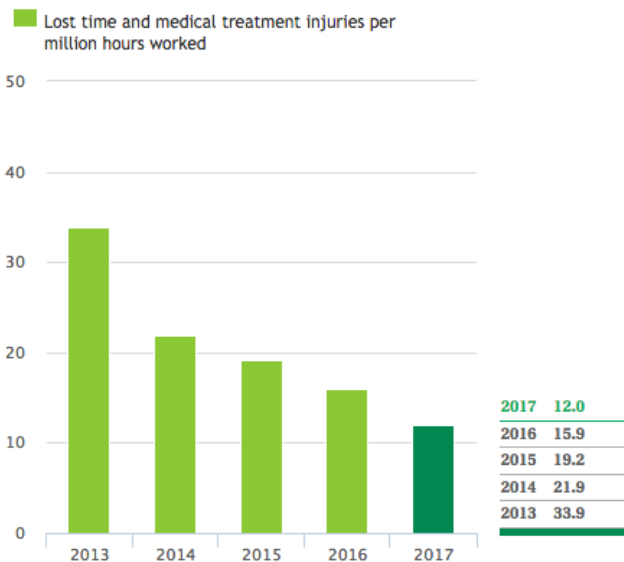
Officeworks

To help reinforce the expected safe behaviours of team members, a safety framework has been developed. This framework creates a connection between behaviours and other programs of activity, including recognition, incident investigation and consequence management. Aimed at promoting safe work choices, the framework supports the identification of both human and environmental causal factors.

Manual handling continues to be a priority at Officeworks. Several initiatives have been implemented to improve manual handling practices, including a comprehensive data review to identify high-risk activities and the controls in place to mitigate the risk of injury.

Safety performance

12.0 total recordable injury frequency rate



Supporting local communities

OFFICEWORKS' STORES CONTRIBUTED MORE THAN \$2.5 MILLION IN CASH AND IN-KIND DONATIONS TO LOCAL COMMUNITY GROUPS DURING THE YEAR.

This included \$170,000 raised from the sales of a craft bag to support Planet Ark programs that encourage positive environmental action. In addition to sausage sizzle fundraisers and donations, Officeworks stores offered face painting and balloon art every weekend. This resulted in more than 17,000 children's faces being painted and 57,000 pieces of balloon art created in stores. The Officeworks mascot, Ollie Bear, made over 300 appearances in stores around the country to engage with younger customers.

Officeworks is making a commitment to support education through partnerships with The Smith Family and The Australian Literacy & Numeracy Foundation (ALNF). The team continue to work with these organisations to help improve outcomes for disadvantaged Australians. This year more than \$467,000 in direct and in-kind donations were provided to these organisations. The two annual appeals experienced increases of more than 42 per cent, with the 'Back to School Appeal' raising more than \$235,000 for The Smith Family and the 'Wall of Hands Appeal' raising more than \$130,000 for the ALNF.

Contributing to the local community is also important with team members volunteering to participate in a range of activities including The Smith Family's Toy and Book Appeal in the lead up to Christmas, Clean Up Australia Day, the Springs Parks Primary School Breakfast Club, as well as many other local community activities.

Community contributions

2.5 \$m



Officeworks

Reducing operational environmental impact

Officeworks continues to implement programs to reduce its operational impact on the environment.

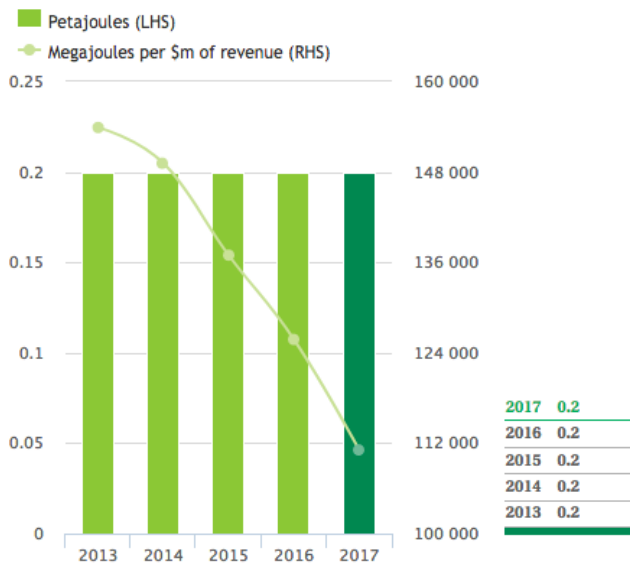
Energy efficiency was further improved by rolling out LED lighting to an additional 35 stores and installing building energy management systems in another nine stores. As a consequence of this work, 63 per cent of stores now have LED lighting in place. Based on the energy efficiency program, Officeworks energy consumption per store has reduced by more than 9.8 per cent in the past twelve months.

Officeworks recycled 64 per cent of total waste generated and appointed a new waste and recycling provider during the year.

In the last 12 months Officeworks consolidated three Queensland distribution centres into one new distribution centre. The consolidation of these facilities, along with a number of efficiency improvements implemented at the same time, has resulted in less vehicles on the road delivering stock to stores, a positive environmental outcome.

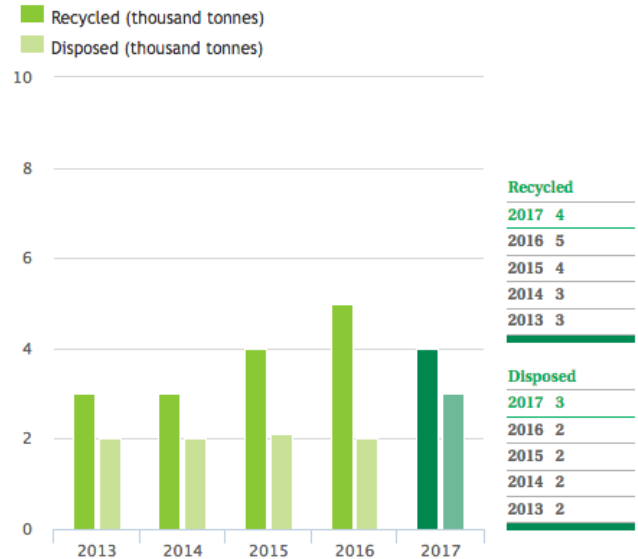
Energy use

0.2 petajoules



Waste

7 tonnes '000



Waste recycled data includes customer recycling initiatives.

Reducing product environmental impact

In the last 12 months, Officeworks collected more than one million printer cartridges for recycling through the Cartridges 4 Planet Ark program.

In addition, more than 400 tonnes of computers and accessories and the equivalent weight of over 45,000 mobile phones were collected. The 400 tonnes of computers and accessories translates to the separation and reuse of over 345 tonnes of metal, 44 tonnes of plastic, 20 tonnes of circuit boards and six tonnes of glass.

Officeworks has also worked collaboratively with suppliers to integrate a printer cartridge recycling message onto value-pack packaging and reducing packaging volume by more than 35 per cent.

The Australian recycling label was applied to over 800 products to make it easier for customers to recycle product packaging.

During the year, Officeworks developed and launched the Restoring Australia initiative. The core premise of this initiative is to plant two trees for every one used, based on the weight of paper and wood used in the office supplies products by Officeworks' customers. The goal is to restore damaged parts of the Australian landscape for a variety of reasons, including the reversal of the decline in the number of threatened species.

Officeworks

Improving team diversity

Officeworks is committed to fostering an inclusive work and shopping environment which reflects and supports the communities in which the business operates.

Diversity at Officeworks is focused on two areas:

- Gender diversity which is reflected in the recruitment, development and promotion of women at all levels of leadership. Over the last 12 months, the number of women in leadership positions (which includes retail team leaders), has increased from 35 per cent to 37.4 per cent.
- Indigenous engagement and employment to create a workforce which reflects the broader community representation of Indigenous people. The number of Indigenous team members increased to 2.3 per cent of the total Officeworks team. To further drive diversity, Officeworks developed strong partnerships with several national Indigenous employment providers, and rolled out Unconscious Bias and Indigenous Cultural Awareness Training nationally.

Sourcing ethically

With more than 30,000 products sourced via a global supply chain, Officeworks, along with its suppliers, have a responsibility to ensure these products are ethically sourced by protecting workers rights throughout the supply chain. All Officeworks suppliers are required to adhere to its Ethical Sourcing Policy.

Over the last 12 months, Officeworks has continued to strengthen its ethical sourcing program by working closely with suppliers to map products along the supply chain back to the point of manufacturing.

Officeworks has begun to extend the ethical sourcing policy to service providers and suppliers of goods not for resale to ensure they meet the same standards that are required from merchandise suppliers.

Officeworks will continue to work with suppliers to ensure that, as a minimum, the requirements set out in the ethical sourcing policy are adhered to while acknowledging that ethical sourcing is a journey of continuous improvement which can only be achieved by collaboration with all stakeholders.

2017-18 priorities

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



ENVIRONMENT

Officeworks launches the Restoring Australia program



SOURCING

Improving working conditions in Officeworks' supply chain



COMMUNITY

Officeworks' 'Back to School' appeal raises money for The Smith Family

Chemicals, Energy & Fertilisers



From left, Jeff Embleton and Greg Luyt in the ammonium nitrate control room in CSBP's Kwinana works, in Western Australia

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

WesCEF has operations in Australia across 23 locations and employs around 1,200 people. Its revenue this year was \$1,639 billion.

WesCEF focused on the following material issues during the year:

- Employee safety and wellbeing
- Meeting its customer's needs
- Supporting the communities in which it operate
- Operating efficiently and responsibly
- Environmental stewardship
- Diversity and capability of its workforce

Employee safety and wellbeing

At WesCEF the safety vision is to achieve a workplace free of potential safety events which could seriously harm our workforce.

WesCEF has continued to reduce injuries over many years. This year, it had six recordable injuries, compared to 22 last year. As a result, the total recordable injury frequency rate reduced by 72 per cent to 2.2, and the lost time injury frequency rate reduced by 77 per cent to 0.7.

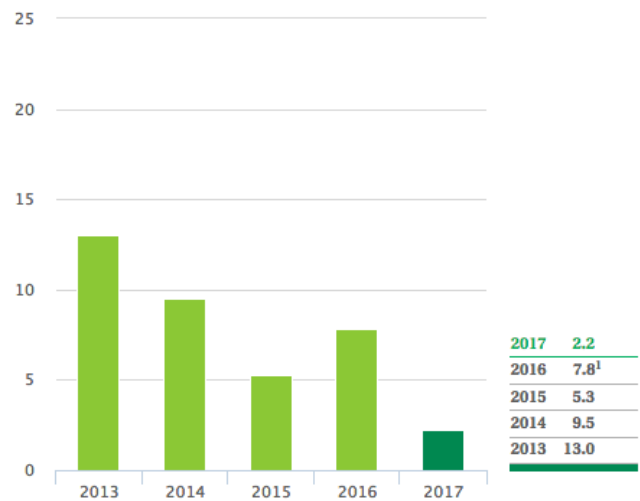
Contributing to our improved performance has been a systematic approach in support of good decision making and minimising risk. WesCEF launched the 'Safe Person Commitments' to reinforce its expectations of all employees when performing high risk tasks. It also grew its understanding of human error and reduced the opportunities for errors to occur.

The employee wellbeing program, Wellness at WesCEF, was launched in May and will initially focus on mental health.

Safety performance

2.2 total recordable injury frequency rate

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



¹Restated due to maturation of data

Meeting customers' needs

This year, EVOL LNG successfully refuelled a Woodside platform supply vessel with LNG.

LNG is a cleaner fuel than diesel and addresses some concerns of the shipping industry since the International Maritime Organisation announced the introduction of a global marine fuel sulphur limit of 0.5 per cent from 2020.

CSBP has commenced the construction of an ammonium nitrate emulsion plant at its Kwinana facility. This plant will provide Western Australian mining companies with alternative access to a blasting agent suitable for wet conditions and other specialty applications.

Chemicals, Energy & Fertilisers

WesCEF has established a polyvinylchloride (PVC) trading business to continue to meet customers' requirements for this important building and construction material, after WesCEF closed its PVC manufacturing facility in Laverton, Victoria.

Following entry to the Western Australian natural gas market in 2013, Kleenheat continues to offer low pricing and a vision of great service to customers. In 2017, Kleenheat reduced its pricing further and now offers over 25 per cent discount to the regulated gas pricing.

Supporting the communities in which we operate

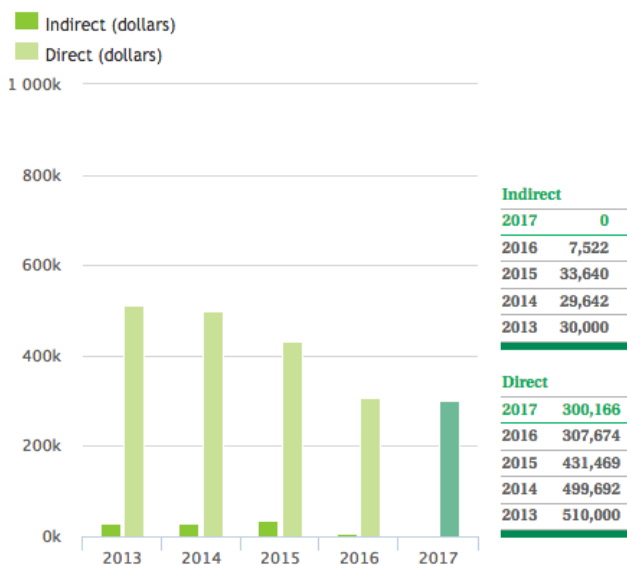
WesCEF provided support to a range of community organisations to the value of \$300,166 during the year. This included sponsorship of the Clontarf Foundation, Moorditj Koort Aboriginal Health and Wellness Centre, WACA Regional Junior Cricket program and the Scorchers Women's Big Bash League.

WesCEF also supported its employees to participate in the Perth City to Surf, HBF Run for a Reason, Movember, Purple Bra Day, Australia's Biggest Morning Tea, Red 25 blood donation and Clean Up Australia Day.

WesCEF ran a number of science, technology, engineering and maths (STEM) initiatives that involved our employees. This included a STEM after school club (Bright Sparx) in partnership with Murdoch University and the Kwinana Industries Council, a CoderDojo coding club for girls in partnership with Murdoch University; development of a STEM community of practice for science teachers in partnership with Edith Cowan University; and participation in the CSIRO Scientists and Mathematicians in Schools program.

Community contributions

300,166 \$



Operating efficiently and responsibly

WesCEF recognises its obligation to operate in a responsible manner that meets stakeholder expectations. Unfortunately, during the year, there were 25 occasions when environmental, occupational health and safety, security or process safety regulatory requirements were not fully met. None of these recorded events resulted in any material environmental harm, injury, prosecution or fine. Click [here](#) for additional information on these events.

In 2016, WesCEF closed down its PVC manufacturing facility in Laverton, Victoria, which was no longer viable to operate. During the year WesCEF has decontaminated and demolished the facility and is currently determining a remediation plan that responsibly addresses any legacy contamination issues.

During the year a detailed data analysis was conducted to evaluate the efficiency of raw materials usage in AGR's sodium cyanide plant. As a result of this analysis, and subsequent plant modifications, yield has improved by more than four per cent.

Environmental stewardship

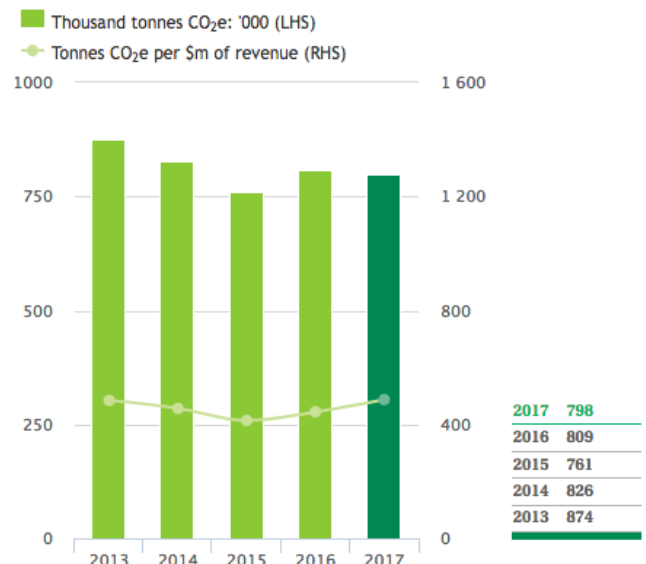
Scope 1 and 2 greenhouse gas emissions decreased by 1.3 per cent compared to last year as a result of lower production levels across the plants.

Nitrous oxide abatement technology installed in CSBP's nitric acid plants continues to reduce greenhouse gas emissions. An average 89.8 per cent total nitrous oxide abatement was achieved during the year, which equates to a reduction of 1,221,681 tonnes of CO₂e.

During the year, remediation of the former Cresco fertiliser works in Bayswater, Western Australia was completed improving the site to a standard that enabled it to be sold for future commercial use and releasing the land asset for development.

Greenhouse gas emissions

798 tonnes CO₂e: '000



Chemicals, Energy & Fertilisers

Diversity and capability of our workforce

This year, WesCEF continued to focus on building workforce capability, gender balance, workplace flexibility and Indigenous employment and engagement.

WesCEF senior leaders attended the KPMG Energise 2.0 Accelerator Program that is designed to promote innovation and collaboration by connecting start-ups with major energy and natural resources companies.

Female representation increased from 29.8 to 31.1 per cent of total headcount (June 2016 to June 2017 figures) following focus on advertising flexible work arrangements and attracting female candidates.

During the year, WesCEF introduced a Lifestyle Leave policy to help employees balance work and personal commitments by purchasing up to two weeks of additional leave.

Indigenous employees increased from 1.6 to 2.4 per cent of total headcount. In addition to providing direct employment opportunities, apprenticeships and traineeships, WesCEF engaged contractors and suppliers seeking new ways to provide opportunities to Indigenous groups.

2017-18 priorities

Safety and Wellbeing

- Continue the year-on-year improvements in safety performance using the Safe Person, Safe Process, Safe Place philosophy.
- Continue to invest in the wellbeing of our people through the Wellness at WesCEF program.

Meeting customers' Needs

- Commence reliable supply of emulsion to customers.
- Continue to offer attractive discounts while providing excellent service to WA natural gas customers.

Supporting the communities in which WesCEF operates

- Continue to build stronger connections between its community investments and its people and businesses.

Operating efficiently and responsibly

- Increase the focus on sustainable supply processes.
- Continue to ensure capability to manage governance and compliance risk by training in competition and consumer law, anti-bribery, human resources and health, safety and environment legislation, and continuous disclosure.
- Maintain relationships with key regulators and industry associations to facilitate input into legislation, guidelines and industry best practice.



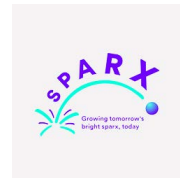
ENVIRONMENT

Kleenheat supports the Byford solar farm



ENVIRONMENT

Australian first as EVOL LNG carries out LNG refuelling



COMMUNITY

Creating tomorrow's bright sparx

Environmental stewardship

- Manage arising water security issues and implement actions identified in business water efficiency management plans.
- Manage the risk of legacy waste from historical operations.
- Implement water quality controls to continually improve the quality of discharged storm water.

Capability and diversity

- Continue to improve the gender balance in our businesses and provide opportunities for Indigenous people.
- Build capability in delivering innovation.

Industrial and Safety



The number of Indigenous employees in the Industrials business increased from one per cent in 2016 to three per cent in 2017. Clockwise from left, Jermaine Bropho, Raymond Winmar, Trudi Chesterton (Blackwoods Western Australian State Supply Chain Manager), Josh Hansen, James Waghorne and Cedric Cuttabutt at Blackwoods in Canning Vale, Western Australia.

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. WIS employs more than 3,600 people and services customers large and small from industries including mining, manufacturing, construction, government, transport, energy and retail.

WIS focused on the following material issues during the year:

- Health and safety
- Ethical sourcing
- Product safety and quality
- Climate change resilience
- Gender diversity
- Indigenous engagement

This data does not include Wesfarmers Industrial and Safety's operations in Asia or the United Kingdom.

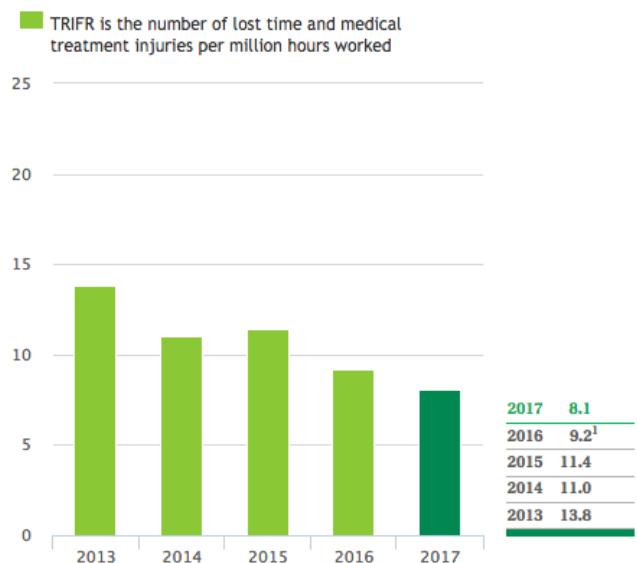
Health and safety

WIS delivered excellent outcomes in employee health and safety during the year with all business units achieving target reductions in total recordable injury frequency rate (TRIFR). Overall, WIS TRIFR reduced from 9.2 to 8.1. In addition, injury severity rate decreased by 35 per cent over the 2017 financial year reflecting a significant reduction in the risk level of injuries experienced. The severity rate can be calculated for work-related injuries/illness where the occurrence results in one or more lost days. WIS has also developed a new four pillar Health, Safety and Wellbeing strategy which includes focused activities related to governance, operational excellence, physical and psychological wellbeing. Some activities undertaken during the year were:

- A pilot program focused on life stage planning and superannuation considerations was completed in Blackwoods Greystanes, Coregas Yennora and Macquarie Park in New South Wales.
- A Step up Team 10,000 step daily challenge took place over ten weeks with stories and engagement linked to Indigenous employees and community, healthy recipes, hints and tips and fund raising for nominated charities.
- Expert ergonomic reviews in Coregas cylinder test station and Blackwoods Embellishment operations to reduce hazardous manual tasking and improve engineering controls and equipment.
- Fit for Work program introduced random drug and alcohol testing in Blackwoods Australia.

Safety performance

8.1 total recordable injury frequency rate



¹ Restated due to maturation of data

Industrial and Safety

Ethical sourcing

During the year, WIS undertook a full end-to-end review of its ethical sourcing strategy, risk model, audit program and resourcing. The outcome was a more consistent and robust approach that will enable the division to have greater confidence that factories and suppliers are conducting business in a responsible way.

As a result of this review, WIS is:

- Implementing procedures, communications and training to embed the updated WIS ethical sourcing policy and new audit program;
- Embedding a new audit program that includes a clearly defined risk model to apply the right level of priority and focus to specific supplier categories;
- Categorising factories using a clearly defined classification system to ensure the appropriate level of due diligence;
- Ensuring all own-brand Blackwoods, WWG and Coregas suppliers are registered with Sedex and maintain a factory audit program in countries of manufacture identified as medium risk and above against the Maplecroft Human Rights Risk Atlas index;
- Implementing improved governance and review of the program with a formal committee and sponsor meeting on a regular basis;
- Ensuring the new ethical sourcing organisation structure is implemented, including new dedicated ethical sourcing experts.

Over time, WIS will also include products and services not-for-resale into the new approach.

Product safety and quality

WIS continues to enhance its own-brand purchasing specification and product testing regime through framework aligned with international product safety standards to further assure its customers of its due diligence process. This is further strengthened by our quality management systems and ISO9001:2015 certification across Workwear Group, Coregas and Bullivants.

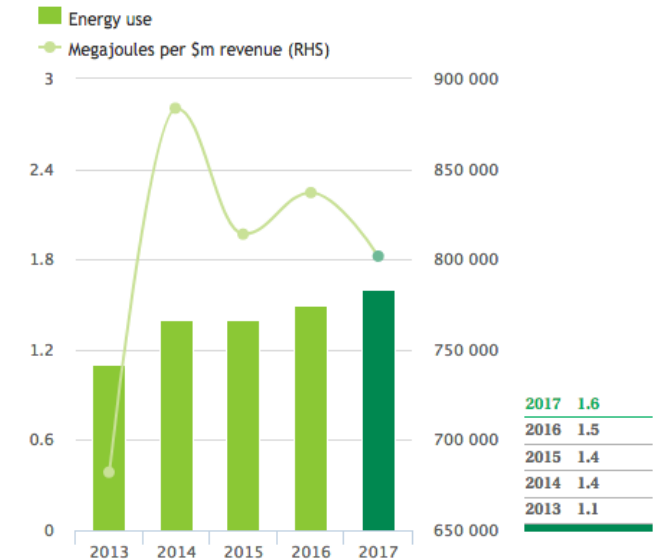
Climate change resilience

WIS has further reduced the emissions intensity of its businesses and improved resilience to challenges of climate change.

In the last financial year WIS installed nearly 1 MW of solar PV (enough to power 160 average Australia homes) continuing our focus on sustainable buildings. WIS also maintained its programs of LED lighting install and hybrid vehicle rollout.

Energy use

1.6 petajoules



Gender diversity

WIS accelerated its focus on improving female representation across the board and in particular, in senior leadership positions during the year. Commencing with 'listen and learn' workshops conducted across Australia and New Zealand, the outcomes informed the implementation of new flexible workplace and parental leave policies which were launched in October 2016.

Two large scale Women in Leadership networking events were also conducted with male and female participants across WIS in 2016 to increase visibility of gender balance issues, featuring a senior leaders panel and guest speakers from Wesfarmers.

To supplement these activities, an equity pay review was undertaken as was a tightening of the recruitment and selection practices which now include a gender balanced selection panel and better balance of gender representation in shortlists and interview pools.

Furthermore, a Gender Diversity Steering Committee was established to guide and inform initiatives with members from across the division, representing a range of roles and seniority.

These efforts delivered a notable increase in female representation in senior roles achieved from both external hire and internal promotions.

Industrial and Safety

Indigenous engagement

Indigenous engagement activity was accelerated during the year in the areas of employment, community interaction and supplier diversity.

Blackwoods achieved a 285 per cent increase in Indigenous employees during the year, employing 50 people in 2017 compared to 13 in 2016, ensuring Blackwoods' workforce reflects Australian society.

In November 2016, WIS hosted its first Indigenous University student interns from Career Trackers in a valuable learning experience not only for the students, but also for the business and those working alongside the interns. One of the students accepted a permanent position in the WIS Graduate program.

WIS risk management consultancy business Greencap was pleased to recruit their first Indigenous Graduate in Environmental Science. The outstanding individual will provide an opportunity for key customers to benefit from his skills, knowledge and also a unique cultural perspective.

In early 2017 four Year 11 students from the Clontarf Academy School-based Trainee program joined Blackwoods in Sydney and Perth. The students will complete 100 days of work experience over a two-year period to complement their studies.

Coregas contracted Aboriginal Steel Art to create an iconic piece of artwork for their head office out of stainless steel, and also provided the gas and welding equipment for the production process.

2017-18 priorities

- Build on the strong foundation of risk-based safety to promote employee wellbeing, particularly through maturing workforce programs.
- Continuing to promote indigenous employment and engagement across all WIS businesses.
- Ensuring all feasible WIS distribution centres have solar PV on roof tops.
- Further promoting gender diversity and women in leadership initiatives across WIS.



PEOPLE

Blackwoods accelerates its focus on Indigenous inclusion



ENVIRONMENT

Blackwoods distribution centre sources 30 per cent of its power from solar energy



ENVIRONMENT

Extending the corporate uniform lifecycle at Workwear Group

Resources



Coal mining operations at the Curragh mine at Blackwater, Queensland.

Wesfarmers Resources 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.

Wesfarmers Resources own and operate the Curragh mine in Queensland, and has a 40 per cent interest in the Bengalla mine in New South Wales.

Wesfarmers Resources has a relentless commitment to being a reliable, flexible, sustainable and ethical business. It employs a total of 414 people, including 387 at the Curragh mine, with around 886 contractors working on site every month.

Wesfarmers Resources revenue this financial year was \$1,756 million, and total coal production for Curragh was 12.03 million tonnes and product was exported to Japan, South Asia, North Asia and Europe.

Wesfarmers Resources focused on the following material issues during the year:

- Health and Safety
- Community contributions
- Climate change resilience
- Diversity
- Water
- Customers
- Governance
- Rehabilitation

Health and safety

Safety

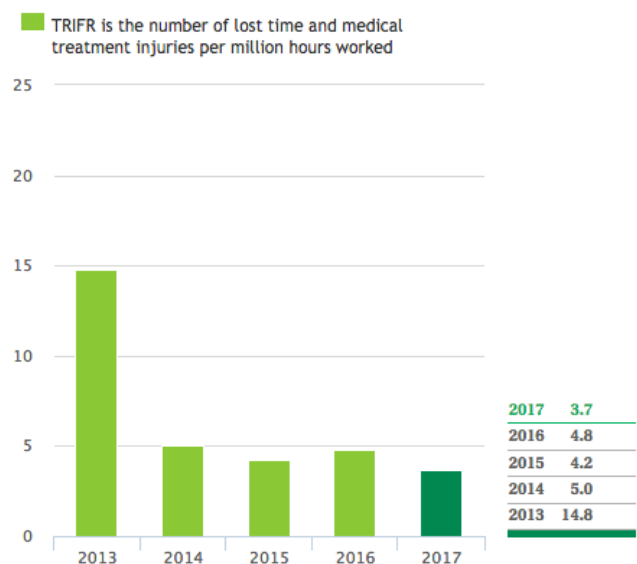
Keeping staff, contractors, and visitors safe continues to be a key priority for the business. This year, Curragh embarked on a comprehensive review of its safety and health management system, undertaken in consultation with the mine’s workers. The review encompasses all identified high priority safety and health procedures, and will ensure an acceptable level of risk from our mining activities. The review is continuing until the end of the financial year. Curragh’s total recordable injury frequency rate declined from 4.8 to 3.7 during the year.

Health

Coal workers’ pneumoconiosis, also known as black lung disease, is a chronic occupational lung disease caused by exposure to high concentrations of coal dust over many years. Due to the reemergence of this disease, the Queensland Department of Natural Resources and Mines changed laws pertaining to dust monitoring and reporting in the third quarter of the 2017 financial year. While the risk of exposure to high concentrations of coal dust is mostly associated with underground mining environments, Curragh — an open-cut mine — has taken action during the year to further reduce risk of exposure to its coal mine workers. The business changed health screening requirements to include mandatory chest x-rays (pre-employment and ongoing employment health assessments). It also implemented an extensive occupational hygiene assessment program for identified exposure groups, including (among other triggers) dust. The health and wellbeing of its employees, contractors and visitors remains a top priority for the business.

Safety performance

3.7 total recordable injury frequency rate



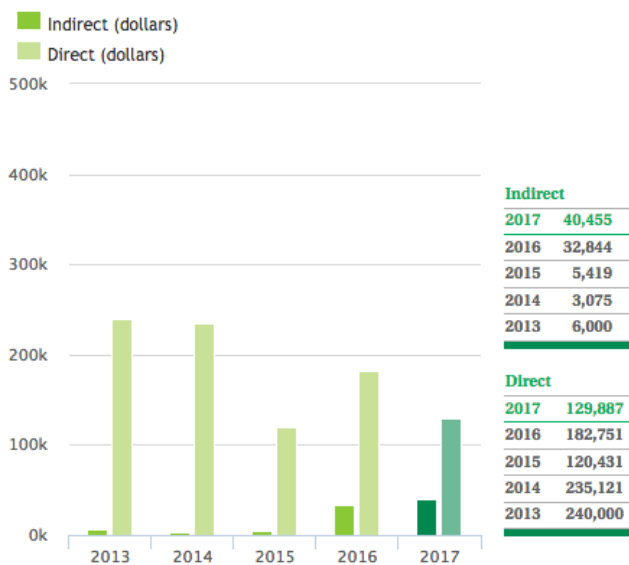
Resources

Community contributions

Curragh donated nearly \$50,000 to 39 local events and initiatives this past financial year through community funding applications assessed by its dedicated Employee Community Contribution Advisory Panel. In addition to this, it supported a range of other community initiatives including the PCYC's Braking the Cycle program and the vocational education and training program at the Wadja Wadja High School in Woorabinda.

Community contributions

170,342 \$



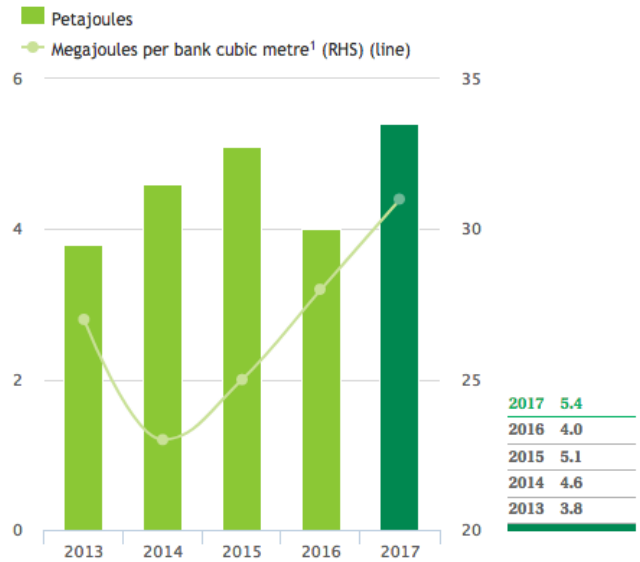
Climate change resilience

The business continues to work with the University of Queensland's Centre for Mined Land Rehabilitation to conduct a four-year research program to test the response of Curragh's rehabilitated landforms to wildfire.

Climate change may impact fire regimes across the Australian landscape through changes to temperature, rainfall, humidity, wind, and the amount of carbon dioxide in the atmosphere. The findings of the university study will provide information that will then be used to mitigate impacts from long-term climate change.

Energy use

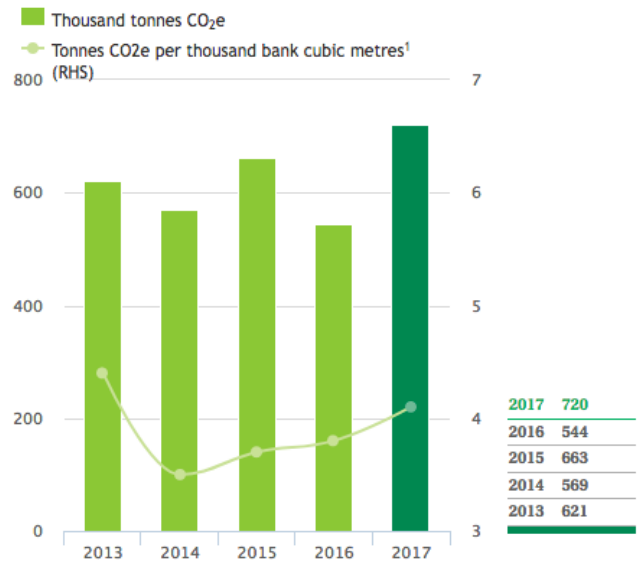
5.4 petajoules



¹Bank cubic metres measure volume of material moved in mining operations

Greenhouse gas emissions

720 tonnes CO₂e: '000



¹Bank cubic metres measure volume of material moved in mining operations

Diversity

Wesfarmers Resources remains committed to building on the success of the Oothungs (Sisters) in Mining program, with nine Indigenous women completing the traineeship since it began in 2014. The business has commenced its 2017/18 Oothungs program, with the next intake of five trainees starting work.

Resources

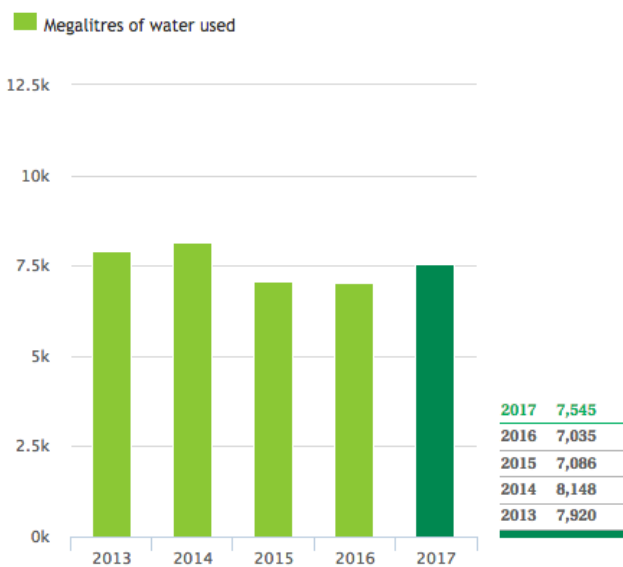
Water management

Since 2014, Curragh has reduced the usage of its river water allocation by almost one-third. This has been achieved through greater water efficiencies, innovation, additional infrastructure and increased use of recycled mine water. As a result, Curragh did not use nearly 1,000 megalitres of allocated Mackenzie River water in 2017, and this was subsequently made available to other sectors within the community.

Sustainable water use and water management remains a key part of Curragh's environmental program.

Water use

7,545 Megalitres



Rehabilitation

Progressive rehabilitation of the Curragh mine site remains a high priority for Wesfarmers Resources, with approximately 80 hectares of land rehabilitated this financial year. Since 2002, it has been working with the University of Queensland's Centre for Mined Land Rehabilitation to conduct an annual rehabilitation monitoring program at the Curragh mine site. The overall aim of the program is to provide the mine with accurate information about the performance and development of its rehabilitation over time.

2017-18 priorities

Health and safety

- Comprehensively update and review risk management approaches.
- LTIFR less than one.
- 10 per cent reduction in TRIFR.
- 25 per cent reduction in high potential incidents.

Community contributions

- Continue support for a range of community-based sponsorship initiatives.
- Launch a bursary within a local high school to support students studying STEM subjects.

Climate change resilience

- Continue research into rehabilitation responses to fire through the University of Queensland.

Diversity

- Continue to focus on the Women in Resources program and 'Oothungs' (Sisters) in Mining program.
- Increase gender diversity in non-traditional roles.
- Introduce returned service men and women traineeship program.

Water

- Utilize initiatives to increase use of reclaimed water and further reduce use of raw (river) water by five per cent.

Customers

- Continue to support ACARP research projects around the shipment of coal with specific regard to coal self-heating and combustion, steel hull corrosion and transportable moisture limits in response to the International Maritime Organisation's requirements.

Governance

- Legislative compliance.
- Code of Conduct and equal employment opportunities training.

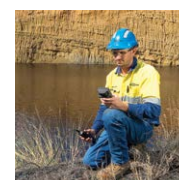
Rehabilitation

- Focus on continuing progressive rehabilitation.
- Reduce cost of waste by 10 per cent.



COMMUNITY

Curragh paves the way for Indigenous students



ENVIRONMENT

Curragh cuts water usage by almost a third



PEOPLE

Curragh traineeship forging new paths for Indigenous women

Other businesses



A BWP Trust development in Harrisdale, Western Australia

Other businesses

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 part if these businesses was 459,071 tonnes CO₂e.

Bengalla

Through our Resources business, Wesfarmers owns a 40 per cent interest in the Bengalla coal operation in the Hunter Valley in New South Wales. This is through a joint venture with New Hope Corporation Limited. The Bengalla operation produces steaming coal for export markets.

For further information, click [here](#).

BWP Trust

At the end of the 2017 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. In addition, we are a participant in the Gresham Private Equity funds, with the remaining holding being an underground mining services business operating both in Australia and overseas markets.

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.

For more information, 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.

Wespine purchases the majority of its raw material through its plantation log supply agreement with the Western Australian Forest Products Commission, which is in place until 2033, thus providing long-term resource security for the business.

For further information, please click [here](#).

This is an edited extract of our 2017 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