

Wesfarmers Sustainability Report 2010



Cover image: Members of the Lumley Insurance rowing team, training for a corporate challenge regatta which raised money to support rowing programs for schools in the Sydney metropolitan area.

Image below: Premier Coal is investigating environmentally sustainable ways to dispose of wood residue.





As one of Australia's leading companies, Wesfarmers is committed to continually improving the sustainability of our business to the benefit of all our stakeholders.

Our strong economic, environmental and social performance, within a sound governance framework, is central to our objective of providing value to shareholders, customers, employees, suppliers and community partners.

Our businesses interact with millions of people every day and our sustainability performance is central to maintaining and enhancing our reputation, which in turn allows us to make a substantial positive contribution to the communities in which we work.



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Managing Director's welcome

Welcome to the 2010 Wesfarmers Sustainability Report, the thirteenth such annual report we have produced.

The climate change debate

In our very first report on sustainability issues back in 1998, we said climate change was one of the most significant issues facing our company and our community. That remains the case today.

I believe there is sufficient evidence to support the assertion that human action is affecting the climate and that we need to develop strategies internally to reduce our CO₂ emissions, mitigate risk around climate change generally, and take advantage of the business opportunities that will inevitably arise.

The impact of climate change is both an opportunity and a threat to our businesses.

Wesfarmers will continue to work cooperatively and collaboratively with Government to bring certainty and clarity to this aspect of our economic future.

While the policy debate continues in Australia, and New Zealand already has legislation in place, we are responding to the challenge of reducing greenhouse emissions by investing in energy efficient technologies and systems. This will continue for many years.

A major area of energy efficiency investment has been in the Coles business to improve the efficiency of refrigeration systems and reduce refrigerant gas losses.

Sustainability and the Wesfarmers way

At the heart of the Wesfarmers way of doing business is a commitment to create value for all our stakeholders in a sustained and responsible way in every community in which we operate. It is not a commitment we give lightly; nor is it one easily achieved or measured in such a large and diverse company.

We have more than 500,000 shareholders, around 200,000 dedicated employees, a portfolio of excellent businesses, and a very strong reputation both for business success and as a responsible corporate citizen. We operate out of more than 3,900 locations in six countries.

Since our listing as a public company in 1984, we have emphasised a clear, single commitment 'to provide a satisfactory return to shareholders'.

This is an important objective as shareholders own the company, and will reinvest for growth if performance is satisfactory. That leads to more employment, more taxes and generally more wealth creation for the communities in which we operate.

That commitment remains as strong today as it was a quarter of a century ago, but contemporary society also demands that the modern corporation is more than just an economic entity. It must also be a contributor to society generally and with a particular responsibility to the communities in which it operates.

This has to be, and indeed most certainly is for us, a serious commitment, not a public relations exercise.

Every year since 1998, Wesfarmers has produced a report that measures our progress in managing sustainability and community issues across all our divisions and provides the basis on which the company will expand and improve its sustainability efforts into the future.

The principles we operate within include:

- maintaining and enhancing the physical environment in which we operate including strategies to minimise our carbon emissions; improve water and energy efficiencies and minimise our commercial by-products and waste;
- providing a safe and secure work environment for all our employees, customers and other stakeholders;
- treating all our stakeholders – employees, customers, shareholders, suppliers and the broader community – with respect and decency;
- investing in the community through partnerships, programs and sponsorships over and above the direct economic and commercial benefits Wesfarmers provides; and
- acting in accordance with high ethical standards.

We probably could get a short-term spike in our earnings by squeezing down on our suppliers, cutting back our people development programs, or reducing our community outreach activities. But we believe that by delivering on our commitments to all of these important stakeholders, Wesfarmers has been able to succeed in the past as it will continue to do in the future.

We firmly believe that to have a healthy business you must have strong and vibrant communities in which to live and work and we are enthusiastically meeting the challenges such an objective presents.



In short, we believe that our value-creation capability is inextricably linked to our value-distribution commitments.

We firmly believe that to have a healthy business you must have strong and vibrant communities in which to live and work and we are enthusiastically meeting the challenges such an objective presents.

We are major supporters of the arts in Australia, health and medical research, Aboriginal programs like the Clontarf Football Academy, and education programs from school to university and beyond. In late 2009 we launched our Reconciliation Action Plan and are committed to providing employment opportunities for Aboriginal Australians wherever we can. Putting a dollar measurement on the benefit of our support for communities is an inexact science, but the London Benchmarking Group has assessed Wesfarmers total community contributions, both direct and facilitated with our support, at \$45 million for the last financial year.

The importance of safety

I had a terrible phone call in late August this year when the Managing Director of our Resources Division, Stewart Butel, advised me there had been a workplace accident and subsequent death at our Curragh coalmine, in Blackwater, Qld.

We have many people to look after at work and send home safely from work.

Nothing is more important than that.

I, and the Board, recognise the need for everyone in our organisation to redouble our efforts to ensure that we honour this obligation.

Pleasingly in the year under review the Group's overall LTIFR was reduced from 13.06 to 10.95 with improvements in most divisions. It is a move in the right direction, but as Australia's largest private sector employer, we recognise there is much more work to be done to further improve our safety performance. We are totally committed to achieving that improvement.

Looking forward

There has never been a time when responsible and ethical behaviour has been more critical for our organisation. We need the assistance of all our stakeholders in this regard.

If we are to continuously improve our performance in everything we are seeking to achieve, it is vitally important for us to get feedback on our efforts.

To help you provide us with the feedback we need, a form has been included on the inside back cover of this document. Alternatively, please contact us through our website www.wesfarmers.com.au

I want to thank everyone within Wesfarmers for their efforts in achieving the sustainability outcomes detailed in this report.

A handwritten signature in dark ink, reading 'Richard Goyder'.

Richard Goyder Managing Director

About this report

This section contains an overview of what is covered in the 2010 report, the methodology used and the assurance and verification processes applied to the report.

Objective

As part of Wesfarmers' commitment to sustainability, we produce an annual Sustainability Report – this is our thirteenth such document. This is a voluntary document developed to communicate our company's philosophy and commitment to sustainability, with the objective being to provide information to interested stakeholders about the economic, environmental and social impact of Wesfarmers and the businesses we operate.

What do we mean by sustainability?

In 1984, Wesfarmers set the provision of satisfactory returns to its shareholders as its key priority. Over the past 26 years, the role and responsibilities of business – particularly large companies such as Wesfarmers – have changed significantly. They are no longer judged solely on the size of their financial returns, but also on how they manage various factors that contribute to a sustainable community and society, as well as a strong bottom line.

As a result of these changing investor, government and societal expectations, the inputs that now drive a company's commercial success have become broader and more complex. Every organisation will have different views and definitions as to what constitutes sustainability and the measures to define their sustainability objectives and performance, depending on the nature and scope of their business operations.

Wesfarmers believes that providing satisfactory returns for its shareholders in 2010 and beyond involves a focus on five key principles and actions. They are:

- **The importance of our people:** As one of the largest private sector employers in Australia, the quality, diversity and skills and application of our employees is a key competitive advantage for our company. We aim to provide a safe, stimulating and ethical working environment that encourages high levels of personal and professional development.
- **Carbon emissions reduction and energy management:** In an increasingly carbon-constrained world, reducing our carbon footprint is both a commercial priority and an environmental imperative. As this report is being prepared the final nature of Australia's carbon reduction policies and legislation is still unclear, but Wesfarmers is of the view that some form of carbon constraint (as already exists in New Zealand) will be implemented in Australia and we are contributing to that policy debate, while preparing for a carbon constrained future. Our major focus in this area at present is investing in new energy efficient technologies and methodologies that will contribute to the transition to a low carbon economy, as both a technology user and supplier. At the same time, we continue to set internal benchmarks that ensure the efficient and sustainable use of all our energy inputs.

- **Community investment:** A first-rate business environment needs to be underpinned by a cohesive and inclusive community environment. Wesfarmers invests in and recognises those areas of community endeavour which it believes are necessary to contribute to building long-term community cohesion, stability, leadership and innovation.
- **A reduced overall environmental footprint:** In addition to energy and carbon emissions, there are a number of inputs and outputs that are part of Wesfarmers commercial operations which have both direct and indirect environmental impacts. These include water usage, packaging, emissions to air, solid and liquid waste, and land rehabilitation. Each of these will be subject to ongoing planning and management to ensure that Wesfarmers continues to reduce its overall environmental footprint.
- **A strong economic contribution:** A strong business environment and a strong economy go hand in hand. Wesfarmers seeks to maximise its contribution to the economy through long-term business growth that increases overall economic activity and its capacity to generate additional direct and indirect employment (we currently employ approximately 200,000 people), our tax and royalty contribution that enables governments to invest in growing economic and social capital, as well as providing dividends and other investment returns to our more than 500,000 shareholders, including to the individual superannuation and other investments represented by many of our institutional shareholders.

What this report covers

Timing

Coverage is for the financial year ended 30 June 2010. In a few cases where there have been developments subsequent to the end of the reporting period, but prior to the printing deadline, we have included and identified this information to make the report more time-relevant.

The structure

All wholly owned and/or operationally managed businesses as at 30 June 2010 are included. On 1 July 2010 our Energy, and Chemicals and Fertilisers divisions merged and now operate as a single division, but this report presents their outcomes separately to reflect their status during the reporting period.

In line with our commitment to continual improvement, small changes have been made to the structure of this report. Each of the business unit reports again summarises activities across the five key principles listed above, and highlight their sustainability performance over the reporting period. In many instances, the business units have developed divisional sustainability reports which are available on their own websites as specified in their section of this report.

This year we increased the number of core sustainability indicators on which we collect data from 13 to 24. A list of these indicators is available on our website.

The Net Balance assurance statement appears at the end of this report. The external assurance process, to the standards specified in the statement, is an important part of Wesfarmers' commitment to transparent reporting of our activities.

The data collection and reporting of our community contribution and support has again been conducted primarily using the London Benchmark Group (LBG) methodology. The LBG is an international framework to record and measure an organisation's community investment beyond its financial contribution. The LBG model recognises community contribution in four main categories: cash; time; in-kind contributions; and facilitated contributions where the organisation assists others to achieve their objectives.

These contributions must be made primarily for the benefit of the community, usually through community groups and charities. The LBG methodology was used for all businesses except Home Improvement and Office Supplies – in these cases the community contributions were verified by Net Balance as part of its broader assurance processes for this report.

Each of our businesses has a specific section in this report. A range of other part-owned businesses such as the Bengalla coal mine in NSW, Wespine softwood sawmill in WA, Queensland Nitrates in Qld and Gresham Partners Group Limited are grouped in the 'Other businesses' section of the report. We provide links to websites for readers wishing to find out more about their activities. Within the report we also cover the operations of entities we do not fully own but for which we have day-to-day control in the relevant divisional reports.

Safety data

Readers will notice in the safety performance graphs a reference to statistics being for the year to 30 June 2010, and this year we are reporting our statistics as at that date. It can mean that the numbers reported for a particular year have to be changed in subsequent reports as circumstances such as the duration of time lost from work change over time. Similarly the data on Worker's Compensation claims is presented as at 30 June 2010. Lost Time Injury Frequency Rate (LTIFR – please refer to the glossary) numbers now include contractors unless otherwise specified in the reports of the individual businesses. Where it is possible to calculate a LTIFR for contractors – that is, where there is regular engagement and hours worked are available – the business is required to include this information.

Greenhouse emissions

Greenhouse emissions information contained in this report is generally based on the *National Greenhouse and Energy Reporting (Measurement) Determination 2008* (NGER Measurement Determinations – as applied in 2009/10), although for indirect emissions (such as Scope 3 electricity emissions, waste and air travel not included in the NGER legislation) calculations are done in accordance with the National Greenhouse Accounts (NGA) Factors 2009. Readers should note that some of the NGA (and now NGER) emissions factors have changed from time to time and, accordingly, year-to-year changes in emissions data may in part be due to this rather than a change in the performance of a business unit in relation to greenhouse emissions.

Wesfarmers invests in and recognises those areas of community endeavour which it believes are necessary to contribute to building long-term community cohesion, stability, leadership and innovation.

Surf Life Saving Western Australia



There are also businesses for which we report energy use and greenhouse emissions in this report, but for which we do not have 'operational control' as defined in NGER, are based outside Australia or which are not defined by NGER and hence are not reported formally within its provisions. The difference in emissions recorded in this report and our NGER report for 2009/10 (available from the regulator at the end of February 2011) is described in this report.

We have used an emission factor for New Zealand-based electricity generation and consumption from the Ministry for the Environment Guidance for voluntary corporate greenhouse reporting – Data and Methods for the 2008 calendar year. Further information is available at www.med.govt.nz. The UK emission factors were drawn from the 2010 Guidelines to Defra/DECC's GHG Conversion Factors for Company Reporting.

Report preparation

Data collection and report drafting is the responsibility of business unit environmental, safety, sustainability and community relations representatives who are part of a working group convened by our Wesfarmers Corporate Office. Drafts were reviewed by the Corporate Office prior to detailed discussions with the contributing authors.

This process ensures that ultimate ownership of the report lies with the business units. While this report does not include specific case studies from each of the business units – unlike in previous years – in many instances these have been included in the longer version of the business unit reports which are available online. However we have included short case studies on four important elements of Wesfarmers' business in the 'Sustainability scorecard' section of this report.

Glossary

Within each separate report we aim to eliminate as much jargon and technical terminology as possible and to spell out the names of organisations when they are first mentioned. A general glossary can be found on page 76.

Completeness

We do not claim that this report provides 100 per cent coverage of our sustainability performance. Any gaps in our knowledge will be reduced as our systems improve. This document is a best endeavours attempt to report openly and honestly based on our current state of knowledge.

Assurance

Internal verification

This report's accuracy and completeness is important and every effort is made to ensure that all statements are properly authenticated. Once the final draft of each business unit report was agreed upon, business unit representatives were required to compile detailed checklists linking report content to documented source material. Representatives from our Corporate Solicitors Office and Group Risk Management department then conducted sample verification checks through site visits and desktop audits and prepared reports for senior management.

External assurance

Assessors from Net Balance carried out an independent assurance engagement on this report using the AA1000 AccountAbility Principles 2008 and the elements of the Global Reporting Initiative (GRI). The Assurance Statement is published on page 74. This is the fourth year that Net Balance has assessed the Wesfarmers report. It provides a detailed report to management and the Board's Audit Committee on its assessment of the reporting process, which Wesfarmers will respond to. In addition, information contained in this report about our community contribution, with the exception of Home Improvement and Office Supplies data, was independently verified by the London Benchmarking Group, and the verification statement can be found on page 24. However, as noted earlier, the Home Improvement and Office Supplies data in this area was assured by Net Balance. This year we have also sought from Net Balance an assessment of this report against the disclosures contained in the

GRI – we have been assessed at the level of 'B+' as indicated in the Assurance Statement.



A comprehensive account of Wesfarmers reporting against the GRI indicators is provided on our website.

Financial and governance information

This report uses only summarised financial and governance information with much more detail, particularly around the Board processes and policies set for the organisation, remuneration policies, and financial accounting practices, available in our 2010 annual report at www.wesfarmers.com.au. The annual report also sets out in detail the structure of the organisation, our operating locations, major shareholdings, markets, countries and sectors we operate within, and any legal changes to subsidiaries and the like during the reporting period.

Wesfarmers endorsement

Senior management at each of the business units are involved in the preparation and sign-off of the internally-verified report. Each managing director of the division signs off on the final, externally assured report. In addition to the internal and external verification process, the Wesfarmers Audit Committee reviews the entire document prior to its publication. Richard Goyder, our Managing Director, endorses the final report.



Students work one-on-one with Australian Chamber Orchestra musicians at ACO₂ regional workshops in Albany WA. Wesfarmers Arts is an ongoing supporter of the arts in Western Australia.

Stakeholder engagement

Wesfarmers and its businesses have an extensive reach throughout Australia and New Zealand and interact with millions of customers each week, as well as many regulators and policy makers, non-government organisations, suppliers and contractors and community-based organisations. Many of these interactions are described in the various sections of this report (and the separate divisional reports). As part of the external assurance process for this report, we understand the AA1000 Standard 2008 requires certain formalisation of these processes, including the mapping of stakeholders, which we elected not to pursue for the entire Wesfarmers Group this year. Our assurance providers assess the extent to which we are inclusive of our stakeholders.

However, as foreshadowed in the 2009 report, we have developed a formal stakeholder engagement assessment for the corporate entity Wesfarmers Limited. This involved a stakeholder forum with four of Wesfarmers Limited's long-term community partners, and an on-line survey reviewing many aspects of our sustainability performance with a range of investors, analysts, business organisations and journalists. Net Balance developed the tools for this work and has reported to Wesfarmers on the outcomes – a copy of the Executive Summary of the Net Balance report is available on our website, and in next year's report we will outline our response to the various recommendations contained within it.

Feedback

Wesfarmers welcomes your feedback on this report. A form has been provided for you on the inside back cover. You can also email info@wesfarmers.com.au; or you can contact any of our business units about their individual reports at the websites listed in their sections of the report.

Other public reports

In addition to this Sustainability Report, information regarding Wesfarmers' activities can be found in:

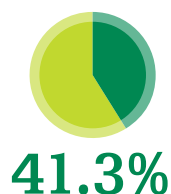
- the Carbon Disclosure Project (www.cdproject.net) and the Carbon Disclosure (Water) Project initiated in 2010;
- the Dow Jones Sustainability Index (www.sustainability-index.com);
- the Australian National Packaging Covenant (www.packagingcovenant.org.au) (from mid 2010 this has become the Australian Packaging Covenant which Wesfarmers has registered for);
- the Energy Efficiency Opportunities Act (www.energyefficiencyopportunities.gov.au) in Australia; and
- the National Greenhouse and Energy Reporting Act in Australia (www.climatechange.gov.au/reporting/).

Year in review

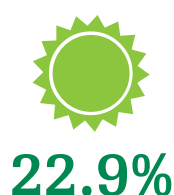
RETAIL

Coles

Greenhouse emissions
(tonnes CO₂ equivalent)



Energy use
(million gigajoules)



Water consumption
(megalitres)



Safety data
Lost Time Injury
Frequency Rate (LTIFR)



Community contributions*
(\$m)



* Including cash, in-kind, product and other assistance as defined by London Benchmark Group (but not management costs)

Sustainability challenges

- Roll-out energy efficiency projects for existing stores and reduce energy consumption and greenhouse intensity of new stores
- Improve packaging of Coles brand products by adopting Sustainable Packaging Guidelines
- Improve store recycling and reduce waste
- Work with Coles brand suppliers to ensure compliance with Coles Ethical Sourcing Policy

Home Improvement and Office Supplies

Bunnings



* Includes emissions reductions created by the voluntary purchase of Renewable Energy Certificates.



- While carbon neutrality remains an aspirational target we have refined our short-term goal to focus on carbon neutral growth and long-term footprint reduction.

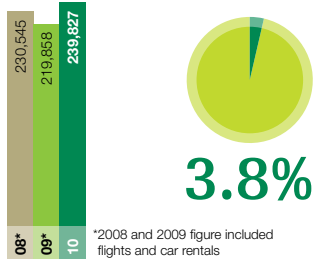
Office Supplies



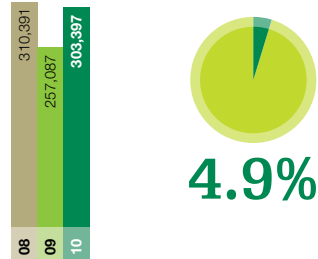
- Continued contribution to the wellbeing of the communities within which we operate
- Continued development of our waste and emissions data capturing systems
- Look after our team and make Officeworks a great place to work
- Continued reduction of our waste to landfill and increased recycling rates
- Further improve the sustainability of our sourced products

INSURANCE

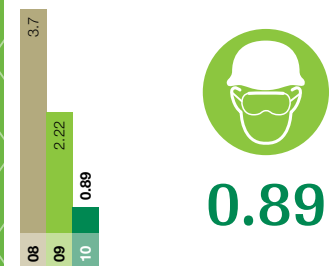
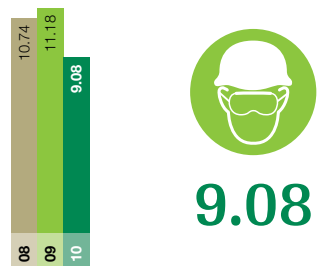
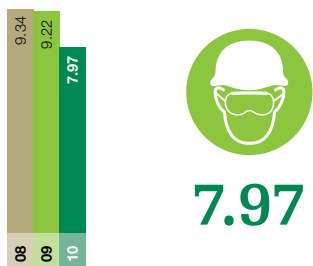
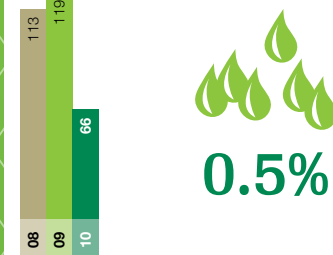
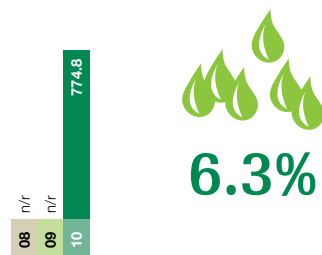
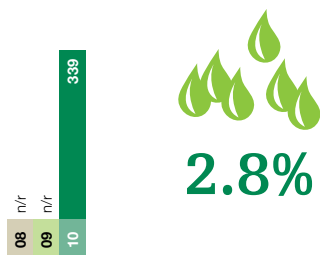
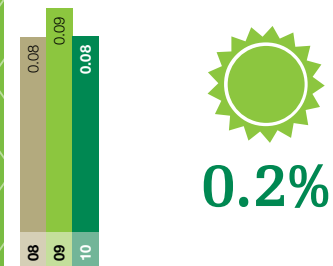
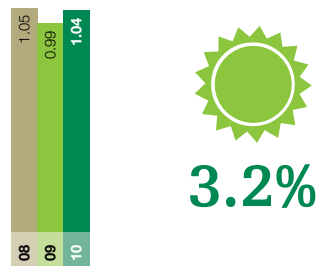
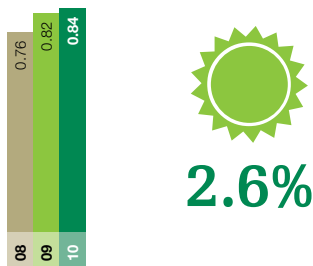
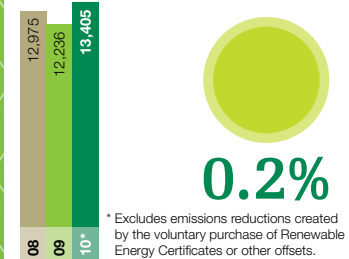
Target



Kmart



Insurance



- Continually educate customers and team members about our shopping bag strategy
- Ensure that suppliers adhere to our Ethical Sourcing Code
- Develop and implement a strategy to reduce product packaging waste

- Continue to restore the foundations of our business
- Ensure our sites are safe for team members and customers
- Reduce the amount of energy we use
- Ensure our packaging meets the requirements of the business and the Australian Packaging Covenant
- Continue to grow our community program

- An unstable economic climate leading to global volatility in finance markets
- Environmental catastrophes such as the hail storms experienced in Perth and Melbourne in March 2010
- The changing expectations of customers, investors, regulators and governments
- Selective acquisition growth by continuing to pursue bolt-on acquisitions that meet investment criteria

INDUSTRIAL

Resources

Greenhouse emissions
(tonnes CO₂ equivalent)



11.5%

* 2010 includes Scope 1, 2 and 3 emissions. 2009 does not include Scope 3.

Energy use
(million gigajoules)



12.2%

Water consumption
(megalitres)



27.8%

Safety data
Lost Time Injury
Frequency Rate (LTIFR)



2.14

Community contributions*
(\$m)



0.71

* Including cash, in-kind, product and other assistance as defined by London Benchmark Group (but not management costs)

Sustainability challenges

- Continuing to improve our safety performance
- Improving energy efficiency, reducing greenhouse gas emissions and water usage
- Long term water availability for Premier Coal's operations in the Collie Basin
- Identification and implementation of improved mine rehabilitation programs
- Managing the Curragh mine expansion activities safely and environmentally responsibly

Chemicals, Energy and Fertilisers

Chemicals and Fertilisers



25.3%

Energy



7.6%



36.5%



18.8%



31.6%



2.3%



3.20



4.31



0.27

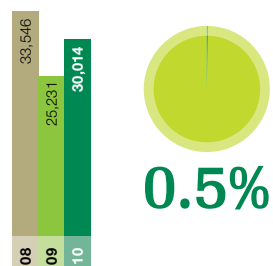


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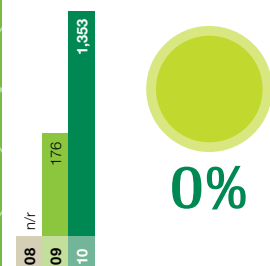
- Improve the overall participation of our workforce in health and safety activities such as hazard identification, inspections and risk assessments
- Improve compliance to regulations of all MHFs and develop our KPIs to track process safety performance
- Improve training materials and delivery to support the initial induction, skill development and competence of our workforce
- Continue to manage legacy waste and contamination issues
- Integrate and improve documentation and the systems that facilitate their access
- Contribute to and engage with the communities in which we operate

WESFARMERS GROUP

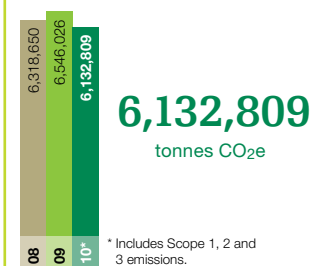
Industrial and Safety



Corporate Office

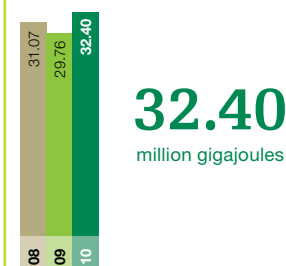
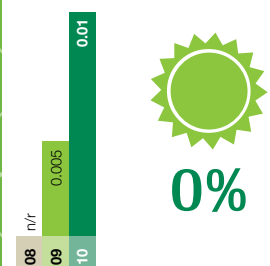
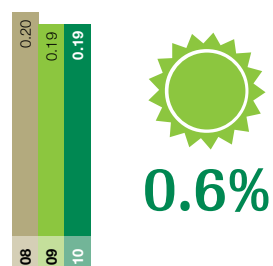


Group



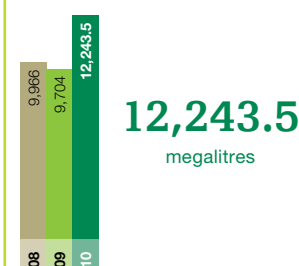
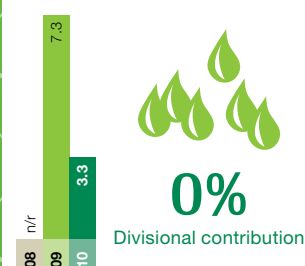
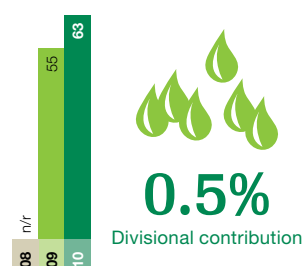
Highlights

- Emissions declined through more accurate measurement of refrigerant gases at Coles, more accurate assessment of nitrous oxide emissions at CSBP and further energy efficiency actions
- Resources improved the emission intensity of their coal mining processes



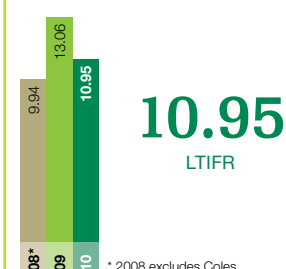
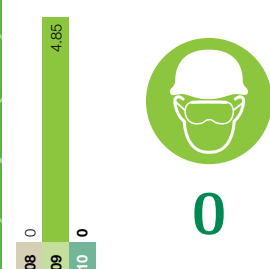
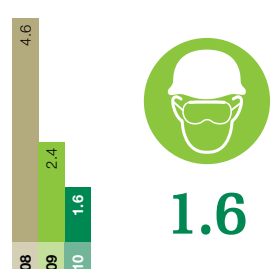
Highlights

- Energy use in the Chemicals and LPG/LNG businesses returned to more usual levels after the 2008/09 disruption to gas supplies in WA
- Coles implemented several significant energy saving technologies in many of its supermarkets



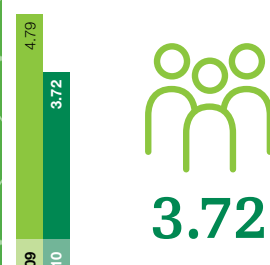
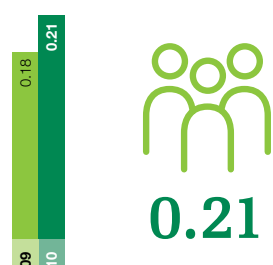
Highlights

- Each division is now reporting water use, giving a sound base for future reporting and planning
- Bunnings use of scheme water declined again through the use of rainwater tanks and other water efficiency measures



Highlights

- The LTIFR declined from 13.06 to 10.95 and the number of Lost Time Injuries declined from 2,825 to 2,384
- Coles, Bunnings, Target and Kmart achieved significant reductions in LTIFR through a wide range of safety strategies and methodologies



Highlights

- the Group provided in excess of \$45 million in total direct and facilitated support to communities in Australia and New Zealand
- the Bunnings sausage sizzles provided the avenue for community groups to raise more than \$17 million during the year

- To identify and implement energy efficiency and waste reduction opportunities in our operations
- To promote a product range to help customers meet their sustainability objectives
- To manage efficient, sustainable and ethical outcomes with suppliers to reduce risk and deliver value to customers

- Coordinate carbon and energy responses for the Group
- Maintain our strong community partnerships
- Support divisions in their sustainability programs

Ethical sourcing

Wesfarmers businesses source products for sale from many regions other than Australasia, particularly in south and east Asia, Europe, Africa and North America.

Consistent with the company's values, our purchasing policies deal with common themes such as child labour, wage rates and health and safety.

Several highlights during the year included:

- Coles added eight Fairtrade tea and coffee lines to its product range, helping growers in countries such as India, Peru, Tanzania, Papua New Guinea and Ethiopia;
- Target has a formal Ethical Sourcing Code and conducted or subscribed to 243 factory audits in Asia and the sub-continent during the year;
- Bunnings made deeper progress on timber procurement in Australia with more than 99 per cent of timber products now sourced from low risk plantations or other verified legal or sustainable forest operations;
- Industrial and Safety audits all Asian suppliers of its own brand products;
- CSBP is working on technology to broaden phosphate rock supply options for superphosphate manufacture; and
- Suppliers responsible for 38 per cent of our purchases are engaged in our ethical sourcing programs.

8 Coles added eight Fairtrade tea and coffee lines to its product range

Sustainability scorecard

This section provides a summary of Wesfarmers' overall sustainability contribution to complement the economic and financial information contained in the company's 2010 Annual Report available at www.wesfarmers.com.au

The business unit reports outlined in this document include a significant amount of information on the environmental, safety and health performance and community interaction across the business operations of the Wesfarmers Group. There have been some changes to the treatment of data and these changes have been highlighted and explained. In particular we have included four years of data wherever possible to allow for comparison.

In addition, there is a summary of the sustainability performance of those parts of the Wesfarmers Group that do not fall directly under the nine operating divisions for 2009/10.

Economic contribution

Starting as a farmer's cooperative in 1914, the company has progressively evolved and diversified to become one of Australia's largest publicly listed companies and one of the country's largest private sector employers, with more than 500,000 shareholders and approximately 200,000 employees at the report date.

In addition, as at June 2010, there were over 50 Australian superannuation funds, each of which held more than 100,000 shares in Wesfarmers and which together held nearly eight per cent of issued capital. Together with many funds holding smaller parcels of shares, or those investing in Wesfarmers through fund managers, this means that many Australian investors have a shared interest in the sustainable future of Wesfarmers and our capacity to continue to provide value to and satisfactory returns for shareholders, while delivering appropriate environmental and social outcomes, that are within our control, for society.

Our major operating business interests in the full year covered by this report include supermarkets, liquor and convenience stores; home improvement and office supplies; general merchandise and apparel; coal mining; insurance; industrial and safety products distribution; chemicals and fertilisers manufacture; and gas production and distribution and power supply.

In the year to 30 June 2010, we recorded a net profit after tax of \$1,565 million, compared to \$1,522 million in 2008/09. Key indicators of the Group's financial performance indicators and economic contribution to society are summarised in figure 1.

Overall, our operations make a significant contribution to the economies of Australia and New Zealand. These contributions included \$6,533 million paid in salaries and wages to employees, dividends to our shareholders totalling \$1,446 million and \$1,130 million paid to governments at all levels in the form of taxes, levies and royalties (not including net GST). More than 95 per cent of our revenues and earnings are derived from our Australian operations.

In addition, during the year Wesfarmers spent \$1,656 million on capital expenditure on opening new stores, renewing existing locations, investing in our resources and industrial businesses and purchasing land. This expenditure also supports direct employment in Australia and New Zealand as well as the businesses of many suppliers and contractors involved in these capital expenditure programs.

We are one of 20 Australian companies selected for inclusion in the Dow Jones Sustainability World Index for 2010 (as at 20 September 2010). The Index includes the top 10 per cent of the 2,500 biggest companies in the Dow Jones World Index in terms of corporate sustainability after assessment against economic, environmental and social criteria. We were also one of 30 Australian companies selected for inclusion in the Dow Jones Sustainability World Indexes for the Asia Pacific region (DJSI World – Asia Pacific).

The DJSI assessment (with assessments against the DJSI criteria) of Wesfarmers over the past four years has been shown in figure 2. More information is available at www.sustainability-index.com

FIGURE 1: Economic contribution (\$m)

	2009	2010
Sales and operating revenue	50,982	51,827
Cost of goods, services etc	40,496	41,028
Wealth created by Wesfarmers Limited	10,486	10,799
Wages and salaries and other benefits ¹	6,269	6,533
Dividends paid to shareholders	1,102	1,446
Interest paid on borrowings	816	616
Income tax and other government payments ²	1,216	1,130
Reinvested in the business	1,072	1,036
Capital expenditure ³	1,503	1,656
Depreciation and amortisation expense	856	917

1 The figure for 2009 is different to that reported last year, as payroll tax has been moved to 'Payments to governments' in a manner consistent with Wesfarmers Annual Report

2 This does not include net GST amounts

3 Cash paid for purchases of property, plant and equipment and intangibles

FIGURE 2: Dow Jones Sustainability World Index (%)

Dimension	2007	2008	2009	2010
Environmental	55	51	67	72
Social	59	63	57	50
Economic	63	64	69	71
Total for Wesfarmers	60	61	64	64
Average in our Industry group	41	46	47	45

Source: Dow Jones Sustainability Indexes September 2010

Environmental footprint

Wesfarmers' diversified structure, in terms of the range of its businesses and the Group's geographical spread, principally across Australia and New Zealand, means the company is responsible for managing a wide range of environmental issues.

Because of this diversity, the Group's overall environment policy requires business units to develop policies and procedures that are relevant to their particular circumstances, while ensuring that these policies and actions are in line with the Group's overarching guideline of 'placing strong emphasis on protection of the environment'.

Across the Group a number of significant environmental programs are being developed and implemented, with the major single program this year being the range of conservation related activities associated with the Blackwater Creek diversion at our Curragh minesite. Other significant programs during the year, many of which are described in more detail in the divisional sections of this report (or where applicable in the division's own on-line sustainability reports) include e-waste recovery and recycling being co-ordinated by Officeworks; Bunnings sourcing 99 per cent of its timber products from legal or certified sustainable forest operations; the successful continuation of programs in several of our businesses to remove single use plastic shopping bags from our businesses where it is possible; an increase in recycling of used packaging across our retail operations; the commissioning of new water recycling infrastructure at Australian Vynils in Vic; and, a wide range of energy efficiency initiatives being funded and implemented across all of our businesses.

We recognise that the use of fuels other than petrol and diesel is becoming increasingly important in the context of both achieving lower overall pollution levels and the climate change debate. We encourage the purchase of vehicles suitable for liquefied petroleum gas (LPG) use where practical, in recognition of LPG's environmental benefits over petrol and diesel. We continue our efforts, through our Kleenheat business, to expand the market for liquefied natural gas (LNG) as a substitute for diesel in the heavy duty vehicle and remote power generation sectors. The first full year operation of a 175 tonne-per-day LNG plant at the Wesfarmers LPG site at Kwinana and investment in distribution infrastructure and two remote area power stations has increased the availability of LNG as an alternative fuel in Western Australia.

Group environmental indicators

The information in this section includes data over four years wherever possible. Some of our businesses find that issues such as water and waste are difficult to accurately measure because of the shared location of their facilities, and some of the former Coles group of companies did not collect some of this data prior to being acquired by Wesfarmers in November 2007. In the past year we have made considerable efforts to rectify the data gaps in some businesses from previous reports, particularly in relation to water use – these efforts are shown in the various figures in this part of the report, but in particular our water use data is now complete although some businesses (that operate largely in buildings owned by others) have to estimate water use from actual data in facilities where they can gather it.

Where an environmental issue is specific to one or just a few businesses (e.g. land remediation) it is reported in that division's section of this report rather than in an aggregated form for the Group.

Greenhouse gas emissions

Prior to 2008/09 we based our greenhouse gas emissions measurement on the AGO methodology. However, from 2008/09 Wesfarmers has registered as a controlling corporation under the National Greenhouse and Energy Reporting Act (NGER) for which has been published a very complex set of reporting determinations that we are required to follow (and which can change slightly from year to year as the DCCEE refines its data collection). This means that some of our data is not directly comparable year on year, but where possible this is explained in the text. At the time of this report's preparation Wesfarmers reported 5,164,544 tonnes CO₂e in our NGER report (our Scope 1 and Scope 2 emissions), while this report declares 6,132,809 tonnes CO₂e (a difference of 968,265 tonnes CO₂e). The difference is created by the definitional and legal requirements of NGER with the major components (all quoted as approximate data in tonnes CO₂e) comprising Scope 3 emissions which include electricity and gas transmission emissions and waste emissions, (618,500); refrigerant gases excluded from NGER (36,428); Air Liquide WA, which is reported in NGER by Air Liquide Australia (78,000); several remote power stations in WA which are defined as being under the operational control of their minesite customer (166,992 tonnes); New Zealand and other country emissions (15,000); and, the Coregas air separation unit at Port Kembla, NSW, which is deemed for NGER purposes not to be under the operational control of Coregas (3,168). Other emissions included in figure 3 include gas transmission factors and waste-related emissions and some industrial emissions not able to be recorded in the NGER regulatory system (approximately 46,000 tonnes).

Our total direct and indirect greenhouse emissions for the Group in 2009/10 (converted to CO₂e) were estimated at 6.13 million tonnes (see figure 3). This was approximately 400,000 tonnes CO₂e below emissions reported for last year. The two major reasons for this apparent decline were firstly the implementation of more effective measurement systems for refrigerant loss in Coles facilities (to replace the estimates made under the NGER law in 2008/09), which reduced reported emissions by over 300,000 tonnes; and, secondly the Chemicals and Fertilisers business rectifying an error in its calculation of nitrous oxide emissions from its nitric acid plants in Kwinana (WA) which reduced reported emissions by 247,482 tonnes. To an extent these reductions were balanced by an increase in our recording and reporting of Scope 3 emissions from waste disposal and other issues. With these changes our future year reports should be comparable to this year's report, given that we will always report higher emissions than our NGER Act report because the NGER law does not cover Scope 3 or other country emissions. We intend to continue including information in the report text to explain the differences, and the reader can also send specific questions to us at info@wesfarmers.com.au

As foreshadowed in last year's report, our greenhouse emissions and energy use were also higher this year as production at our WA ammonia and LPG facilities returned to normal levels following the disruption to gas supplies to the south-west of WA in 2008/09. Wesfarmers was again a respondent to the Carbon Disclosure Project (CDP) in 2010. Our submission is publicly available on the CDP website www.cdproject.net and provides full disclosure on our greenhouse emissions and our overall approach to climate change issues.

Wesfarmers is of the view that regulated carbon emission reductions will be implemented in Australia (and are already in place in New Zealand) as a response to the science and potential impacts of human induced climate change. Indeed the major political parties both have policy positions of five per cent reductions in carbon emissions by 2020 on a year 2000 base, which represents a challenging 25 per cent reduction on business as usual emissions. We will play a part in the continuing policy debate in Australia and are, as our most immediate contribution, implementing significant energy efficiency programs across the Group. It will be important for the eventual policy and laws to be based on market based approaches to the extent possible in setting carbon prices, and Australian and New Zealand export (or import competing) industries will need support in the transition to a wider application of carbon constraints across our trading partners.

As part of our overall efforts to reduce emissions, we continue to contribute to a major emissions reduction initiative, the Coal21 Fund, which levies coal producers to fund research into low emission coal technologies. Our contribution to this fund is likely to reach \$30 million over 10 years.

In addition, the emissions related to our use of commercial air travel were 36,142 tonnes of CO₂e (this number was calculated based on actual emissions from fuel burnt, the agreed National Greenhouse Accounts factor for ground support, and the forcing factor to account for emissions at altitude). Two of the businesses in which Wesfarmers is an investor, Bengalla mine in NSW (40 per cent) and Queensland Nitrates Pty Ltd in Qld (50 per cent) report their Scope 1 and Scope 2 emissions under the NGER Act – their total reported emissions for 2008/09 were 987,236 tonnes CO₂e and on an equity basis Wesfarmers' share of these emissions would be 451,939 tonnes CO₂e.

Energy use

The total estimated energy use for our Group in 2009/10 was 32.40 million gigajoules, an increase of about 8.84 per cent on last year. Again, most of the increase was due to the resumption of usual gas supplies to the south-west of WA in 2009/10 following the resolution of the Varanus Island incident in WA in 2009, which constrained supplies of natural gas to the Energy, and Chemicals and Fertilisers divisions. Our energy usage is summarised in figure 4.

Wesfarmers is registered under the Federal Government's Energy Efficiency Opportunities (EEO) laws, with an Assessment and Reporting Schedule (ARS) for our Group gaining regulatory approval in 2008. We subsequently submitted a revised ARS for the Wesfarmers Group, to suggest the removal of many small facilities from the formal assessment process. The revised ARS incorporates assessment of at least 92 per cent of all Wesfarmers energy use, covering the Group's large energy users across the retail, industrial and insurance operations and was approved by the regulator in May 2010. It will form the basis of our EEO Act report for 2009/10 to be submitted in December 2010.

We submitted our second public and government reports under the EEO legislation in December 2009, and the public report is available on our website at www.wesfarmers.com.au

As part of the (then) preparation for the introduction of a national carbon emissions trading scheme, the Federal Government commenced the NGER scheme on 1 July 2008. This system records the majority of Australia's greenhouse emissions and energy use. Wesfarmers registered for NGER in October 2008 and has implemented a Group-wide, internet-based, information management system (Wesfarmers Greenhouse and Energy Reporting System – WESGERS) to both manage our NGER reporting obligations, to inform and monitor our many energy efficiency programs in the future, and assist in dealing with a carbon constraint when there is a settled policy in Australia.

FIGURE 3: Greenhouse emissions (tonnes CO₂e)

Division	2007	2008	2009	2010 ¹	FY 10 Scope 3
Coles	n/a	2,938,829	2,978,518	2,530,856	346,989
HIOS – Bunnings ⁴	182,802	186,525	179,046	210,620	40,792
– Office Supplies	n/a	n/r	55,522	63,362	8,818
Target	n/a	230,545	219,858	239,827	34,259
Kmart	n/a	310,391	257,087	303,397	40,925
Resources ⁵	834,654	614,619	707,725	715,388	42,962
Insurance ⁴	5,679	12,975	12,236	13,405	988
Chemicals and Fertilisers ³	1,143,125	1,228,190	1,296,149	1,556,703	64,973
Energy	318,755	583,602	566,456	467,884	29,930
Industrial and Safety	29,533	33,546	25,231	30,014	6,672
Corporate Office	n/r	n/r	716	1,353	102
Wesfarmers Group ¹	2,648,969	6,318,650	6,546,026	6,132,809	617,410 ²

1. Data includes all 2010 Scope 1, 2 and 3 emissions for all energy, waste, rental vehicles and emissions in all countries (this means that some previous year on year comparisons are not valid because they did not include all Scope 3 emissions)

2. We have shown Scope 3 emissions (including electricity and gas transmission, liquid and gaseous fuels, waste and rental vehicles) separately to aid with understanding our emissions profile

3. Restated for 2007 to 2009 following correction of an error in the calculation methodology for nitrous oxide emissions

n/a indicates data was not available for these years

n/r indicates data was not recorded in that year

4. Bunnings and Insurance reduce their net emissions to below this data point through the purchase of voluntary offsets (please see their sections of this report)

5. Resources 2009 emissions did not include Scope 3 emissions

Energy efficiency

The most immediate steps we can take to reduce our carbon emissions, and the relative costs of our energy purchases, is to pursue energy efficiency.

New technologies, as seen in this Bunnings warehouse, are vital to improving energy efficiency.

Several highlights included;

- Bunnings commenced solar and wind energy micro-generation trials at three Australian stores, with the solar trial now generating 5.1 per cent of the Belconnen (ACT) store's total electricity usage;
- Coles has installed night blinds on open up-right refrigerators in 162 supermarkets to reduce the use of electricity for refrigerating product;
- Premier Coal has implemented an initiative in improving haul truck productivity to create on going energy savings through reduced diesel fuel use;
- across our retail businesses, as new distribution centres are constructed, they are being equipped with many energy saving initiatives including maximising natural light and efficient lighting technologies; and
- Kleenheat has commenced a significant energy efficiency review at its LPG plant.

5.1% of Belconnen (ACT) store's electricity is supplied by solar energy



The energy consumption data in our NGER report for 2009/10 (41.04 million gigajoules) is different to the data in figure 4 in this report. The difference relates to the legal and definitional issues required by NGER, many of which are of similar nature to the differences in the greenhouse data between this report and our NGER report described in the greenhouse emissions section of this report. In addition Wesfarmers generated approximately 12.3 million gigajoules of energy from several businesses for consumption by others.

Water consumption

Estimated water use (reused, scheme, recycled and ground water) across the Group totalled 12,244 megalitres (see figure 5). Of this total 5,805 megalitres was scheme water sourced from public supply systems. Last year's estimated total Group consumption was 9,704 megalitres, with the reported increase largely due to increased water use in our chemicals business at Kwinana as it returned to full production after the gas supply interruption; reporting water use in Target, Kmart and Officeworks for the first time; and a reported increase in Coles water use which for the first time includes the liquor and convenience stores. A slight decrease in Bunnings' water use reflected their water saving initiatives of the past few years. In 2010 we also participated in the first CDP Water survey (by invitation) and the outcomes of that process should be available at www.cdproject.net in November 2010.

Waste

Solid and liquid waste data is presented, to the extent it is available and can be verified, in each of the divisional reports.

In each of those reports there are comments on many of the waste reduction and recycling initiatives undertaken. As a result of these programs and initiatives, our retail businesses alone recycled more than 194,000 tonnes of consumer packaging materials during the year.

All of our retail businesses are signatories to the National Packaging Covenant (NPC) through the registration of Wesfarmers Limited in 2009, which aggregated their previous individual registrations – the NPC is being replaced by the Australian Packaging Covenant (APC) in 2010/11 and Wesfarmers registered for the APC in September 2010. The NPC is a voluntary packaging waste reduction and recycling initiative underpinned by a National Environment Protection Measure, and all retail businesses reported publicly on their activities in late 2009 – this report is available at www.wesfarmers.com.au and at www.packagingcovenant.org.au

Data on waste disposed to landfill is materially complete this year with only the Corporate Office and the Insurance Division being unable to reliably estimate or measure waste disposed to landfill, largely by virtue of those parts of the Group occupying leased space in larger buildings for most activities. However the total waste to landfill from these two parts of the Group is not thought to be material in the overall Group data. We are not yet in a position to consistently report on our liquid waste disposal, particularly because we have so many retail stores in shared facilities without individual waste water invoicing. Our waste disposal and recycling data is presented in figure 6.

Non-compliance/prosecutions

We are not aware of any significant non-compliance with environmental regulations or any prosecutions relating to environmental issues during the year other than disclosed in the various business reports. In several of the business reports, there are detailed comments dealing with interactions with the various regulators during the year.

FIGURE 4: Energy consumption (million gigajoules)

Division	2007	2008	2009	2010
Coles	n/a	7.02	7.29	7.39
HIOS – Bunnings	0.64	0.69	0.73	0.77
– Office Supplies ²	n/a ³	0.06	0.17	0.21
Target	n/a	0.76	0.82	0.84
Kmart	n/a	1.05	0.99	1.04
Resources	3.51	3.33	4.31	3.94
Insurance	0.04	0.08	0.09	0.08
Chemicals and Fertilisers	9.95	10.71	8.02	11.83⁵
Energy ⁴	4.64	7.17	7.14	6.10
Industrial and Safety	0.18	0.20	0.19	0.19
Corporate Office	n/r ³	n/r	0.005	0.01
Wesfarmers Group ¹	18.96	31.07	29.755	32.40

- This data includes all energy consumption that is within the scope of this report, including rental vehicles, but not the energy use associated with air travel emissions
- In 2008 Officeworks estimated its energy use by sampling
- n/a is data not available for companies in the former Coles Group for 2006/2007
n/r is data not recorded in that year
- The Energy division consumption decreased largely because the Coregas Air Separation Unit at Port Kambbla, NSW, was removed from the data as the plant's customer controls energy supply to the plant
- This data includes wax used to coat product which is not an energy source, but is included here as it is required to be counted as energy under the NGER Act

FIGURE 5: Water consumption (megalitres)

Division	2007	2008	2009	2010
Coles	n/a	1,725	2,170	2,708.5
HIOS – Bunnings	858	844	717	690.7
– Office Supplies	n/a	n/r	n/r	51.6
Target	n/a	n/r	n/r	339.0
Kmart	n/a	n/r	n/r	774.8
Resources	3,869	3,654	3,045	3,402.4
Insurance	n/r	112.6	119.1	66.3
Chemicals and Fertilisers	2,439	3,293	3,325	3,862.9
Energy	16	337	266	281.0
Industrial and Safety	n/r	n/r	55	63.0
Corporate Office	n/r	n/r	7.3	3.3
Wesfarmers Group ¹	7,182	9,966	9,704	12,243.5

- Reported water use has increased this year, principally because estimates have been introduced for Kmart, Target and Office Supplies; Coles has improved the accuracy of its reporting by installing better technology in some stores; and, Chemicals and Fertilisers increase due to a return to more normal levels of operation following impacts from the Varanus Island gas disruption in 2008/09. Consequently strict comparisons to previous reports are not valid, but future year reports will now be on the basis established in 2010
n/a indicates data not available for the Coles Group companies where indicated
n/r indicates the data was not recorded in the relevant year

National Pollutant Inventory (NPI)

All of the Group's Australian businesses required to report under the NPI (Resources, Chemicals and Fertilisers, and Energy) do so each year. Full details are available on the NPI website www.npi.gov.au, with 2009/10 data available at the end of January 2011. All of our reported emissions were regarded as low, except for vinyl chloride monomer emissions at Australian Vinyls (largely by virtue of it being the sole Australian manufacturer of PVC).

Environmental expenditure

Total environmental expenditure, including land remediation costs for the full 12 months, is \$53.93 million (see figure 7). This compares with a 2008/09 total of \$38.43 million. These costs include salaries and overheads, specific environmental projects and any other costs (such as fees paid to consultants) for environment-related purposes. The major reason for the increased expenditure this year was the cost associated with conservation and rehabilitation works and vegetation offset provision associated with the Blackwater Creek diversion project at the Curragh minesite.

Contamination

Remediation of site contamination is an issue for some of our businesses and details are provided in the individual divisional reports. The most significant of these involve our Chemicals and Fertilisers business (CSBP), some former forest products operations (Sotico) and some sites formerly operated by Wesfarmers Transport, a business that was sold several years ago. Wesfarmers is responsible for this remediation and financial provision has been made to cover the estimated cost of these activities.

CSBP engaged in remediation of a former fertiliser site at Bayswater in WA.

During the year Wesfarmers made some significant progress at the Pemberton and Manjimup sites formerly owned by Sotico in WA, with extensive investigation, monitoring and review efforts. The report by the Appointed Independent Expert for Sotico and the Western Australian Government on our Pemberton site was completed and ownership of the remediated site has now been transferred to the state of WA as provided for in our agreement with the State. As reported last year, near the Manjimup site there are several properties owned by third parties that were classified as 'Contaminated – Remediation Required' under the WA *Contaminated Sites Act 2003*. Our efforts this year have continued to be directed at investigating and modelling groundwater in the area to demonstrate that the risk to these properties is minimal, and allow consideration for the site classification to be amended (in August 2010 the DEC advised that these third party sites had been reclassified under the Act as 'Not Contaminated – Unrestricted Use'). We also implemented a groundwater treatment technology at the former Sotico site which appears to have been very successful in reducing the extent of groundwater contamination, and the overall concentration of contamination. Monitoring and risk assessment continued variously at the former Wesfarmers Transport sites in Kewdale, Carnarvon and Port Hedland in WA, together with additional remediation activities. In September 2010 the DEC advised that the Carnarvon properties had been reclassified as 'Remediated – Restricted Use' under the Act which allows for the site owner's planned land use to now proceed. At the former Wesfarmers Transport site in Bassendean WA the DEC also issued a site classification of 'Remediated – Restricted Use' and we continue to monitor groundwater at that site.

FIGURE 6: Waste disposal and recycling (tonnes)

Division	2009 Tonnes Disposed	2009 Tonnes Recycled	2010 Tonnes Disposed	2010 Tonnes Recycled
Coles	122,570	125,363	90,961	131,242
HIOS – Bunnings	19,898	9,150	17,936	14,488
– Office Supplies	n/r	n/r	1,073	2,257
Target	6,381	16,955	6,068	17,201
Kmart	5,235	26,362	6,126	28,387
Resources	960	2,162	869	2,251
Insurance	n/r	n/r	n/r	n/r
Chemicals and Fertilisers	144,450	952	9,428	732
Energy	494	769	526	768
Industrial and Safety	3,103	659	3,645	543
Corporate Office	n/r	n/r	n/r	13
Wesfarmers Group ¹	303,091	182,372	136,631	197,882

1. The tonnes of waste disposed in 2010 fell substantially from the 2009 recorded data because the Chemicals and Fertilisers division concluded a complex and large soil remediation project in 2009
n/r means the relevant data was not recorded in that particular year

FIGURE 7: Environmental related expenditure (\$)

Division	2007	2008	2009	2010
Coles	n/a	2,270,000	3,148,658	9,000,000
HIOS – Bunnings	5,320,000	6,840,000	9,995,692	4,123,603
– Office Supplies	n/a	n/r	n/r	19,393
Target	n/a	240,000	229,043	169,007
Kmart	n/a	n/r	1,284,894	1,588,793
Resources	4,740,000	14,200,000	11,666,459	32,343,000
Insurance	n/r	130,000	242,302	212,204
Chemicals and Fertilisers	8,650,000	6,190,000	10,388,524	4,952,469
Energy	340,000	350,000	633,903	680,700
Industrial and Safety	n/r	40,000	57,979	200,000
Corporate Office	1,280,000	880,000	786,088	642,837
Wesfarmers Group ¹	20,330,000	31,140,000	38,433,542	53,932,005

1. The significant increase in expenditure in FY 10 relates mainly to the environmental facets and ecosystem offsets associated with the Blackwater Creek project at Curragh, balanced to an extent by lower expenditure on land remediation in Chemicals and Fertilisers
n/a means the data was not available in the relevant years for former Coles Group companies
n/r means the data was not recorded in the relevant years

Packaging reduction

Wesfarmers is a signatory to the National Packaging Covenant (NPC) in Australia (and has registered in its successor agreement, the Australian Packaging Covenant [APC] in 2010/11) and uses the NPC processes to guide our work in reducing the environmental impact of packaging.



Recycling
makes me happy!

Our businesses operate in many facets of the packaging lifecycle through design, manufacturing, selection, purchase, use and eventual re-use, recycling or disposal.

Several highlights during the year included:

- Target removed single use bags and all of our retailers offer alternative bags;
- our businesses recycled over 197,000 tonnes of used packaging during 2009/10;
- Coles has now implemented recycling at all of its liquor stores; and
- Coles is reviewing Coles branded products, in line with the Sustainable Packaging Guidelines, to reduce unnecessary product packaging.

197,000 tonnes of recycled packaging

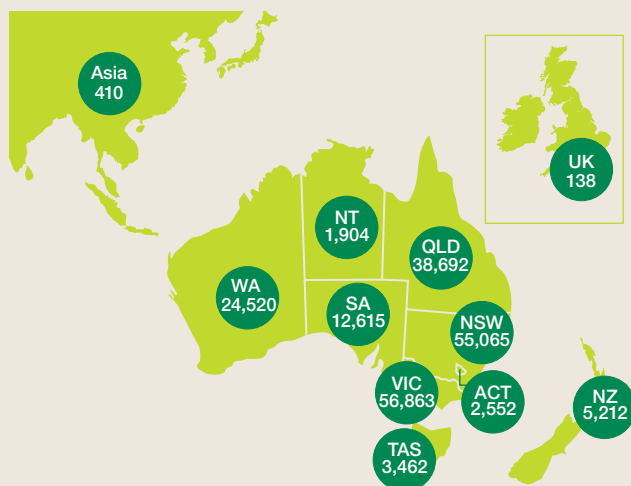
Social

Our people

Wesfarmers is one of Australia's largest private sector employers. More than 99 per cent of our more than 200,000 strong workforce is located in Australia and New Zealand (see figures 8A and 8B).

A liquefied petroleum gas import terminal and distribution facility in Bangladesh, operated by a joint venture in which we are the majority partner, employs about 46 people, approximately 395 people are employed at our retail offices in Asia and over 100 people in our Insurance business in the United Kingdom.

FIGURE 8B: Employee numbers in various locations



This map is not to scale

Businesses where we are an investor, but not the operator, also provide substantial employment. Overall, in 2009/10, we paid \$6.53 billion in salaries, wages and other benefits and our employees worked over 217 million hours (see figure 9).

In terms of workplace relations, we recognise the right of those we employ to negotiate either individually or collectively, with or without the involvement of third parties. The large majority of our employees are covered by collective agreements. At the same time, the company believes in maximising the flexibility of workplace arrangements available to employees and their managers.

Wesfarmers operates an employee share scheme and during the year 97 per cent of employees from eligible businesses took up the award of shares, while nine per cent of employees from eligible businesses applied to participate in the salary sacrifice share plan.

Wesfarmers recognises the significant social and commercial value of diversity at all levels of its workforce, and seeks to leverage each individual's unique skills, background and perspectives. Gender diversity has been and continues to be a priority for the group. As at 30 June 2010, approximately 57 per cent of our employees are female. Two of our 11 Board members (18 per cent), one of the 11 members of the Wesfarmers leadership team (nine per cent) and 23 of 121 Wesfarmers divisional executive team members (19.8 per cent) are female.

We have established policies across the Group aimed at ensuring that each person has equal access to employment opportunities, and that the benefits of employment are based on the principle of merit. Each business unit is required to complete an annual report to the Equal Opportunity for Women in the Workplace Agency. These reports outline strategies implemented to enhance the representation of women in our businesses.

FIGURE 8A: Employee numbers

Division	2009	2010
Coles	113,311	106,030
HIOS – Bunnings	28,369	29,603
– Office Supplies	5,400	5,558
Target	24,981	24,389
Kmart	26,469	26,212
Resources	788	791
Insurance	3,092	3,288
Chemicals and Fertilisers	779	765
Energy	966	945
Industrial and Safety	3,214	3,244
Corporate Office ¹	245	608
Wesfarmers Group	207,614	201,433

- The Corporate Office data includes 395 staff who work for Coles Group Asia across several businesses (the actual number of Corporate Office staff is 213)
- Coregas is included in the Energy Division data because at 30 June 2010 it was still formally part of the Energy Division
- This data was accurate at 30 June 2010 but is subject to regular change dependent upon business patterns

FIGURE 9: Number of hours worked by employees

Division	2008	2009	2010
Coles	104,317,176	111,464,731	110,744,686
HIOS – Bunnings	32,346,368	33,916,817	35,749,310
– Office Supplies	5,884,429	6,257,964	6,613,388
Target	20,246,165	20,664,453	20,204,521
Kmart	26,075,503	24,499,000	25,680,268
Resources	2,650,770	3,550,808	3,263,519
Insurance	5,078,144	5,415,648	5,616,469
Chemicals and Fertilisers	1,633,798	1,970,030	1,519,945
Energy	2,535,929	2,283,000	2,321,794
Industrial and Safety	5,817,131	5,829,832	5,600,947
Corporate Office ¹	304,392	412,513	1,119,875
Wesfarmers Group	206,889,805	216,264,796	217,715,823

- The Corporate office number of hours worked includes a nominal 718,900 hours for Coles Group Asia staff – the actual hours worked by Corporate Office employees were 400,975

Given our autonomously operating business unit structure, training is one of the key human resource issues within the direct responsibility of business units. At the same time, key human capital development policies and processes apply across the Group. These include remuneration policies for the Group's senior managers and workplace anti-discrimination and succession planning. Our recorded commitment in training and development was 1.91 million hours (but we expect this to increase in future years, both through increased development programs and through better recording of activity).

We have a code of ethics and conduct that covers employee behaviour and while business units are encouraged to adopt standards that align best with their activities, these must embody the principles laid down in the Group code, which is available on our website. Also available on our website is our Group Whistleblower Policy which encourages employees to raise any concerns and report instances of unethical, illegal, fraudulent or undesirable conduct, where there are reasonable grounds to suspect such conduct, without fear of intimidation, disadvantage or reprisal.

Safety

Workplace safety remains one of the Group's highest priorities. We believe we have an obligation to do all we can to ensure the safety in the workplace of everyone who works for our company, our visitors and customers.

We have a Group target of reducing accident rates by 50 per cent each year towards a goal of zero. The primary measure is the Lost Time Injury Frequency Rate (LTIFR).

This year saw an overall improvement in the Group's reported safety performance, as measured by the LTIFR. For the reporting period, the Group LTIFR was 10.95, down from 13.06 for the previous corresponding period. There were 2,384 Lost Time Injuries over the period, compared to 2,825 in 2008/09. We have also introduced another measure of performance across the Group this year, being the Total Recorded Injury Frequency Rate (TRIFR) which essentially measures the frequency of all injuries requiring medical attention, or causing at least a work shift lost from the business – the TRIFR in 2009/10 was 89.4 and we will report further on that in future years.

On a business-by-business basis, Air Liquide WA, the Corporate Office and enGen maintained a zero LTIFR and almost all businesses recorded significant improvements in their safety performance as measured by the LTIFR. Details of individual business safety outcomes are found in figure 10 and their individual reports.

While the LTIFR remains the main Group-wide measure of safety performance, operating businesses are encouraged to use a range of broader measures to promote a more proactive approach and support a culture of safe work practices. These include statistics on all injuries, near misses and restricted work cases. Details, where applicable, are available in their individual sections of this report, or their own divisional reports on the websites.

The number of workers' compensation claims during the year fell from 9,378 to 9,040 (see figure 11).

In August 2010 there was unfortunately a fatality at our Curragh minesite in Qld involving a contractor in an on-site light vehicle accident.

Non-compliance/prosecutions

Details of instances where individual divisions are the subject of potential regulatory breaches are included in the various business reports.

FIGURE 10: Lost Time Injury Frequency Rate (LTIFR)

Division	2007	2008	2009	2010
Coles	n/a	17.45	15.55	12.87
HIOS – Bunnings	14.48	13.79	14.56	12.53
– Office Supplies	n/a	10.40	12.30	11.95
Target	10.36	9.34	9.2	7.97
Kmart	11.02	10.74	11.18	9.08
Resources	3.4	7.2	2.53	2.14
Insurance	2.7	3.7	2.22	0.89
Chemicals and Fertilisers	2.2	3.06	3.05	3.20
Energy	2.56	6.31	2.19	4.31
Industrial and Safety	4.6	4.6	2.4	1.61
Corporate Office	0	0	4.85	0
Wesfarmers Group ¹	10.6	9.94	13.06	10.95

1. The 2008 data for the Wesfarmers Group result excludes Coles as disclosed in last year's report

FIGURE 11: Workers' Compensation Claims

Division	2007	2008	2009	2010
Coles	5,546	5,547	5,482	5,474
HIOS – Bunnings	1,331	1,068	1,304	1,258
– Office Supplies	235	255	240	209
Target	684	837	834	757
Kmart	1,419	1,314	1,223	1,077
Resources	52	41	63	57
Insurance	12	40	33	30
Chemicals and Fertilisers	16	21	28	21
Energy	31	53	34	40
Industrial and Safety	126	138	134	117
Corporate Office	0	0	3	0
Wesfarmers Group ¹	9,452	9,314	9,378	9,040

1. The data does not include Coles Group Asia

Governance

In our 2010 Annual Report (available at www.wesfarmers.com.au) we provide a very detailed account of the governance structure and responsibilities of Wesfarmers Limited.

The Board's charter requires it to have a majority of non-executive independent directors, a non-executive independent Chairman and different people filling the roles of Chairman and Chief Executive Officer.

Three standing Board committees (Nomination, Remuneration and Audit) review matters on behalf of the Board and make necessary recommendations.

The Board's Market Disclosure Policy, which covers announcements to the Australian Securities Exchange, prevention of selective or inadvertent disclosure, conduct of investor and analyst briefings, media communication and other issues, is supported by an education and training program overseen and monitored by the Audit Committee. Pages 58 to 66 of the 2010 Annual Report set out in detail the approach to ethical business behaviour and governance of Wesfarmers and therefore will not be covered in detail in this report.

Community contributions and partnerships

The continuing successful operation of the Group's businesses, in an ethical and socially responsible way, is the cornerstone of our contribution to the community. Through the creation of employment opportunities and the flow of economic benefits to employees, shareholders, and suppliers, and through the payment of taxes and royalties to governments, we are committed to having a positive impact in the broader community.

In addition, we believe in supporting the local communities and wider society in which we operate by direct and indirect assistance to organisations and activities that provide a public benefit. That support is delivered by direct financial assistance and partnerships with Wesfarmers Limited, the parent company, and through financial contributions, sponsorships and other direct and indirect assistance from the Group's individual businesses. The scope of many of these community investments is outlined in each of the various divisional reports.

The Board of Wesfarmers Limited contributes up to 0.25 per cent of the Group's before-tax profit each year (in 2009/10 \$3.70 million was contributed to community organisations). In deciding the distribution of these funds, the Board gives preference to activities focused on medical research and health, Aboriginal partnerships and education and the Wesfarmers Arts program.

Wesfarmers Arts

Wesfarmers supports a number of Australia's leading arts companies through the award-winning Wesfarmers Arts sponsorship program. This involvement stems from a belief that a vibrant cultural sector makes a positive contribution to the life of the community. The company's nationally recognised collection of Australian art is shared with the public through exhibitions and loans to galleries across the country. During the year, works from the collection were displayed in several major touring exhibitions including John Brack, from the National Gallery of Victoria, Rupert Bunny presented and toured by The Art Gallery of New South Wales and the 2009 Western Australian Indigenous Art Awards.

A highlight of the year was the launch of the Wesfarmers Arts Indigenous Fellowships in partnership with the National Gallery of Australia. Developed in consultation with Aboriginal leaders and communities across all states, the Fellowship is the only professional development program of its kind in Australia to foster Aboriginal leadership in the visual arts.

Political donations

During the year, the Wesfarmers Board decided that the company would cease donating to political parties. Financial contributions only have been made by Wesfarmers Limited and not by any of our business units. Before the decision was taken, we provided a total of \$120,000 (donations and fees), split between the Liberal Party, the Australian Labor Party and the National Party in the 2009/10 financial year. All donations are disclosed in November after the end of the financial year concerned to the Australian Electoral Commission which publishes this information on its website, www.aec.gov.au

FIGURE 12: Community contribution (\$m)

Division	2009			2010		
	Direct	Indirect	Total	Direct	Indirect	Total
Coles	12.359	7.364	19.723	7.32	1.85	9.17
HIOS – Bunnings ¹	3.612	11.917	15.529	2.03	18.06	20.09
– Office Supplies ²	0.493	n/r	0.493	0.51	0	0.51
Target	0.986	1.681	2.667	1.44	1.64	3.08
Kmart	1.024	10.828	11.852	2.35	4.53	6.88
Resources	0.856	n/r	0.856	0.68	0.03	0.71
Insurance	0.841	n/r	0.841	0.96	0	0.96
Chemicals and Fertilisers	0.430	0.002	0.432	0.26	0.01	0.27
Energy	0.258	0.003	0.261	0.18	0	0.18
Industrial and Safety	0.129	0.049	0.178	0.17	0.04	0.21
Corporate Office	4.781	0.004	4.785	3.70	0.02	3.72
Wesfarmers Group ^{3,4,5}	25.769	31.847	57.616	19.60	26.18	45.78

- All data except for Office Supplies and Bunnings verified by the London Benchmark Group (LBG); Office Supplies and Bunnings data verified by Net Balance as part of the external assurance process for this report
- (Profit before tax for 2009/10: \$2.215 billion (Direct contributions are 0.89 per cent of this; total direct and indirect (facilitated) contributions are 2.07 per cent of this before tax profit)
- Net Profit after Tax (NPAT): \$1.565 billion (Direct contributions are 1.26 per cent of this NPAT; total direct and indirect (facilitated) contributions are 2.93 per cent of this NPAT)
- 2009/10 data here does not include management costs as verified by LBG
- The 2010 total is lower than the figure published the 2010 Annual Report, as LBG required a change to remove the editorial value of a project after the publication date

Community partnerships

Wesfarmers has always had strong connections to the communities it operates in. Our many stakeholders rely on support from our businesses that goes beyond our economic contribution to society.

Target's partnership with St John Ambulance enabled 1,161 people to receive first aid training free of charge

Several highlights during the year included;

- Coles customers supported Cancer Council with \$1.34 million donated through Coles stores for Daffodil Day in 2009;
- Chemicals and Fertilisers has a partnership with Youth Focus, an organisation dedicated to assisting young people at risk of suicide or self-harm;
- Curragh, together with other coal mining companies, provided funding for a second doctor at Blackwater Hospital;
- Bunnings team members were involved in more than 33,000 local community activities, and contributed to help raise more than \$20 million;
- the Kmart Wishing Tree Appeal collected over 430,000 gifts and \$290,000 in cash for our charity partners to distribute to people in need; and
- Blackwoods strongly supported The Fred Hollows Foundation in Australia.

1,161

people received first aid training through Target stores



Verification Statement from LBG Australia/New Zealand



The LBG model helps businesses improve the measurement, management and reporting of their corporate community investment programs. It covers the full range of contributions (cash, time and in-kind donations) made to community causes, and assesses the results achieved for the community and for the business.

As managers of LBG Australia/New Zealand, we have worked with Wesfarmers Limited to review its understanding and application of the LBG model in respect of the wide range of community programs supported. Our aim has been to ensure that the evaluation principles have been correctly and consistently applied. Having conducted an assessment, we are satisfied that this has been achieved. Our work has not extended to an independent audit of the data.

Jessica Pattison

LBG Manager

September 2010

www.lbg-australia.com

As referred to earlier in this report, LBG undertakes a verification process across the Wesfarmers Group (with the exception of the Home Improvement and Office Supplies division, whose community contributions were assured by Net Balance as part of its overall assurance of this report – please note its Assurance Statement on page 74 for specific comment on our community contributions) and provides us with a report on which the data in figure 12 are based, as well as the verification statement opposite.

The scope of many of our contributions is explained in the various divisional reports. However, some significant activities during the year included the continuation of annual contributions of \$900,000 to the Western Australian Institute of Medical Research; the Bunnings community barbeques that allowed community groups to raise approximately \$17 million during the year; the Kmart Wishing Tree Appeal which helped to deliver over 400,000 gifts in late 2009 to our charity partners for distribution to families in need; and the Resources division's support for Life Education Australia with its drug and alcohol education programs.

The total community contribution by the Group (direct and indirect) in 2009/10 was \$45.78 million, which was reduced from 2008/09 because of the contribution made to appeals dealing with the tragedy of the Victorian bushfires in February 2009.



Wesfarmers' partnership with leading Australian arts companies allow organisations like West Australian Ballet to foster young talent, work in regional communities and produce work for the national stage.

Photography courtesy of Jody D'Arcy

Other businesses

In this report we provide detailed information on all the businesses we operate in Australia, New Zealand and other countries, whether they are fully or part owned by Wesfarmers.

There are, however, a range of significant businesses in which Wesfarmers is a major investor, and some brief details are provided here, together with the relevant website address which includes more detailed information.

Queensland Nitrates Pty Ltd (QNP): Through our Chemicals and Fertilisers division (CSBP), we own a 50 per cent interest in QNP, located at Moura in the Bowen Basin in Qld, an ammonium nitrate producer and supplier to the mining industry. For further information please visit www.csbp.com.au

Bengalla coal mine: Through our Resources division, we own a 40 per cent interest in the Bengalla coal mine in the Hunter Valley in NSW, through a joint venture with Coal and Allied, a member of the Rio Tinto group of companies. The Bengalla mine produces steaming coal for domestic and export markets. For further information please visit www.coalandallied.com.au

Gresham Partners Group Limited: Wesfarmers owns a 50 per cent interest in the Gresham Partners investment banking activities. Through several Gresham Private Equity funds, we are involved in the ownership and development of several companies including Silk Logistics Group, Barmenco Limited, and Witchery fashion. For further information please visit www.gresham.com.au

Bunnings Warehouse Property Trust (BWPT): Wesfarmers owns 23.1 per cent of BWPT, which develops and owns properties for our Bunnings business and other retail/commercial companies. For further information please visit www.bwptrust.com.au

Wespine Industries: Wesfarmers owns 50 per cent of Wespine Industries Pty Ltd, which operates a plantation softwood sawmill at Dardanup in WA. The sawmill has capacity to process in excess of 400,000 cubic metres of logs annually to produce approximately 200,000 cubic metres of structural and appearance grade timber for Australian and export markets. Market demand recovered in 2009/10, increasing by more than 40 per cent over the previous year.

Wespine employs about 180 people, an increase of 20 per cent on 2009, due to increased market demand. To September 2010, Wespine had recorded no Lost Time Injuries for more than two years.

Wespine purchases the majority of its plantation logs under a supply agreement with the Forest Products Commission (WA) which extends to 2033, thus providing long-term resource security for the business. A new facility to produce treated structural timber (Wespine Blue) was commissioned in September 2009, to satisfy increased demand for pest-resistant structural timber. For further information, please visit www.wespine.com.au

Sotico: Wesfarmers owns and operates Sotico Pty Ltd, which has a large landholding of some 11,800 hectares at Boddington, 110 kilometres south of Perth, WA, on which Sotico manages 3,300 hectares of pine plantation land and leases a further 1,000 hectares for eucalypt plantations. The balance of the land comprises native forest which is not logged currently. Sotico supplies over 30,000 cubic metres of pine log products to customers annually, including to Wespine. Sotico maintains annual certification of its Boddington site to Australian Standards ISO 9001 and 14001.

In addition, Sotico is progressively selling land which it owns in the Pemberton townsite in WA, a legacy of Sotico's previous ownership of the Pemberton hardwood sawmill. Some 4.7 hectares of remediated land was transferred to the state in January 2010, which is reported in more detail on page 18 and five other subdivided lots have been sold to date. The remaining five hectares on two lots is being marketed at the time of report preparation.

Memberships and associations

The major association and institutional memberships for Wesfarmers Limited and its subsidiaries:

Australian based or related to our Australian operations

- Business Council of Australia
- Chamber of Commerce and Industry of Western Australia Inc (and some regional chambers)
- Australian National Retailers Association
- Australian Convenience Store Association
- Australian Hotels Association
- Nutrition Society of Australia
- Western Australian Sustainable Energy Association
- Green Building Council of Australia
- National Packaging Covenant
- Centre for Corporate and Public Affairs
- Australian Institute of Packaging
- Packaging Council of Australia
- Australasian Compliance Institute
- National Retail Association
- Consumer Electronics Suppliers Association
- Textile Institute
- Australian Toy Association
- Logistics Association of Australia
- Property Council of Australia
- Energy Users Association of Australia
- Greening Australia (WA) Inc
- Kwinana Industries Council
- National Safety Council of Australia
- Industrial Foundation for Accident Prevention
- Australian Institute of Management
- Society of International Gas Tanker and Terminal Operators
- The Australian Mines and Metals Association
- Australian Coal Association
- Australian Gas Association
- National Bulk Tanker Association
- Victorian Transport Association Inc
- Housing Industry Association
- World LP Gas Association
- Australian Liquefied Petroleum Gas Association Ltd
- Safety Institute of Australia
- Victorian Employer's Chamber of Commerce and Industry
- Australian Security Industry Association Limited
- Insurance Council of Australia
- National Insurance Brokers Association
- Association of Superannuation Funds of Australia
- Sydney Chamber of Commerce
- Australasian Fleet Managers Association
- Royal Agricultural Society of Western Australia
- Queensland Resources Council
- Chamber of Minerals and Energy of Western Australia
- Plastics and Chemicals Industries Association (Inc)
- Fertiliser Industry Federation of Australia (Inc)
- Vinyl Council of Australia
- Australian Institute of Energy (Western Australia)
- Energy Supply Association of Australia
- Australian Industry Greenhouse Network
- Industry Road Safety Alliance (Western Australia)
- London Benchmarking Group
- Hardware Association of Western Australia

New Zealand based

- Industrial and Engineering Distributors Association of New Zealand
- National Association for Hose and Accessories Distribution (based in the USA)
- Employer's Manufacturers Association
- Insurance Council of New Zealand
- Insurance Broker's Association of New Zealand
- Imported Tropical Timber Group

Reconciliation Action Plan

Since the launch of our first Reconciliation Action Plan in November 2009, our businesses have been making progress towards ensuring that they are welcoming to Aboriginal people, as employees, customers and citizens.

Each division has developed an Aboriginal or Diversity Strategy, which identifies the ways in which it will ensure that employment opportunities are available to Aboriginal people, as well as identifying opportunities to build our workforce's respect and understanding of Aboriginal culture and people.

This year, each division conducted a survey of its current workforce, to determine how many self-identified Aboriginal people we currently employ. This baseline measurement has enabled the Group to determine that Aboriginal people are currently under represented in our workforce, with approximately 0.8 per cent of survey respondents identifying as Aboriginal. Survey response rates varied by division depending on how the survey was conducted; through electronic human resources systems, a broader culture survey or a purpose-designed survey. An estimated two per cent of the total working-age population in Australia is Aboriginal. This baseline measurement will provide one method of measuring the success of our Aboriginal Engagement strategy in coming years.

Division	Self-identified Aboriginal employees ¹	Survey Response Rate	
	Number	Proportion of respondents (%)	(%)
HIOS ² – Bunnings	144	0.7	68
– Office Supplies	11	1.7	12
Resources	12	1.9	78
Industrial and Safety	40	1.8	86
Insurance	10	0.4	92
Energy	5	0.7	91
Chemicals and Fertilisers	3	1.5	31
Coles	275	0.4	59
Target	388	1.9	89
Kmart	59	1.5	17
Corporate office	1	1.2	41
Wesfarmers Group	948	0.8	58

¹ 'Aboriginal' includes Torres Strait Islander peoples in this report

² Survey numbers in this division are based on each store manager's personal knowledge of their staff



Wesfarmers is creating opportunities for Aboriginal teenagers, through its increased sponsorship of the Clontarf Foundation.

Main highlights

Creating opportunities

Many divisions have started piloting specific Aboriginal employment programs for their businesses, especially in areas with a high Aboriginal population. For example, Coles has focused on Far North Queensland, with its successful Aboriginal employment initiative in Cairns and Edmonton. Target has been developing its school-based traineeship program in WA, SA and NT, which will be launched at the beginning of 2011.

Wesfarmers is also creating opportunities for teenage Aboriginal boys, through its renewed and increased sponsorship of the Clontarf Foundation, which uses Australian Rules football to keep kids in school.

Building relationships

The inaugural Wesfarmers Aboriginal Network Day was held in August 2010, with interested parties and 'champions' from across the divisions gathering to learn from each other's experiences, as well as those of other organisations.

Our businesses are also starting to build relationships with their local Aboriginal communities, through advisory roles, community involvement and welcome to country ceremonies.

Building respect

Building our workforce's respect for Aboriginal culture and history is one way that we can promote understanding and reconciliation across the country. We have developed induction materials for use by our businesses for new employees and many divisions have undertaken specific cultural awareness training for relevant staff.

Tracking progress

A full report against the actions identified in our 2009 Reconciliation Action Plan can be found at www.wesfarmers.com.au

2011 priority areas

- Each division will implement its Aboriginal strategy, with a focus on employment initiatives
- Incorporating cultural awareness material in induction and other training processes
- Share Aboriginal employment knowledge and experience between businesses
- Build local relationships between our businesses and Clontarf academies, to achieve employment outcomes for Clontarf school leavers

Wesfarmers working with Jawun Indigenous Corporate Partnerships



Jawun secondees in the East Kimberley with Brenda Garstone and her family.



Guy Russo (Kmart), Richard Goyder (Wesfarmers) and Stuart Machin (Coles), with members of the Ringers Soak community in the East Kimberley.

Wesfarmers has partnered with Jawun Indigenous Corporate Partnerships, and has provided 11 secondees from across our businesses to support Aboriginal organisations in the East Kimberley in 2010. Each secondee was in the East Kimberley for five weeks, using their knowledge and experience to assist organisations that are working for the social and economic inclusion of Aboriginal people in the area.

For example, Dylan Murdoch, Coles' Store Manager of the Year, spent five weeks in Kununurra, assisting the Wunan Foundation to improve its employment services. While on secondment, Dylan and three other Wesfarmers secondees were visited by Wesfarmers' Managing Director, Richard Goyder, and senior staff from Coles and Kmart.

About our business

We are one of Australia’s leading retail businesses with brands including Coles and BI-LO supermarkets, 1st Choice Liquor Superstores, Liquorland, Vintage Cellars and Coles Express.

We employ approximately 106,000 team members and operate more than 2,200 outlets. More than 17 million transactions take place across all our brands each week.

Over the last year, we have opened and refurbished 35 supermarkets with new store formats. We continued to invest in store standards, customer service and our supply chain to provide a platform for future growth.

Year in review

We have completed the second year of our turnaround strategy and progressed a range of initiatives to improve the shopping experience of our customers. We invested \$22 million to place over 120,000 new trolleys in our stores. Two of our new styles of trolleys have been designed for convenience shoppers and parents with small children.

New supermarkets opened and others were refurbished with our latest store design, which has an open and welcoming entry for customers into a market-style fresh produce area. Fixtures are lower, so customers can move around the fresh food areas with ease and where possible the long aisles are split to improve customer navigation.



The ‘safety wall’ is a feature of our ‘Engage’ safety program which has been rolled-out across our distribution centres.

Bottom right: Students at Moffatdale State School, Qld received a Coles Junior Landcare School Garden Grant (Photograph by Jessie Hodgson, Nature and Nurture Photographics).



SAFETY PERFORMANCE
Lost Time Injury Frequency Rate (LTIFR)



GREENHOUSE GAS EMISSIONS
Tonnes CO₂e



ENERGY USE
Million gigajoules



2010 Priorities	Outcomes	Status	2011 Priorities
Training and development of our team members	890,047 hours of employee training – up 18.7 per cent. Over 450 participants in our Retail Leaders and Graduate Programs received internal appointments at Coles.	✓	– Training and development of our team members
Customer trust in our product range, value and quality	State and territory-based grocery pricing introduced to provide consistent pricing. Daily Intake (DI) nutritional labelling now featured on 776 Coles brand products. Expanded our Coles brand Fairtrade tea and coffee range. Launched RSPCA accredited Coles Finest free range pork.	✓	– Customer trust in our product range, value and quality – Water saving and energy efficiency of our stores
Water saving and energy efficiency of our stores	Night blinds for food refrigeration cases introduced for 162 supermarkets. Energy saving lighting controls installed at more than 100 supermarkets. Commenced installing low energy lighting at our Smeaton Grange distribution centre, NSW. Tote washers using recycled water were installed at two national distribution centres to clean plastic storage containers.	✓	– Workplace safety for our team members – Support the local communities in which we operate
Workplace safety for our team members	LTIFR reduced last year from 15.55 to 12.87. Manual handling and essential safety training programs launched across the business.	✓	
Support the local communities in which we operate	Our total community investment for the year was more than \$9 million. 92 shopping devices provided to assist Coles customers with low vision. Raised more than \$1.34 million for the Cancer Council Helpline. Awarded 442 garden grants to schools – over 808 since the program launched in 2008.	✓	

KEY

- ✓ Achieved
- ✓ Partially achieved
- ✗ Not achieved

WATER CONSUMPTION

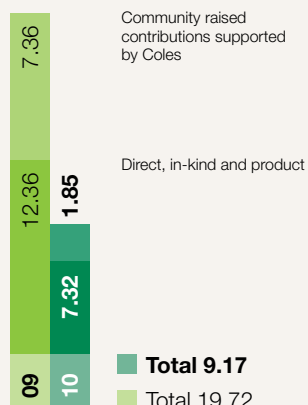
Megalitres



* Includes liquor and convenience stores.

COMMUNITY CONTRIBUTION

A\$m



Sustainability highlights

Key sustainability highlights for Coles during the year included the following:

Consistent pricing

- Coles moved to state and territory-based grocery pricing in February 2010. Coles now applies its lowest prices to more than 8,000 grocery products. The remaining grocery products are matched to our lowest prices in each state and territory with the exception of a small number of remote locations where we face higher freight costs.

Daily Intake nutritional labelling

- We continued the introduction of DI labelling for packaged Coles brand products during the year. As at 30 June, 776 Coles products have this labelling, which was developed to help consumers easily understand the nutritional content of a serve of a particular product and how it contributes to their daily diet.

Packaging

- In March 2010, we began reviewing packaging for Coles branded products. The review will measure our packaging against the Sustainable Packaging Guidelines, which will be part of the new Australian Packaging Covenant.
- A new bottling process introduced by our Victorian-based spring water supplier, Mountain H2O, during the year has substantially reduced the amount of plastic, fuel and water used to produce Coles brand Spring Water. Coles Spring Water is now up to 40 per cent lighter across three product sizes which, when based on the annual volume of water bottled, will result in 187,000 kilograms of plastic saved.

Shopping bag recycling

- In June 2010, we launched a two-week bag drive to provide customers with a convenient and environmentally responsible way to dispose of their reusable bags made of polypropylene. As a result of our bag drive, over 37,000 bags were saved from landfill and will be turned into outdoor furniture and donated to schools. In September 2009, over 220,000 single use plastic bags were also collected and recycled as part of our Plastic Bag Challenge with Landcare.

Fairtrade

- During Fair Trade Fortnight in May 2010, we announced the launch of three new Coles branded Fairtrade and Organic tea lines and five Fairtrade coffee lines which adds to our existing award winning Coles Finest Ethiopian Fairtrade coffee blend. Through Fairtrade we support tea and coffee growers in countries such as Tanzania, India, Ethiopia, Indonesia, Papua New Guinea and Peru.

Listening to our customers

- As part of our aim to put our customers at the heart of our business, in September 2009 we launched our 'Listening to 1 million customers' program, which now operates in approximately 260 supermarkets. The online survey allows customers to provide feedback on their most recent shopping experience.

Leadership Award

- In October 2009, we were recognised by Foodbank Australia and awarded the annual Leadership Award for our many years of making food donations for people in need. We were the first Foodbank donor to donate over a million kilograms of food in one year.

People

As at 30 June 2010, Coles employed 106,030 team members of which 91,693 work in supermarkets, 8,574 in liquor stores and hotels and 5,763 work in fuel and convenience outlets. During the year, hours worked by part-time team members increased to provide greater permanency to our part-time workforce. This has resulted in a decrease in the number of casual team members employed and, therefore, our total workforce.

Awards and recognition

Our team members and stores were recognised for their customer service excellence at industry awards during this year.

Coles Express represented Australia at Shell's Global 'People Make the Difference Real' annual awards in Malaysia. Site Manager, Rupi Singh and the team at Coles Express Laverton (Vic) took out the award for the Shell 'Smiling Star Retailer of the Year' for Australia.

Our hotel business (Spirit Hotels Queensland) was recognised as part of the annual Queensland Hotels Association Awards for Excellence. Our Mango Hill Tavern was awarded Best New Hotel/Tavern and Spirit Hotels Queensland won the Responsible Serving – Gaming award.

The Liquor Stores Association of NSW hosted the Retail Liquor Industry Awards for Excellence in November 2009. In the Retailer Category Winners division, Liquorland Bathurst store manager, Jarrod Ronan, was voted Liquor Store Manager of the Year.

Training

This year we continued to grow our Retail Leaders Program, which was launched in 2008, as the pathway for internal talent to progress to leadership roles in supermarkets. During the year, there were 343 participants in this program.

Our 12-month Retail Operations Graduate Program is one of the major avenues for career development at Coles and this year we saw our largest graduate intake to date with 104 graduates participating. More than 450 team members have achieved internal appointments following their participation in the Retail Leaders Program and our Graduate Program.

Coles Express launched the Getting Started Program for new team members. Approximately 1,400 team members have completed this program, covering all aspects of the business including compliance, technical and customer service.

Coles Liquor continued to focus on product knowledge and this has resulted in an increase in the number of Liquor Product Training Framework completions to 49,000. In addition, the Coles Liquor Customer Service Video Training and Assessment Program was launched in April 2010 and has been delivered to 3,500 team members.

Coles Spring Water bottles are now up to 40 per cent lighter due to a new bottling process. This process received the bronze award in the sustainability category at the 2010 Australian Packaging Awards.



Team member engagement

In July 2009, we introduced 'We are listening' surveys for team members which provide us with regular updates on the level of team member engagement. As at June 2010, approximately 65,000 surveys have been completed from across supermarkets, liquor, Coles Express and our Store Support Centre.

Safety

Our LTIFR fell to 12.87 from 15.55 and our AIFR was higher at 97.97 compared with 95.28 at the same time last year.

During the year, the number of workers' compensation claims decreased to 5,474 from 5,482 last year.

We delivered a new competency-based manual handling training program for liquor team members. Six health and safety 'non negotiable' standards were launched to promote safe working environments and behaviours designed to reduce the risk of injury for team members, customers and visitors.

To better equip future supermarket store managers and department managers with essential safety knowledge, we incorporated a new training module into our Retail Leaders Program.

A manual handling program was also re-launched for Coles Express team members during the year, which incorporated a DVD on specific manual handling tasks and safe work practices. On 8 June 2010, a National Safety Day was held where team members from Coles Express and Shell participated in a manual handling coaching activity and served customers on the forecourt while discussing the importance of safety at our sites.

Environment

Water

This year, we were able to map our water usage across more than 2,200 supermarkets, liquor stores, hotels, Coles Express sites and our Store Support Centre in Vic. Our total water usage was 2.71 gigalitres.

The estimated water consumed by our supermarkets decreased to 1.6 gigalitres. Many of our sites do not have water meters, so our data is extrapolated from actual water bills across 137 supermarket sites nationally.

Similarly, we extrapolated a sample of sites to find our 862 liquor stores and hotels consumed 613 megalitres. Our 619 Coles Express sites, including those with car washing, consumed 457 megalitres.

At our Store Support Centre in Tooronga, Vic, we have reduced water consumption to less than 34 megalitres. Initiatives include the installation of two 55,000 litre water tanks to help establish our new low maintenance garden.

At our distribution centres at Eastern Creek, NSW, and Somerton, Vic, we installed tote washers which automate washing and recycle water used for cleaning plastic storage containers.

Waste

This year we recycled 131,242 tonnes of cardboard, paper, plastic, metal and organics, and sent 90,961 tonnes of waste to landfill which was down 26 per cent on last year.

More than 59 per cent of our waste was recycled. Organic food waste is currently collected from approximately 130 supermarkets to produce compost, fertiliser and gas for electricity generation. We have plans to expand this collection to WA in the coming year.

In November 2009, we trialled the collection and recycling of donut oil and chicken fat waste at our Victoria Gardens supermarket in Melbourne. After a successful trial, the service was rolled out at 125 supermarkets in NSW, Qld and ACT where chicken fat can be separated.

During the year, waste audits conducted at our liquor sites found that over 90 per cent of our waste was recyclable. In trials at three liquor stores, we reduced landfill bin capacity and increased recycling collections. Over a three month period, recycling at these sites increased by 60 per cent and waste sent to landfill fell by 70 per cent. This approach has now been implemented for all Coles' liquor stores.

Contamination/remediation

In our last report, we reported on a soil and groundwater contamination issue at a Coles Express site in Mooroopna, Vic, and the adjoining property. The site, which has been monitored and tested over the last two years, shows a reduction in the level of hydrocarbons which are attenuating naturally.

Environment protection and Coles Express

Both the ACT and Tasmania introduced legislation during the year relating specifically to the management of underground petroleum storage systems. The legislation contains specific responsibilities for operators such as Coles Express and our alliance partner, Shell Australia, as well as property owners. Coles Express and Shell are currently working closely with Tasmania and ACT to prepare Environmental Protection Plans and other documentation to ensure full compliance by the relevant due dates.

Carbon and energy

Greenhouse gas emissions

Our total greenhouse gas emissions were estimated to be 2,530,856 tonnes of CO₂e, down 15 per cent on last year, and this equates to 84.4 tonnes of CO₂e per million dollars of revenue, down 18 per cent on last year.

Energy use

Our main uses of energy are: electricity for refrigeration, lighting and cooling in our stores, distribution centres and support centres and natural gas and LPG for space and hot water heating. Total energy consumption was estimated to be 7.39 million gigajoules, up one per cent on last year. Our total energy consumption per million dollars of revenue was estimated to be 246 gigajoules, down three per cent on last year. This energy use is made up of 93 per cent electricity and seven per cent fuel.

Energy efficiency initiatives

During the year, we undertook a range of initiatives to reduce our energy use and emissions.

We installed night blinds at 162 supermarkets to reduce the night-time energy use of our refrigeration systems. The balance of stores will have these blinds by next year. We also launched a program to better manage lighting for our supermarkets by automatically controlling lighting outside of trading periods. This initiative has been completed for over 100 stores and a further 150 will be completed in the coming year.

We continued our program of installing anti-condensate heater controls to glass door freezers in suitable older stores which reduce the energy use of heaters in the glass doors. We completed 100 stores this year, bringing the total completed so far to 235 stores.

Coles commenced a partnership with City Facility Management Australia on 1 September 2009 for servicing refrigeration equipment at all supermarkets. Through this partnership we have been able to more accurately measure the refrigerant used by our stores, rather than reporting the default leakage rate as provided under NGER.

Governance

Ethical sourcing

Over the past year, we redeveloped our Ethical Sourcing Policy and asked suppliers of Coles brand products to self-assess their level of compliance with our policy. A further 398 suppliers, which operate in non-OECD member countries, are in the process of being reviewed with a view to being certified to the Coles Ethical Sourcing Code or a mutually recognised Code within three years. Audits and self assessments received from suppliers are being independently reviewed by our social auditing firm, SGS Australia Pty Ltd.

Salt reduction

Coles participates in the Federal Government's Food Health Dialogue which has set salt (or sodium) reduction plans for product categories. Targets have been set for breakfast cereals and breads. The majority of Coles brand breakfast cereals are now formulated below the Food Health Dialogue target of 400 milligrams of sodium per 100 grams serve and we have already achieved a 19 per cent reduction in salt levels across our breakfast cereals range.

Bisphenol A (BPA) and baby bottles

In June 2010, we voluntarily announced a move to a totally BPA-free range of baby bottles to meet community concerns about the use of certain chemicals in products that are regularly heated as part of the sterilisation process.

Palm oil

Since 2009, all newly labelled Coles branded products have declared the source of all vegetable oils, including palm oil and palm kernel oil. In September 2010, Coles joined the Roundtable on Sustainable Palm Oil and will progressively convert to sustainably sourced palm oil for Coles products by 2015.

Animal welfare

In July 2010, we announced our commitment to move to sow stall free pork by the end of 2014 and launched Coles Finest Free Range Pork in 60 stores in ACT, NSW and Vic. Our free range pork range has been developed in conjunction with the RSPCA and ensures that pigs are able to roam and socialise while accessing indoor areas as needed. We will expand this offer as additional supply becomes available.

Trolleys

During this year, a trial of a Cartronics wheel lock perimeter system at our Mount Annan and Chatswood (NSW) supermarkets proved successful and the system is now operating at 13 stores. At Coles Surry Hills, NSW, the system has reduced the average number of trolley collection runs required each week from 42 to seven. We expect to introduce the system more broadly in the coming year.

Biofuels

We have been working with our Alliance Partner, Shell Australia, to meet government biofuel targets through the distribution of Shell Unleaded E10 (unleaded petrol with 10 per cent ethanol) in NSW. As at June 2010, there are 308 Coles Express sites in NSW, ACT, Qld and Vic currently offering E10.

From 1 January 2010, the NSW Government mandate for ethanol-blended fuels increased from two per cent to four per cent of total petrol sold in that state. In order to meet the mandate we have converted 88 sites to Shell Unleaded formulated with 10 per cent ethanol (re-branded from Shell Unleaded E10) as the main grade fuel and removed regular Shell Unleaded fuel.

Tobacco

During the year, new laws commenced in NSW and the ACT that banned the retail display of tobacco products and required other changes to in-store ticketing, signage and notification/licensing arrangements. We have implemented arrangements to ensure compliance with the new laws.

Further tobacco display bans are due to commence in other states and territories over the coming two years, and began with WA in September 2010.

Liquor and responsible gaming

As part of ensuring we provide a safe hotel environment for our customers, we improved car park signage at all of our hotel venues during the year which reminds customers not to leave children in our car parks unattended. We also introduced a process for hourly checks of car parks by team members at all our hotels, which goes beyond our legal obligations.

For our hotels with gaming rooms, we screened off 35 gaming rooms from the general hotel area to ensure families with young children can enjoy our facilities without accidentally entering or observing the gaming area.

Non-compliance/prosecutions

In March 2010, we were fined \$90,000 for two charges relating to a WorkCover incident which occurred at BI-LO Vincentia in NSW in 2006. A third charge relating to the incident was dismissed by the court.

To enhance safety and minimise future risks at the store, we have implemented engineering controls around the back dock area and installed a new scissor lift.

Community

Our community investment is reviewed by LBG and this year we raised and contributed more than \$9 million. Of this total, approximately \$3.7 million represents our support for programs we sponsor with the Australian Red Cross, Cancer Council, Guide Dogs and Landcare.

We raised \$1.34 million from customers for Cancer Council through our support for Daffodil Day in August 2009, and donated \$120,000 to the Sydney Children's Hospital where our funds support the treatment of children with cancer and blood disorders.

During the year, we launched the Coles ID Mate, a talking portable barcode scanning device which assists low vision customers to shop more easily in our stores. Ninety-two devices were provided to customers at a cost of over \$100,000.

For additional information about our community programs, please visit our online report at www.coles.com.au

Economic investment

Our total operating revenue for the year was \$30 billion and our earnings before interest and tax was \$962 million – up 15.8 per cent.

As at 30 June 2010, we have 2,223 outlets which includes 742 supermarkets, 766 liquor stores, 96 hotels and 619 Coles Express sites. During the year, over \$700 million was invested in our business. In the coming year, we will accelerate our store renewal program with more than 100 stores due to be opened or renewed.



During the year, we launched the Coles ID Mate, a talking portable barcode scanning device which assists low vision customers to shop more easily in our stores.

Home Improvement and Office Supplies

Bunnings

About our Business

Bunnings is the leading retailer of home improvement and outdoor living products in Australia and New Zealand and a major supplier of building materials.

Operating from a network of large warehouse stores, smaller format stores, trade centres and frame and truss manufacturing sites, we cater for do-it-yourself (DIY) customers as well as builders and contractors.

Revenue during the year was 6.4 billion dollars. At year-end there were 184 warehouses, 58 smaller format stores, 29 trade centres and seven frame and truss operating across Australia and New Zealand. At 30 June 2010 we employed 29,603 team members.

Year in review

During the year we continued to accelerate long-term footprint reduction initiatives including efforts to reduce energy usage and waste to landfill.

We continued to install energy efficient e-tronic lighting technology, with more than 60 stores now completed. We also implemented trials in solar and wind micro-generation at warehouse stores in WA and ACT and heat reflective roof treatment at the Townsville warehouse store in Qld.

We increased our recycling rate for all materials from 50 per cent to 61 per cent in Australian stores and are seeing early signs of improvement in our New Zealand stores with an increase from 32 per cent to 36 per cent this year.



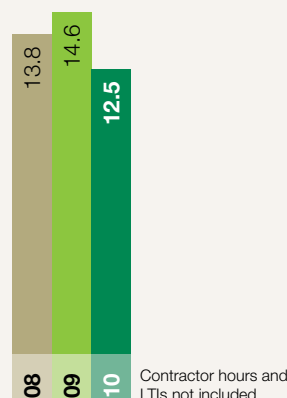
We reduced our total scheme water use from an estimated 717 megalitres to 691 megalitres through the use of rainwater tanks and our ongoing commitment to hand-watering and capillary mats in our nurseries.

Bottom right: The solar panel system on the roof of the Belconnen warehouse in the ACT. We have installed micro-generation demonstration projects to gain a better understanding of current technologies and their future potential to reduce electricity related greenhouse gas emissions.



SAFETY PERFORMANCE

Lost Time Injury Frequency Rate (LTIFR)



GREENHOUSE GAS EMISSIONS

Tonnes CO₂e



* Includes emissions reductions created by the voluntary purchase of Renewable Energy Certificates.

ENERGY USE

Million gigajoules



2010 Priorities	Outcomes	Status	2011 Priorities
Achieve carbon neutrality by 2015 or earlier	Total carbon footprint increased by approximately one per cent, significantly lower than net site growth of seven per cent. Actual carbon intensity of our operations continued to reduce by a further 9.7 per cent mainly through multiple energy and waste efficiency actions.	✓	– Continue work towards carbon neutral growth and long-term footprint reduction
Implement more water saving initiatives	Achieved an eight per cent reduction in water use in New Zealand based stores and a 3.6 per cent reduction in Australian based stores through continued rainwater collection and innovative nursery irrigation techniques.	✓	– Continue work reducing scheme water usage and reducing waste to landfill
Increase work in-store and with suppliers to reduce supply chain resource waste, increase recycling rates and bring to market products with stronger sustainability traits	In Australia, more than 99 per cent of timber products purchased from low risk plantation, or other verified legal or certified sustainable forest operations. FSC certified product purchases reached 30 per cent. Increased recycling rates across the business with focus on product level packaging improvements and waste reduction in our supply chain. Expanded sustainable product ranges for customers.	✓	– Continue work with suppliers to reduce supply chain resource waste and develop more products with stronger sustainability traits
Continue providing customers with access to information about environmentally-friendly products and projects that can support sustainable living	Increased customer access to information through our website with additional DIY videos, in-store information, catalogues and DIY workshops.	✓	– Continue providing customers with access to information about environmentally friendly products and projects that can support sustainable living
Maintain our contributions to improve the social wellbeing of the communities in which we operate	Contributed and helped raise more than \$20 million in direct donations, in kind support, and team member labour toward community projects.	✓	
Reduce our All Injury Frequency Rate (AIFR) by 15 per cent through refreshed training, increased safety awareness levels, strengthened reporting and management systems all focused on high risk areas	16.1 per cent reduction in AIFR achieved. Significant reductions in injuries, serious incidents and forklift incidents also achieved.	✓	– Maintain our contributions to improve the social wellbeing of the communities in which we operate

KEY

- ✓ Achieved
- ✓ Partially achieved
- ✗ Not achieved

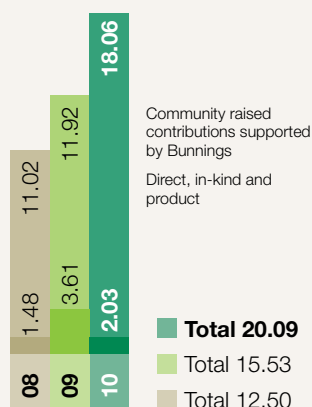
WATER CONSUMPTION

Megalitres



COMMUNITY CONTRIBUTION

A\$m



We reduced our total scheme water use from an estimated 717 megalitres to 691 megalitres through the use of rainwater tanks and our ongoing commitment to hand-watering and capillary mats in our nurseries.

We also made real progress on our timber procurement in Australia and can now confirm that more than 99 per cent of timber products purchased are sourced from low risk plantation or other verified legal or sustainable forest operations.

Our range of sustainable products and information for customers also increased both in-store and online and we have further grown our community support through more team member led community projects, product contributions and fundraising sausage sizzles to assist the communities in which our stores operate.

People

Our team members are the most important part of our business and their wellbeing and safety is a primary focus. Our safety performance has improved over the year and in 2010 we achieved our best safety result on record. We have had 161 less injuries (11.1 per cent improvement), 48 less serious incidents (42.8 per cent improvement), 37 less forklift incidents (22.4 per cent improvement) and our AIFR has reduced from 42.8 down to 35.9 (16.1 per cent improvement).

These reductions are a result of targeted safety campaigns and risk control initiatives focusing on high risk activities such as cutting, manual handling and forklift activity. Our permanent team member retention rate has reached close to 80 per cent which has also contributed to the effectiveness of our safety behaviour and training.

Some of the key programs that were launched last year include:

- Increased safety awareness through targeted campaigns which focus on 'safer choices'
- Development and roll-out of a new safety film called 'The BSAFE Wheel of Choice'
- Return to work organisers trained and appointed in all stores
- Online incident reporting system launched to replace the old paper based system
- Team member health assessments trialled with a broader roll-out planned for next year

Community involvement

Our community involvement began in 1994 when the Sunshine team built a kids playground as part of our first store opening celebrations. Over the past 16 years this commitment has grown to include fundraising sausage sizzles at every store, financial assistance for not-for-profit groups, product donations, and active team member assistance with local community projects.

Our ability to respond immediately to disasters through our store teams has also allowed us to offer support to victims of the Black Saturday bushfires in Vic (2009), Cyclone Nargis (2008), Toodyay (WA) bushfires (2010) and the Newcastle (2007) and Mackay floods (2010). During 2010 our team participated in more than 33,000 community activities and contributed and helped raise more than \$20 million.

Environment

Our commitment to reducing our environmental impact includes energy efficiency measures, water conservation, responsible sourcing and packaging waste reduction.

It also includes a consistent focus on sustainable timber procurement which has led to substantial advancements in ensuring that all timber and wood products come from legal and well-managed sources.

Our websites www.bunnings.com.au and www.bunnings.co.nz contain comprehensive resources including water and energy saving information. The websites aim to be effective tools to engage customers on reducing their environmental impact through sustainable living and product choices.

Water

Scheme water usage is estimated to be 690.7 mega litres, with Australian based stores consumption down 3.6 per cent and New Zealand based stores down eight per cent on last year. This was achieved through a combination of measures targeting our nurseries, including a continued roll-out of rainwater harvesting tanks and capillary mats, and our ongoing commitment to hand-watering where appropriate.

Reducing waste and recycling

Our recycling rate continued to improve in our Australian based stores, increasing from 50 per cent to 61 per cent by volume with our New Zealand based stores increasing from 32 per cent to 36 per cent by volume. We estimate that 8,886 tonnes of cardboard and paper and 618 tonnes of plastics were recycled during the year and we disposed of 17,936 tonnes of waste to landfill.

We increased our focus on recycling in all Australian stores and set a benchmark target of 85 per cent diversion rate for the 2010/11 financial year. This is supported by an online recycling analysis report to enable benchmarking comparisons between locations.

Packaging

We continue to drive increased engagement from our suppliers on overall packaging reduction as well as use of recycled content. In February 2010 a packaging survey was conducted with team members to collect data on the type of packaging stocked in-store and product packaging levels. The survey results, which reinforced the need to minimise packaging, will drive further actions in this area into 2011.



Solatube trial lights inside the Belconnen warehouse (ACT).



Ethical sourcing and product stewardship

We have commenced a program to engage with a selection of major suppliers to collectively share experiences in identifying eco-efficient opportunities and risks in relation to energy, waste, water, packaging and ethical sourcing.

We continued our comprehensive factory accreditation program for products we directly import, where major overseas factories are audited to a code of conduct based on the ILO conventions. Part of this process requires factories to be visited and inspected by an independent auditor, our agents or our buyers. During the year a total of 139 audits were conducted representing 40 per cent of our total imported product purchases.

Our Timber and Wood Products Purchasing Policy was introduced in 2003 with the goal of ensuring that all timber and wood products supplied to us originate from verified legal or certified sustainable forest operations.

We have a zero tolerance to illegal timber and have worked closely with our suppliers in order to establish a condition of supply that requires independent verification of legal origin as a minimum for all products made completely from tropical hardwoods.

In Australia approximately 99 per cent of our timber products are now sourced from lower risk plantations or other verified legal or certified sustainable forest operations. Over 72.5 per cent of our timber products are from certified sustainable sources including more than 30 per cent of our sources that are FSC certified.

Our New Zealand operation is an active long-term member of the Imported Tropical Timber Group, an industry association working collaboratively with the government and environmental organisations to encourage sustainable timber procurement. In November 2009 our Papakura store achieved FSC Chain of Custody (CoC) certification for the supply of timber and wood related products. This certification is supporting our major trade customers and builders to promote the FSC product they purchase from Bunnings to their customers.

Our timber product ranges are featured in the Greenpeace Good Wood Guide in both Australia and New Zealand. The guide is an online tool designed to help consumers find timber products originating from ethical and ecologically sustainable sources.

We continued to work closely with Greenpeace in the ongoing support of legislation to ban the importation of illegally logged timber and have contributed to the Australian Federal Government policy development process on this issue. We also continue to work with the World Wildlife Fund (WWF) as a member of the Global Forest and Trade Network (GFTN).

Education and awareness

Sustainability awareness continued to be driven in stores through activities and support of national, state, and local sustainability campaigns and online through DIY materials.

The DIY offer was improved with an increased focus on sustainability. This included new brochures, videos and new workshop topics including 'Grow Your Own' vegetable gardening.

During 2010 in Australia and New Zealand we supported Earth Hour and World Environment Day with DIY workshops and in-store activities, Australian stores again ran DIY workshops in support of National Water Week.

In Australia and New Zealand we engaged with authorities on energy and water saving initiatives. Australian stores partnered with three Victorian water authorities (Yarra Valley Water, South East Water and City West Water) to deliver more than 9,000 water saving showerheads into Victorian households.

In WA we were sponsors of the Rotary led Days of Change program.

The Australian and New Zealand intranet sustainability pages were updated to provide team members with comprehensive resources on energy and water saving, waste reduction, timber procurement, and community sustainability projects.

Across our store network team members work proactively to reduce individual store footprints through voluntary Green Action Groups that target waste, energy and water reduction opportunities.

Carbon and energy

Greenhouse emissions

Our total greenhouse gas emissions were estimated to be 180,565 tonnes of CO₂e, net of renewable energy credits, up one per cent on last year. The greenhouse gas emissions were largely due to electricity consumption at our stores, approximately 87 per cent.

Our focus in reducing greenhouse emissions has been on reducing our energy use through initiatives such as energy efficient lighting systems, hybrid vehicles, and reducing waste to landfill through recycling.

While the size of our store network has increased materially, the actual carbon intensity of our operations continued to reduce a further 9.7 per cent on last year down to 2.8 tonnes of CO₂e per one hundred thousand dollars of revenue.

Bunnings is aware of the Australian Government's Carbon Neutral Standard and National Carbon Offset Standard that came into effect on 1 July 2010. Prior to the release of the standards, there was uncertainty surrounding the carbon accounting principles of GreenPower and Renewable Energy Certificates (RECs). In this environment, we voluntarily purchased 28,089 RECs, representing approximately 17 per cent of our total Australian electricity needs, in order to support the development of the Australian renewable energy industry and to reduce Australia's overall emissions. These RECs reduced our greenhouse footprint by 30,055 tonnes.

Energy use

With our main energy use during the year being electricity, energy efficiency through in-store lighting remains a key focus. Eighteen stores have been fitted with energy efficient e-tronic lighting and we have also introduced LED (Light Emitting Diode) lighting in outdoor nurseries, under canopy lighting and car parks as a standard in the new store design brief.

In addition, we have installed micro-generation demonstration projects to gain a better understanding of current technologies and their future potential to reduce electricity related greenhouse gas emissions. This includes a 30 kilowatt solar photo-voltaic system on the roof of the Belconnen warehouse (ACT) which was commissioned in October 2009, and two 7.5 kilowatt wind turbine systems at warehouse stores in Rockingham and Port Kennedy (WA) which were commissioned in May 2010.

Stakeholder engagement (public policy)

We continue to engage with state and local governments and NGOs to work collaboratively on issues and identify further opportunities to work together.

Collaborative discussions with major NGOs such as Greenpeace and World Wildlife Fund (WWF) have indicated that more work could potentially be done to influence and direct customers on the issue of perceived excessive household consumption.

In January 2010 we provided funding for the Greenpeace Australia Pacific led 'consumer attitudes to illegal timber poll' in support for a federal ban on the importation of illegally logged rainforest timber. The results of this survey were widely circulated and generated significant media and government dialogue on the issue. This information was also shared with WWF and an article on Bunnings' timber policy was published in the WWF GFTN newsletter in April 2010.

We also furthered our work with state governments, local councils and community groups with recycling programs and end-of-life product solutions. This included Batteryback, a joint initiative with Sustainability Victoria and the Australian Battery Recycling Initiative (ABRI) which collected 345 kilograms of household batteries through a recycling service at three metropolitan Melbourne stores. Additionally, stores in NSW, Vic and WA took part in ongoing local council and community household recycling programs including Compact Fluorescent Light globe recycling.

Governance

We are not aware of any potential non-compliance during the year with licensing or approval conditions except as set out below.

The Department of Primary Industries instigated proceedings against Bunnings for the alleged sale of Mexican Feather Grass in 2008. In July 2010 Bunnings received a non-conviction relating to these charges.

We received nine improvement notices from work health authorities relating to dangerous goods storage, safety signage and mobile plant inspections. All issues were rectified and the notices closed off in agreed timeframes.

Community

Actively participating in the local communities in which we operate is integral to all of Bunnings' community involvement activities. Bunnings contributes to a diverse range of local, regional and national causes in Australia and New Zealand and we continue to embrace the 'we live here too' philosophy throughout our team.

During 2010 we furthered our work with schools, conducting 573 sustainability school program activities. We also supported Schools Tree Day for the second consecutive year through a native tube stock planting activity with local students, and we undertook an additional program with Green Up Clean Up, which includes locally-driven planting and clean up activities. We also supported Firestarter Youth Environment Conferences as the environmental project day partner for the third year by providing materials and hands on native bird box building workshops.

Our Australian and New Zealand teams supported more than 33,000 community activities through fundraising sausage sizzles, hands on DIY projects and renovations, local fundraising activities, community workshops and more. Our support included active team member support, product contributions and financial assistance.

In Australia, Bunnings supported a number of organisations through locally driven, store run activities. These included Prostate Cancer Foundation of Australia, White Ribbon Day, Scouts Australia and RSPCA (WA), local emergency services, RSL, Legacy, Lions and Rotary groups, Meals on Wheels and the CWA.

New Zealand support included the Big Night In for KidsCan StandTall charitable trust, Shave for a Cure with the Leukaemia and Blood Foundations, Heart Stopper Challenge for Heart Children, and active support of Keep New Zealand Beautiful Clean Up Week.

Additionally, our emergency response efforts included supporting the bushfire affected families in Toodyay, WA. Our Qld teams provided relief efforts for Cyclone Ului by contributing supplies to local community and emergency groups in the regions worst affected by the cyclone in March 2010.

Bunnings is committed to an ongoing, active and engaging role within each of our local communities. We are proud to have assisted in local community activities in 2009/10 which raised more than \$20 million and were as diverse as fundraising sausage sizzles to hands on, DIY projects and renovations.

Economic investment

During the year our capital expenditure projects invested more than \$411.5 million dollars in local economies through development and expansion activities that included the opening of 11 new warehouse stores, two smaller format stores and nine trade centres. Our total trading revenue for the year increased by 10.2 per cent to \$6.4 billion. Our total earnings before interest and tax increased by 10.5 per cent to \$728 million.

For further details on our sustainability performance please go to our sustainability report at www.bunnings.com.au and www.bunnings.co.nz



Actively participating in the local communities in which we operate is integral to all of Bunnings' community involvement activities.

Home Improvement and Office Supplies

Office Supplies

About our business

Officeworks is Australia's leading retailer and supplier of office products and solutions for home, business and education needs.

Officeworks caters for a broad range of customers that include small-to-large size businesses, students and teachers, health-care services, private, public and government organisations as well as personal shoppers.

We provide our customers with three easy ways to shop – via a national network of more than 125 retail stores, online at www.officeworks.com.au, or by telephone/fax at our call centres.

Officeworks aims to provide customers with the widest range of catering and cleaning supplies, office supplies, ink and toner, technology, furniture, and photo, print and copy services at the lowest prices, every day. Officeworks also continually strives to provide great service to our customers while ensuring we deliver a safe, rewarding and compelling place of work to our more than 5,500 team members. Our Taking Care policy is our commitment to corporate and social responsibility which links our values about the environment, our community, ethics and diversity to our business strategy and contributes to our success.

Harris Technology is a part of the Officeworks portfolio, which caters predominantly for small-to-medium businesses and early adopters of technology. Harris Technology has call centre and internet operations with a small retail store presence across the nation.



The year saw the development and roll-out of our recycling collection units to all Officeworks stores in Australia.

Bottom right: Officeworks recycled over 94,280 kilograms of ink and toner cartridges through the Cartridges for Planet Ark program.



harristechnology
Let's talk technology

SAFETY PERFORMANCE

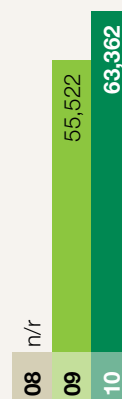
Lost Time Injury Frequency Rate (LTIFR)



Note: Contractor hours not included

GREENHOUSE GAS EMISSIONS

Tonnes CO₂e



ENERGY USE

Million gigajoules



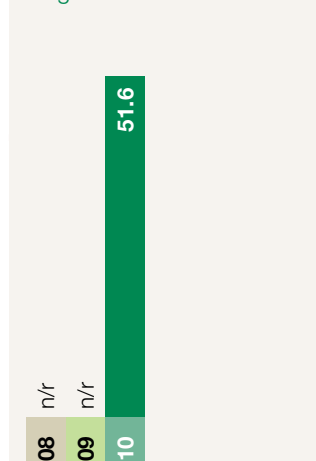
2010 Priorities	Outcomes	Status	2011 Priorities
Develop an ethical sourcing policy in relation to our paper and timber products	Draft policy developed and scheduled for implementation in 2010/11	✓	– Implement an ethical sourcing policy in relation to our paper and timber products
Provide customers with information about office products with a lower environmental impact	Products with a lower environmental impact have been the feature of a number of media releases and electronic direct mail pieces to customers. The development of product selection criteria is underway to identify environmentally preferable products within each of our categories. It is intended that this criteria will be completed and applied in the first half of 2010/11.	✓	– Provide customers with information about office products with a lower environmental impact
Improve our waste and emissions data systems	Data capturing systems have been developed and implemented for emissions and solid waste. The further development of data capturing systems for water consumption is underway – we intend to implement the updated procedure during 2010/11.	✓	– Further improve our waste and emissions data systems
Increase our contribution to improve the social wellbeing of the communities in which we operate	Officeworks continues to make significant contributions to communities across Australia providing more than \$500,000 of local sponsorship and donations in 2009/10.	✓	– Increase our contribution to improve the social wellbeing of the communities in which we operate
Continued work on improving the use of plastics in our product packaging	Officeworks has formally committed to the National Packaging Covenant (NPC) and commenced a formal packaging audit in 2009/10 with the results expected in the first quarter of 2010/11.	✓	– Continue work to reduce the use of unnecessary packaging in our products
Work with government and industry to finalise a national model for e-waste recycling	Officeworks continued to run the Byteback (an e-waste recycling project) trial in Vic and became a member of the Western Australian Waste Authority E-Waste Committee to develop an e-waste program for WA.	✓	– Continue to work with government and industry to finalise a national model for e-waste recycling

KEY

- ✓ Achieved
- ✓ Partially achieved
- ✗ Not achieved

WATER CONSUMPTION

Megalitres



COMMUNITY CONTRIBUTION

A\$m



Carbon and energy

Our main energy use during the year was primarily the electricity consumption at our stores. Our total electricity consumption was 54,969,197 kilowatt hours as part of total energy use of 208,184 gigajoules. Further, the Office Supplies' greenhouse gas emissions, accounting for electricity, gas and fuel usage is 63,362 tonnes CO₂e.

Water use

Due to the nature of our operations, in particular the location of the majority of our stores in centres owned and operated by external parties, we are unable to report in detail on our water consumption. Using the consumption data available at one of our free-standing sites we have extrapolated an estimated consumption of 51.61 megalitres. We intend to refine our data capture procedures for water to provide detailed consumption results next year.

Year in review

Operating revenue for the Office Supplies businesses was \$1.4 billion for the full year. Earnings before interest and tax were \$74 million.

Officeworks commitment to environmental sustainability continued throughout 2009/10. We continued to run the trial of the innovative e-waste recycling project, Byteback, through our Ballarat and Dandenong stores in Vic, in conjunction with Sustainability Victoria, the Australian Information Industry Association and the Byteback Partners (www.bytebackaustralia.com.au) as well as embarking on additional trials and launching new programs.

During 2009/10, Officeworks supported the community in a variety of ways through direct donations and sponsorships of more than \$500,000. The beneficiaries included kindergartens, schools, and various other not-for-profit organisations.

People

Our business is determined to look after our team and make Officeworks a great place to work.

In 2009/10 we improved our safety performance in the following ways:

- All Injury Frequency Rate (AIFR) reduced from 63.90 to 46.90 (26.6 per cent).
- Lost Time Injury Frequency Rate (LTIFR) reduced from 12.30 to 11.95 (2.8 per cent)

The Officeworks Health and Safety System was updated to bring it into line with our culture of leading and driving safety change through our behaviours. In line with our Stay Healthy program we offered a wide range of health and wellness initiatives, including influenza vaccinations, team member health checks and the launch of a Stay Healthy internet site.

Team member engagement activities during the year included the opportunity to salary sacrifice purchases such as digital cameras and laptop computers. Over 80 per cent of eligible team members are now Wesfarmers shareholders through the Wesfarmers Employee Share Ownership Plan. Officeworks is also partnering with some of our key service providers to offer team members discounted products and services to continue to make Officeworks a great place to work.

The first annual Climate Survey was conducted during the year in order to measure how our team members feel about working at Officeworks and identify potential opportunities to make it even better.

We are committed to the growth and development of our people. Our team members completed a further 87,973 hours of facilitated and online training during the year, with programs including product knowledge units, customer service, safety, international best practice and leadership capability development.

Officeworks is committed to providing equal opportunities for its team and encourages diversity. At year end our workforce was comprised of 49.1 per cent women and 50.9 per cent men.

Environment

During the year our Ballarat and Dandenong stores, with the assistance of one of our logistics providers, the TIC Group, continued the facilitation of the free of charge computer and accessories take-back scheme, Byteback, resulting in a further 34,022 kilograms of e-waste being recycled and diverted from landfill. Officeworks was also invited to participate in the E-Waste Committee run by the Western Australian Waste Authority with a view to developing and implementing a similar e-waste recycling service in WA. Work to implement a similar scheme on a national basis is still underway.

Officeworks also became partners in the mobile muster program, the official recycling program of the Australian telecommunications industry resulting in 503 kilograms of mobile phones and accessories being collected and diverted from landfill.

Working with Sustainability Victoria, Officeworks stores at South Melbourne, Bundoora and Preston participated in the Batteryback trial to collect and divert batteries (with the exception of vehicle batteries) from landfill. Over 150 kilograms of batteries were collected through Officeworks for the trial between October 2009 and April 2010.

The year also saw the development and roll-out of our recycling collection units to all Officeworks stores in Australia. These units were specifically designed for Officeworks as an extension to the existing Cartridges for Planet Ark (C4PA) collection model facilitating the collection of used ink and toner cartridges, as well as in support of the introduction of the mobile muster program. Over 94,280 kilograms of ink and toner cartridges were collected for C4PA and diverted from landfill during the reporting period.

A number of sustainability initiatives were undertaken by Officeworks, including the installation of rainwater tanks in numerous stores across Australia.



A number of sustainability initiatives were also undertaken by the Officeworks Store Development Team this year. These included rainwater harvesting, power factor correction and recycled carpet tiles for office areas at store sites. Initiatives under review during the period include the trial of an energy saving Hypermiser system and solar car park lighting.

Officeworks ceased providing single-use plastic bags to customers in December 2008 and introduced reusable alternatives for sale. During 2009/10 revenue (\$27,624) from the sale of these reusable bags was donated to the Australian Wildlife Conservancy (AWC). AWC acquires land, and works with other landholders, to establish sanctuaries for the conservation of threatened wildlife and ecosystems. AWC now owns 20 sanctuaries covering 2.5 million hectares in places such as north Queensland, the Kimberley, western New South Wales, the Northern Territory and Western Australia's south west.

Community

Our major community involvement activities during the year included:

- Partnering with the Australian Literacy and Numeracy Foundation's (ALNF) 'Share-A-Book' campaign (www.alnf.org) during February and March in 2010. This partnership saw the collection of new and pre-loved children's books in every Officeworks store around Australia. The ALNF use these books to support and implement their vital literacy programs in indigenous, refugee and marginalised communities around Australia. Thanks to our team and customers, Officeworks was able to provide 20 pallets of books to the program.
- Supporting the Whitlam Institute's (www.whitlam.org) 'What Matters?' creative writing competition for students in years five to twelve in NSW and the ACT for the second consecutive year. 2010 resulted in a record number of entries with 2,525 children from over 200 schools putting pen to paper on a wide range of issues from global to the very personal.
- Working with our customers to contribute over \$64,490 to the ANZAC Day Commemorative Committee in Qld and to the Returned and Service's League nationally through the sale of fundraising badges in our stores to commemorate ANZAC Day and Remembrance Day.
- Celebrating the opening of new Officeworks stores with a \$1,000 donation each to a local school and a not-for-profit group.
- Contributing in excess of \$314,000 to local communities through various donation and sponsorship activities organised through the national Officeworks store network.

Economic investment

During the year, six new Officeworks stores were opened and twelve Officeworks stores were totally upgraded. At year end, there were 128 Officeworks stores and five Harris Technology business centres operating across the country.

For further details on our sustainability performance please go to our website at www.officeworks.com.au

About our business

One of Australia's leading department store retailers, Target aims to provide great style, great value clothing, homewares and general merchandise to satisfy the needs of Australian families. Target is positioned between the high-end department stores and the discount department stores and offers a unique combination of product, value and convenience.

The core product ranges at Target include womenswear, intimate apparel, menswear, childrenswear, accessories, soft homewares, electrical, toys and other general merchandise. Our key point of difference is the use of Target branded product, with national brands and licences used to complement the Target range.

In June 2010, more than 24,000 team members were employed in 171 Target stores and 119 Target Country stores throughout metropolitan and regional Australia.

Our full year sales in 2009/10 were \$3.8 billion and we opened three Target stores and four Target Country stores.

Year in review

Over the last year we continued our commitment to improve the safety performance of our team members, explored and measured energy saving opportunities and supported our community partners.

Team member safety remains a key focus area for Target. Equipment modification in conjunction with continued manual handling awareness has led to a reduction in workplace incidents, reducing our LTIFR by 13 per cent from 9.2 to 7.97.



In October 2009 we launched our Think Climate product labels, encouraging customers to reduce their energy use by cold washing and line drying Target products.

Bottom right: Our new multi offsite reserves have been outfitted with loading dock boom gates to improve safety.



SAFETY PERFORMANCE

Lost Time Injury Frequency Rate (LTIFR)



* Final 12 months rolling average Contractor hours and LTIs not included

GREENHOUSE GAS EMISSIONS

Tonnes CO₂e



*2008 and 2009 figure included flights and car rentals

ENERGY USE

Million gigajoules



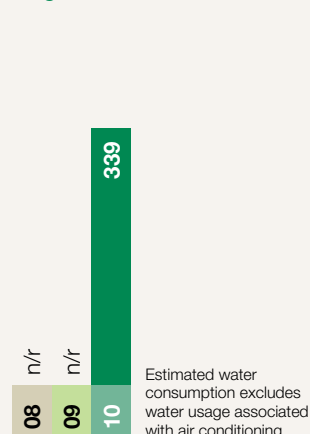
2010 Priorities	Outcomes	Status	2011 Priorities
Continue to promote the safety of our team members, with a focus on manual handling	By continuing our education of manual handling risks and modifying our equipment we have reduced our LTIFR by 13 per cent from 9.2 to 7.97.	✓	– Continue to focus on improving safety in manual handling within our business
Identify the key energy efficiency opportunities in our business	Target has completed Energy Efficiency Opportunities Representative Assessments and developed strategy plans for the implementation of energy efficiency initiatives across the business.	✓	– Build on our current processes to further to improve recycling and reduce waste
Develop Target Environmental Packaging guidelines for our suppliers	We have developed draft environmental packaging guidelines with the aim to further reduce packaging waste.	✓	– Expand our data collection and systems to support further improvement in our environmental performance
Continue to support our community partners and encourage employee involvement with the community	Under our strategy of ‘safe, happy families’ Target contributed to and helped raise over \$3.08 million to support our community partners.	✓	– Strengthen communications with suppliers to improve compliance with Target’s Ethical Sourcing Code – Continue to grow our community programs with a focus on children

KEY

- ✓ Achieved
- ✓ Partially achieved
- ✗ Not achieved

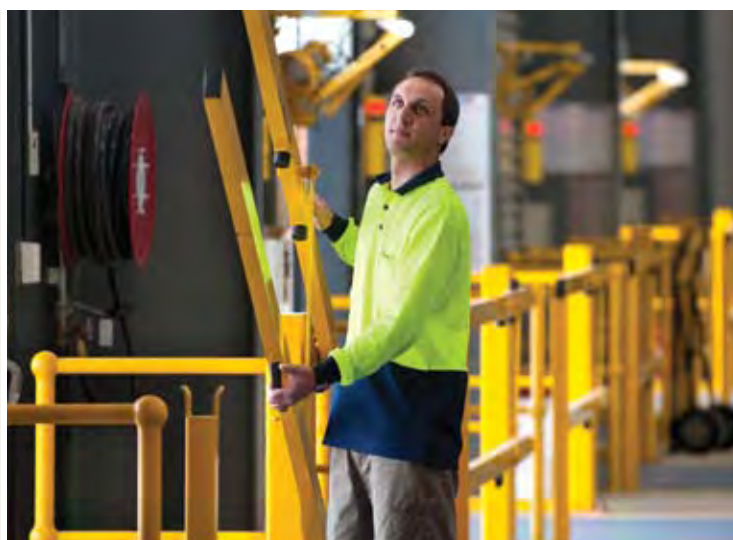
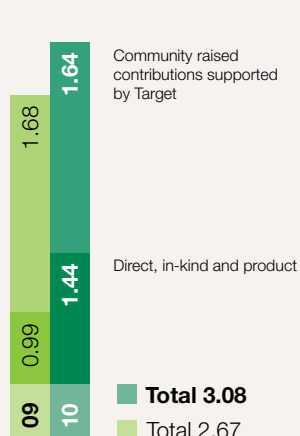
WATER CONSUMPTION

Megalitres



COMMUNITY CONTRIBUTION

A\$m



In February 2010 we introduced a new Paid Parental Leave scheme to provide additional support to team members with family responsibilities and we launched a new Diversity Strategy with the key aim of developing a diverse workforce including a greater representation of Aboriginal Australians and women in nontraditional and senior management roles.

During the year we appointed EnTech USB to collect and analyse our gas, electricity and LPG usage data on a monthly basis. Through this partnership we can report and investigate consumption trends. We also continued to educate our customers and team members about the removal of plastic shopping bags from our stores using in-store signage, print advertisements, our internet site and internal bulletins.

In 2009/10 we continued to promote and support our key community partners, raising more than \$669,496 for The Alannah and Madeline Foundation's Buddy Bag Program by selling Target red bags. We extended the St John Ambulance Kids Safe first aid program nationally providing courses for 1,161 parents and carers of children.

People

At Target we continued our focus on manual handling practices and successfully reduced our LTIFR from 9.2 in the previous year to 7.97.

Under our new Diversity Strategy we commenced a pilot program for Indigenous School Based Traineeships in NSW, and store managers and the Senior Leadership Team attended cultural awareness training. We also increased the representation of women in non-traditional and senior management roles throughout the organisation. As at 30 June 2010, the percentage of women in management roles was 41.3 per cent.

During the year we introduced a new Paid Parental Leave scheme which provides 12 weeks paid leave (at half pay) to eligible permanent full-time or part-time team members.

We commenced a new Store Leadership Program, continued to roll-out our Future Leader Program for store team members and redeveloped 12 on-line training courses.

In August 2009 we held our inaugural Target Rondel Awards dinner to celebrate and recognise excellent individual and team achievements.

Environment

Although we are a small water user, this year for the first time we used new methodology to estimate our water consumption. Based on the assessment it was estimated to be 88 litres per FTE per day and a total of 339 megalitres per year excluding water usage associated with air conditioning. We plan to conduct water audits in the coming year to more accurately measure our water use.

In October we launched our Think Climate product label to customers, encouraging them to reduce their energy use by cold washing and line drying Target products. The new label can now be found on the care instructions on a large range of Target clothing and manchester across all our stores.

Following the removal of 100 million plastic shopping bags from our business annually in June 2009, we continued to educate our customers about the changes through in-store signage, print advertisements, our internet site and internal bulletins. Customers can now choose to bring their own bag or purchase one from our range of reusable or compostable bags.

This year we introduced commingled recycling in 28 selected stores in Vic, including a roll-out in our national office in Geelong. In addition, we implemented white paper recycling in 54 stores in Vic, SA and WA.

During the first week of June 2010, Target team members participated in our second annual Green Week to celebrate the first anniversary of Target's national bag strategy and World Environment Day. This year our teams took part in the Target Green Week Challenge creating awareness and looking at ways we can further reduce our impact on the environment.

Carbon and energy

Greenhouse emissions

Our total greenhouse gas emissions were estimated to be 239,827 tonnes of CO₂e, up 9.1 per cent on last year, and this equates to 62.70 tonnes of carbon dioxide per million dollars of revenue, up eight per cent on last year. Our greenhouse gas emissions were largely due to electricity consumption at our stores, distribution centres and support centres (approximately 90.2 per cent), synthetic gases used in our air-conditioning (approximately 4.4 per cent) and waste disposed off-site (approximately 3.4 per cent).

Energy use

Our main energy use during the year was electricity consumption for lighting in our stores. Total energy consumption was 840,788 gigajoules, up 2.8 per cent on last year. Our total energy consumption per million dollars of revenue was estimated to be 220 gigajoules, up 1.8 per cent on last year. This energy use was mainly 88 per cent electricity and seven per cent fuel.

Energy efficiency initiatives

In 2009/10 we appointed EnTech USB to collect and analyse our gas, electricity and LPG consumption data and enable us to improve reporting on our energy use.

Based on the outcomes of our EEO Representative Assessments at 19 sites we established a strategy plan for implementation across all sites. In addition, Target drafted energy efficient standards for all sites and stores.

In the coming year Target aims to reduce energy consumption in all new sites through the selection of more efficient plant and equipment, enhanced operational control systems and improved maintenance regimes.

At our Qld state office we achieved a reduction in energy by upgrading to efficient light fittings. In addition solar panels were installed to further reduce our greenhouse emissions from energy use at this site.

Our store teams have a strong focus on reducing waste by recycling cardboard, plastic and garment hangers.



Governance

Ethical sourcing

We require our suppliers to adhere to our Ethical Sourcing Code which ensures the goods we sell are made in safe working conditions and that basic human rights are respected. Our suppliers' factories are audited regularly to measure adherence to the Code.

In 2009/10 Coles Group Asia, on Target's behalf, conducted 14 factory audits, 55 factory audits were conducted by third party auditors and we acknowledged 174 factories through our mutual recognition program. During this year five zero-tolerance issues were detected and seven factories in China were deregistered as suppliers due to poor social compliance performance. As at 30 June 2010 there were 460 factories supplying Target through our Coles Group Asia team which are engaged in our Ethical Sourcing Program.

Our focus in this area is on improved communication with suppliers in this area, more regular detailed reporting to management and improved data base management.

Compliance

During the year the Target Fair Trading Policy was reviewed and revised to provide more concise direction.

We are not aware of any potential non-compliance during the year with environmental or health and safety legislation.

In accordance with the Australian Standard ASISO10002-2006 for Complaints Handling, Target provides a responsive and efficient complaints handling process, providing a fair and accessible service for our customers and stores. Our Customer Relations team received over 56,000 customer contacts last financial year, which were all recorded and responded to.

Community

Target's community investment focused on our strategy of 'safe, happy families' with our total direct contribution exceeding \$1.44 million. In addition to this our customers, suppliers and team members contributed \$1.64 million resulting in a total community contribution in excess of \$3.08 million to various partners including the Bonnie Babes Foundation, SIDS & Kids and UnitingCare Australia.

The funds raised from the sale of our Target reusable red bags over the past 12 months enabled us to donate \$669,496 to The Alannah and Madeline Foundation's Buddy Bag Program.

Over the past 12 months Target hosted 91 St John Ambulance first aid courses in stores across Australia. The four hour course specifically aimed at parents and carers of children 12 years and under is valued at \$125 per person. Through the partnership 1,161 parents and carers received valuable first aid training free of charge.

Economic investment

With more than 1.3 million customer transactions in our stores every week, Target makes a significant economic contribution to the rural and metropolitan areas with over 24,000 team members.

Our total revenue for the year was \$3.8 billion. At year end there were three new Target stores, four new Target Country stores and three stores were closed. To strategically engage our property partners we hosted a property forum with our developers and landlords in May 2010.

Our capital investment for the year including stores and systems was \$88.3 million.

We launched our inaugural 2010 Supplier of the Year Awards which will formally recognise the outstanding contribution of our suppliers to Target's ongoing success.

Strong partnerships with our suppliers are critical to our business. During the year we conducted a range of supplier forums and briefings to improve communications with our suppliers.

About our business

Established more than 40 years ago, Kmart is one of Australia's largest discount department store retailers, with 186 stores throughout Australia and New Zealand as at 30 June 2010 and product sourcing offices in Hong Kong, Shanghai, Dongguan and Delhi. We have more than 24,800 team members in Australia and New Zealand, excluding Kmart Tyre & Auto Service (KTAS).

Key categories for Kmart include menswear, womenswear, beauty, footwear, toys and sporting, events and food, entertainment, newsagency and home.

KTAS is one of Australia's largest automotive service, repair and tyre businesses with 251 centres as at 30 June 2010 and is one of Australia's largest employers of mechanics and apprentice mechanics with a team of over 1,300 people. In addition, KTAS now offers car insurance through Lumley Insurance.

Throughout 2009/10, we opened two Kmart stores, and closed four KTAS centres.

Year in review

The Kmart team is guided by one vision – 'where families come first for the lowest prices on everyday items'.

Kmart has undergone significant change throughout 2009/10, with a focus on renewing the business. All components of the business were reviewed and changes implemented. Some of the changes include the way stores operate and engage customers, the way product is sourced, priced and displayed, and the way national office is structured.



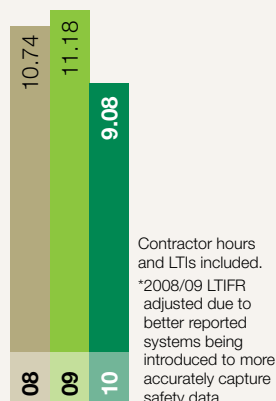
We are currently trialling a new lighting design that will reduce the amount of energy our lights use by 20 to 30 per cent.

Bottom right: New strip lighting system, currently being trialled in the Ringwood store in Vic.



SAFETY PERFORMANCE

Lost Time Injury Frequency Rate (LTIFR)



GREENHOUSE GAS EMISSIONS

Tonnes CO₂e



ENERGY USE

Million gigajoules



2010 Priorities	Outcomes	Status	2011 Priorities
Reduce the number and duration of workplace injuries	Across our business, our Lost Time Injury Frequency Rate (LTIFR) has reduced from 11.18 in 2008/09 to 9.08 in 2009/10, a reduction of 19 per cent.	✓	– Focus on energy use and introduce initiatives to reduce the amount of energy we consume – Commence reviewing our packaging to ensure it is cost effective and meets the requirements of the Australian Packaging Covenant, while being easy to use for our customers and team members – Grow and develop the capabilities of line managers and national office team members – Reduce the number of lost time injuries by 50 per cent – Expand our media program to continue to foster support from the communities in which we operate
Continue to undertake energy audits from a selection of stores to identify opportunities for improvement, as part of the Energy Efficiency Opportunities (EEO) program	We have undertaken an additional four audits at Kmart stores and one at a distribution centre (DC). We are now preparing a business case to trial the recommendations from the audits in 2010/11.	✓	
Introduce new recycling services for store teams	We are working with Sustainability Advantage, a government-run program in NSW, to explore new recycling services. In addition, we are rolling out commingled recycling to over 100 metropolitan stores in Australia.	✓	
Undertake water audits from a selection of stores	Throughout 2009/10 we identified a number of sites that have water meters. We are able to use this data to estimate our water usage, so water audits were not required.	✓	
Identify and introduce initiatives to reduce the amount of packaging we use	We were unable to complete this review throughout the year, however packaging improvements will be a key focus for us in 2010/11.	✗	
Review our requirements for new stores, with the aim of introducing initiatives that lower the environmental footprint of our sites	We have undertaken a comprehensive review of our building specification for new sites. We are now reviewing the recommendations with all internal and external stakeholders.	✓	
Build the capability of the Kmart team	We have undertaken work to build our store manager capabilities, however work is continuing on building the capabilities of our line managers and team members.	✓	
Motivate and drive the performance of all team members	To motivate and drive the performance of all team members, Kmart introduced a bonus program throughout 2009/10. In total, our team members are entitled to over \$19 million in bonuses for the 2009/10 year.	✓	
Establish an umbrella foundation for Kmart's community programs	Due to a naming rights issue, we have been unable to proceed with this. We will continue to explore our options in 2010/11.	✗	

KEY

- ✓ Achieved
- ✓ Partially achieved
- ✗ Not achieved

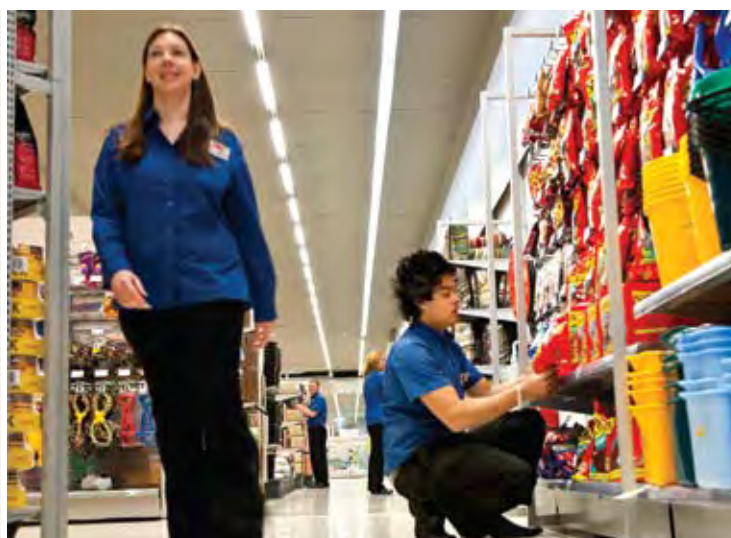
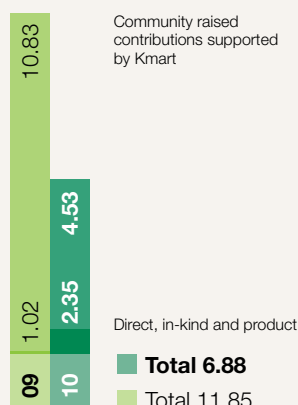
WATER CONSUMPTION

Megalitres



COMMUNITY CONTRIBUTION

A\$m



A crucial element of the renewal was inviting customers back into stores with the 'Expect Change' campaign. The campaign was designed as both an apology and an invitation to customers. Customer traffic has increased each week since the launch of the campaign, and our revenue has increased from \$3,998 million in 2008/09 to \$4,017 million in 2009/10, with earnings before interest and tax increasing from \$109 million in 2008/09 to \$190 million in 2009/10.

From an environmental perspective, we continued to undertake energy audits from a selection of stores as part of the Federal Government's Energy Efficiency Opportunities program. We have reviewed our brief for new stores and distribution centres and we are exploring a range of initiatives for inclusion in our new building specification. We are also introducing commingled recycling to more than 100 metropolitan stores to reduce the amount of waste sent to landfill.

In 2008/09, we launched our 'Art of Giving' competition, inviting primary school aged children to draw, paint a picture or make a collage that demonstrated what the 'spirit of giving' meant to them. Over 2,100 entries were received, with winners announced for each state and territory during 2009/10. This year the competition focused on 'what family means to you' and closed on 13 September 2010. Almost 8,000 entries were received and we are currently judging the winners. We also introduced our coin collection program, which gives Kmart customers the ability to donate spare change to various charity groups.

Once again we received strong support for our annual Wishing Tree Appeal. In 2009/10, the Appeal collected over 430,000 gifts for families in need at Christmas, as well as collecting over \$290,000 in cash contributions.

Improving the safety of our team members, contractors and visitors received a renewed focus during 2009/10, and we have reduced our LTIFR from 11.18 in 2008/09 to 9.08 in 2009/10. In order to improve service in our stores, we have also introduced a customer service training package to all store team members.

As we continue to transition from renewal to growth, customer engagement remains key and our focus is on delivering our strategy to set the business up for long-term sustainability.

People

As at 30 June 2010, we had 26,212 team members working in stores, national office, DCs and KTAS sites. Over 66 per cent of our workforce are female, with 23 per cent of our Australian store managers being female.

Training our team has been a continued focus during 2009/10. In order to improve customer service in our stores, Kmart introduced a customer service training package in 2009/10 to all store team members. This training focused on greeting, respecting, listening and really helping our customers. In addition, we launched five new programs for line managers specialising in leadership, performance management, managing people, our workplace agreement and working smarter. These are facilitated by our senior store managers and we have received positive feedback on these programs.

Improving the safety of our team members, contractors and visitors received a renewed focus during 2009/10. We have spent 17,206 hours on safety training, as well as conducting programs including 'Move 4 Life', stay at work/return to work programs and introducing 'Safetyopoly' – a new game that targets safety leadership behaviours.

These initiatives have led to a reduction in our LTIFR from 11.18 in 2008/09 to 9.08 in 2009/10 – a 19 per cent reduction. The total number of injuries has also reduced from 3,010 to 2,443, a reduction of 19 per cent. A key highlight included KTAS reducing LTIFR from 18.69 to 8.41.

Environment

We have undertaken a detailed review of the way we build our new stores, and have developed a list of recommendations including more energy efficient lighting and better heating and cooling systems. We are currently reviewing these before deciding which ones to introduce.

In addition, we undertook a review of the specifications for our new DCs. This review has identified initiatives to reduce energy use by up to 30 per cent, save water and reduce resource use at new sites. We are now trialling some initiatives to assess their suitability before finalising our approach.

We are currently introducing commingled recycling to over 100 Australian metropolitan stores to reduce the amount of waste going to landfill. We have also partnered with the NSW Department of Climate Change in its Sustainability Advantage Program to identify areas where we can improve our resource use and divert more waste from landfill.

Carbon and energy

Greenhouse emissions

Our total greenhouse gas emissions were estimated to be 303,397 tonnes of CO₂e, up 18 per cent on last year, and this equates to 76 tonnes per million dollars of revenue, up 18 per cent on last year. This increase can largely be attributed to Kmart reporting Scope 3 electricity and gas emissions for the first time this year. The greenhouse gas emissions were largely due to electricity consumption at our stores, DCs and offices (approximately 88 per cent) and synthetic gases (approximately six per cent).

Energy use

Total energy consumption was estimated to be 1,037,715 gigajoules, up four per cent on last year. Our total energy consumption per million dollars of revenue was estimated to be 258 gigajoules, up four per cent on last year. Our energy use was primarily electricity (91 per cent) and natural gas (five per cent of total energy consumption).

Energy efficiency initiatives

Throughout 2009/10 we have undertaken five additional energy audits and we are now preparing to trial a number of initiatives in different stores to assess results. Provided these trials are successful, we plan to implement these initiatives in other stores during 2010/11.

We are currently trialling a new lighting design that will reduce the amount of energy our lights use by 20 to 30 per cent. This system utilises tracks to house the light fittings and will give us more flexibility as our lighting requirements change.

Governance

Kmart received over 60 contacts from regulators throughout 2009/10 with many of these being resolved over the phone or by email. A total of 14 were deemed to be 'reportable contacts' that alleged some form of regulatory breach or posed a significant risk to the business from a reputational or financial perspective. These breaches include issues relating to fair trading, and food and product safety. We were even contacted about a hitchhiking cane toad that was found in one of our Victorian stores.

Kmart's 'Art of Giving' competition entered its second year and over \$50,000 in cash and prizes were awarded to finalists and their schools in each state and territory.



Four contacts related to products that had developed a fault outside of the voluntary warranty period, however were alleged to still be covered by the implied statutory warranty. In total, 11 product recalls were conducted throughout 2009/10, one of which was for a Kmart branded product.

Trolley fines continue to be an issue for Kmart and during 2009/10 we introduced a new trolley management plan. This plan focuses on engaging our trolley contractors, monitoring contractor performance, liaising with local councils and reducing the loss of trolleys. The plan has assisted us to reduce the number of fines we pay for abandoned trolleys from \$21,942 in 2008/09 to \$9,040 in 2009/10.

We are not aware of any potential non-compliance issues throughout 2009/10 with licensing or approval conditions.

Community

Kmart's Community Program is committed to building strong partnerships with individuals and organisations that not only reflect our brand vision, but also help build better lives for Australian and New Zealand families.

Throughout 2009/10 our business contributed over \$2.35 million of direct support to the community. Each year these figures are verified by the London Benchmarking Group (LBG) and using this tool, we established that our customers, team members and suppliers contributed a further \$4.53 million of in-kind support. Our team members volunteered in excess of 4,500 hours to assist community based programs during 2009/10.

This year Kmart assisted hundreds of community groups ranging from kindergartens to Rotary clubs. This investment has allowed groups in communities around our stores to continue their work, either through fundraising initiatives or receiving goods from our stores.

In March 2010 Kmart launched its coin collection program. This program allows Kmart customers to donate spare change to various charity groups throughout the year to help raise money for vital initiatives and projects. 'Variety – the children's charity' was the first charity to benefit from this initiative, receiving over \$60,000 during the months of March and April. During May and June, Kmart collected coins on behalf of various women's hospitals across Australia and New Zealand and raised over \$48,000.

Kmart's annual Wishing Tree Appeal collected more than 430,000 gifts and over \$290,000 in cash donations that was distributed to our charity partners to assist families in need at Christmas time. An additional \$50,000 was raised through the sale of Wishing Tree branded merchandise such as wrapping paper, cards and bears.

Kmart's 'Art of Giving' competition entered its second year in May 2010. In 2009 we received over 2,100 entries and we are expecting this to grow in 2010. The competition closed on 13 September and over \$50,000 in cash and prizes were awarded in two age categories to finalists and their schools in each state and territory.

We have continued to engage with our stakeholders during 2009/10 through a variety of means, including catalogues, forums for suppliers and team members, our internet site and communication with government bodies. Our customer relations department is the key point of contact for our customers once they leave our stores, and we received a total of 110,964 contacts throughout 2009/10. Approximately 22 per cent of contacts were complaints (up from 13 per cent last year), with the remainder being general enquiries (70 per cent) or compliments (eight per cent). Kmart introduced a new procedure during the year requiring all customer contacts to be responded to within 24 hours.

Economic investment

We have continued to support the economy through employing over 26,200 team members (Kmart and KTAS). Trading hours have been increased in many stores, creating new employment opportunities. In 2009/10, we contributed to the economy through our capital spending, which increased to \$75 million compared to \$64 million in 2008/09.

Insurance

About our business

Wesfarmers Insurance (WI) operates in the general insurance and financial services sector. Our insurance businesses include Lumley Insurance (LI) and WFI in Australia and Lumley General Insurance New Zealand (LGNZ). Our insurance broking businesses include OAMPS Australia, OAMPS United Kingdom (UK) and Crombie Lockwood in New Zealand (NZ). We also have underwriting agencies, premium funding businesses and superannuation and financial management operations. We are represented in 127 locations in Australia, 28 in New Zealand and five in the United Kingdom. At 30 June we employed 3,288 people. For further information on our businesses visit www.wesfarmersinsurance.com.au

Year in review

This financial year the business reported a 27 per cent increase in profit, despite it being a challenging year with the global recession and several catastrophes testing the resilience of the industry and our businesses. Performance was affected by catastrophe events, particularly the Perth and Melbourne hailstorms.

In response to the storm events across Australia, the work performed by the LI claims and assessing staff and management and WFI teams, in both Melbourne and Perth, was integral to maintaining high levels of customer service under very difficult circumstances. LI received positive feedback from brokers in Perth, commenting on its customer service excellence and its pragmatic approach.



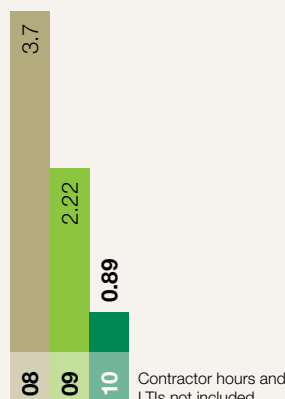
At Wesfarmers Insurance we are proud to support our employees, who give their time, energy and financial resources to help the communities we serve.

Bottom right: Wesfarmers Insurance purchased carbon credits from Carbon Conscious Limited, to comply with Australia's National Carbon Offset Standard.



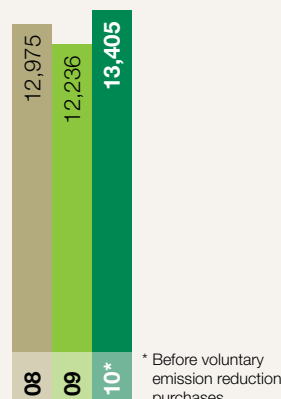
SAFETY PERFORMANCE

Lost Time Injury Frequency Rate (LTIFR)



GREENHOUSE GAS EMISSIONS

Tonnes CO₂e



ENERGY USE

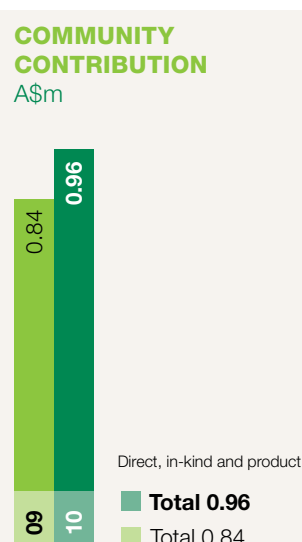
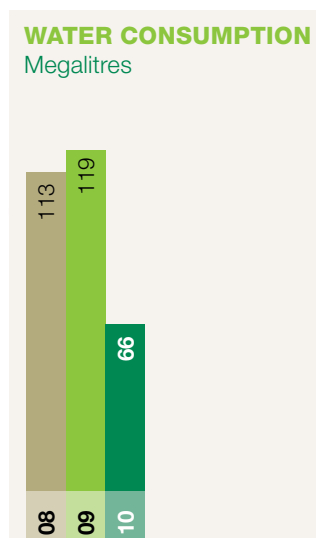
Million gigajoules



2010 Priorities	Outcomes	Status	2011 Priorities
Manage our carbon footprint to minimise our impact on the environment	We have purchased 26,000 Verified Emission Reduction carbon credits from Carbon Conscious Limited, to comply with Australia's National Carbon Offset Standard.	✓	– Manage our carbon emissions to minimise our impact on the environment
Continue to support and promote sustainable business practices within our business and with our employees and business partners	Our businesses held regular meetings of their sustainability committees and continue to drive program, monitor and report on sustainable practices.	✓	– Continue to support and promote sustainable business practices within our business and with our employees and business partners
Develop our community programs to maximise benefits to the communities in which we operate	WI businesses contributed \$961,284 to community events. We have a sponsorship policy in place which is aimed at maximising the benefits to local communities.	✓	– Develop our community programs to maximise benefits to the communities in which we operate
Continue to improve our safety management frameworks to improve safety across the division	The ISAFE program has been rolled out across our businesses. An occupational health and safety specialist continues to oversee the program.	✓	– Continue to improve our safety management frameworks to improve safety across the division
Reduce our Lost Time Injury Frequency Rate by at least 50 per cent with a target of zero Lost Time Injuries (LTI)	Our LTIFR improved from 2.22 to 0.89 which is a 60 per cent reduction on last year.	✓	– Reduce our LTIFR with a target of zero LTIs

KEY

- ✓ Achieved
- ✓ Partially achieved
- ✗ Not achieved



We continue to focus our efforts on attracting, retaining and developing the best industry talent, maintaining momentum with the Lumley turnaround and financial performance, improving processes and technology platforms to achieve efficiencies and responding effectively to regulatory changes.

We are implementing our bi-annual talent review processes to strengthen our people assessment and development processes and track our leadership pipeline for succession planning purposes. Important actions resulting from these reviews have included a number of key appointments and investment in additional leadership development training.

During the year, we contributed \$961,284 to a range of local community partnerships supporting initiatives such as farm safety, local community welfare organisations and education.

Our total energy consumption was unchanged at 0.08 million gigajoules and our carbon dioxide equivalent (CO₂e) emissions increased from 12,236 to 13,405 tonnes.

People

Our vision is to create strong leadership, which we believe will in turn be the cornerstone of our success and we are committed to helping our people achieve their full potential. We continued to build and enhance the successful Wesfarmers Insurance Leadership Development program referred to in last year's report. An additional 100 business leaders completed the program during the year.

We launched our first employee engagement survey across the business, confirming our commitment to building an open, positive culture and help our efforts to attract, develop and retain the best people in the industry. In addition to the existing employee assistance program (EAP) in LI we launched EAP programs across our other businesses to offer support and counselling to staff.

Crombie Lockwood developed and launched the Performance Leadership program in New Zealand, run in partnership with Lumley New Zealand.

Our businesses participated in a range of employee health and wellbeing programs as well as community fundraising initiatives. OAMPS employees participated in the Ballarat Cycle Challenge in Vic, raising money for the Ballarat Cancer Research Centre and also entered a team in the Great Adventure Challenge; a nine hour race that raised money for the Starlight Foundation.

Environment

In previous years we have based our estimates of water use on actual data from our Bassendean WA office, which has been extrapolated on a per capita basis across our business. For this report we have collected actual water use data from nine offices in Australia and New Zealand, representing 49 per cent of our total staff, and used this to calculate a per capita water use figure across our business.

Several key initiatives in the Lumley business include:

- Transfer to duplex printing as a default;
- LI toners and printer cartridges are recycled via Cartridge Rescue;
- Purchase of 100 per cent recycled paper as a national standard;
- Earth Hour was participated in by all LI offices;
- The conversion from the Holden Commodore to the Holden Cruze has resulted in a 27 per cent less petrol usage for each Commodore replaced; and
- Decreased the CO₂ emissions from 246 grams per kilometre per Commodore to 179 grams per kilometre per Cruze.

Carbon and energy

Within each of our businesses, we run programs to improve our environmental performance, set targets, such as water and energy use, recycling, reducing waste, and track our progress.

We have purchased and retired sufficient carbon credits to become carbon neutral since June 30, 2009.

Greenhouse emissions

Our total greenhouse gas emissions were estimated to be 13,405 tonnes of CO₂e, up 10 per cent on last year, and this equates to eight tonnes of CO₂e per million dollars of revenue. The greenhouse gas emissions were largely due to electricity consumption in our offices.

Energy use

Our main energy use during the year related primarily to energy consumed as a result of electricity consumption in our offices. Total energy consumption was estimated to be 81,159 gigajoules, down 10 per cent on last year. Our total energy consumption per million dollars of revenue was estimated to be 48 gigajoules, down five per cent on last year. This energy use is broken down into electricity (77 per cent), fuel (22 per cent of total energy consumption) and emissions relating to the use of hire cars (one per cent).

WFI continued to support the Royal Agricultural Society which hosts the Perth Royal Show in WA.



Governance

Over the last 12 months, WI has focused on building the capability of the Risk and Compliance teams in our businesses through increased resources and the implementation of improved risk, compliance and governance systems.

In accordance with the Australian Prudential and Regulation Authority (APRA) prudential standards we established a Remuneration Committee and introduced a new Remuneration Policy to better align remuneration and risk management across the business. The committee is comprised of a majority of independent directors.

During the year APRA conducted reviews within the WFI and OAMPS Superannuation businesses with no major issues being identified.

Lumley NZ and Crombie Lockwood are working towards the introduction of a new regulatory regime for insurers and brokers. In Lumley NZ, the two most significant changes will be the move towards prudential supervision and licensing of insurers by the Reserve Bank of New Zealand and the regulation of financial advice by the Securities Commission of New Zealand.

The consolidation of the two Australian underwriting licences that occurred in 2009 and subsequent investment in systems capabilities across the underwriting businesses is expected to drive further operational efficiencies.

Community

Our community support program is focused on the local communities where our businesses operate. Some of the community contributions we made during the year include:

- Crombie Lockwood supported United Way in New Zealand by providing free support and assistance for a number of projects from painting plunket rooms, volunteering at the summer Special Olympics and weeding wetlands. Approximately 329 staff volunteered more than 2,303 company hours. The total value of this contribution was estimated to be worth \$80,605.
- WFI continues to support the Kondinin group, a leading not-for-profit farm improvement group in WA.
- OAMPS again sponsored Yachting Australia and various Australian Rules football and netball leagues.
- Lumley made a \$10,000 donation to the Inspire Foundation, whose mission it is to help young people lead happier lives. The business also matched staff fundraising efforts to raise almost \$7,000 for the victims of the Haiti earthquake.

Economic investment

During the past year we made provisions to pay \$936 million in claims to our customers who suffered insured losses. This included support for customers affected by various natural catastrophes in Australia during the period.

We also purchased 26,000 Verified Emission Reduction carbon credits that comply with Australia's National Carbon Offset Standard. This investment has enabled WI to offset our Australian emissions for the 12 months to 30 June 2010.

Several other key strategies and important milestones achieved include:

- Lumley Australia's launch of the 'my.place' Electronic Data Interchange (EDI) system and the establishment of a new Corporate Solutions team;
- the launch of a new personal lines offer with Coles and Kmart Tyre & Auto Service underwritten by Wesfarmers Insurance;
- new management appointments in OAMPS and investments in technology to improve the performance of the broking system; and
- Lumley New Zealand commenced a major investment program to install a new policy administration system.

Resources

About our business

We are a significant Australian open-cut miner and a leading metallurgical coal producer and supplier of thermal coal for domestic power generation. We operate the Curragh open cut coal mine near Blackwater in Qld's Bowen Basin, the Premier Coal mine near Collie in WA, and have a 40 per cent interest in the Bengalla mine in the Hunter Valley of NSW. The Bengalla mine is not covered in this report as it is managed by Coal and Allied and is included in their public reporting. At 30 June 2010 we had 791 people permanently employed, 31 with the Resources divisional office, 478 with our Curragh mine operation and 282 with our Premier Coal operation. The combined coal production for Curragh and Premier Coal was 11.86 million tonnes which was 8.75 per cent lower than the previous year.

Year in review

2010 has been a 'year of action' for the Resources Division. Throughout 2010, action was taken at our sites to improve the efficiency of mining processes, to develop our people capability, to support our local communities, to grow the business through expansion plans and to reduce our environmental footprint. Our focus on action has seen us achieve 12 of our 19 priorities for 2010 with the remaining seven priorities partially achieved. While this is a very pleasing outcome there is still work to be done, but through a commitment to action rather than words we are making sound progress in building a sustainable business for the future.



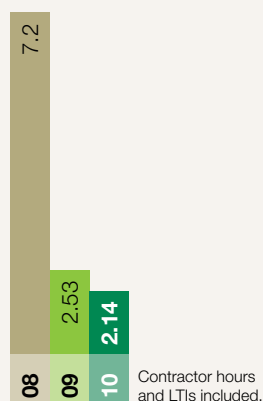
Inspecting the recently completed Blackwater Creek diversion project – Curragh mine.

Bottom right: Marron produced at the Ngalang Boodja Enterprises aquaculture project – Premier Coal.



SAFETY PERFORMANCE

Lost Time Injury Frequency Rate (LTIFR)



GREENHOUSE GAS EMISSIONS

Tonnes CO₂e



Note: 2009 data is only Scope 1 and 2 emissions; 2010 data is Scope 1, 2 and 3 emissions.

ENERGY USE

Million gigajoules



2010 Priorities	Outcomes	Status	2011 Priorities
Our people			
Wesfarmers Resources Consolidate and improve upon our safety performance achieved in 2008/09	LTIs were reduced from 9 to 7 and LTIFR reduced from 2.53 to 2.14.	✓	Our people – To consolidate and improve upon our safety performance achieved in 2009/10
Further embed the Leadership Development Framework	Leadership Development Workshops conducted at Curragh and Premier Coal.	✓	
Curragh Implement a workforce access system on site	Access system under development with roll-out to workforce to occur in 2010/11.	✓	
Implementation of the health, safety and training strategy	New health and safety strategy developed awaiting roll-out to workforce.	✓	
Premier Coal Certify our Safety Management System (SMS) to the AS/NZS 4801 standard	SMS was assessed and certified as meeting the requirements of AS/NZS 4801:2001.	✓	
Carbon and energy management			
Wesfarmers Resources Implement our climate change action plan	The plan calls for progressive action to achieve mid-term goals and targets.	✓	Carbon and energy management – Continue to improve greenhouse gas and energy measurement
Curragh Continue to improve greenhouse gas and energy measurement	Greenhouse emissions and energy data collation has improved.	✓	
Develop WESGERS into a management tool that aids business decisions related to energy and greenhouse gas	WESGERS has been implemented and will be further embedded into the decision making process over the next 12 months.	✓	
Premier Coal Develop WESGERS into a management tool that aids business decisions related to energy and greenhouse gas	WESGERS is the primary management tool to monitor energy consumption and greenhouse gas emissions of our business.	✓	

KEY

- ✓ Achieved
- ✓ Partially achieved
- ✗ Not achieved

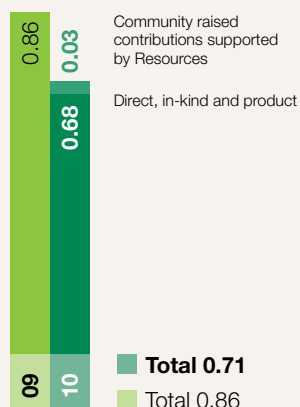
WATER CONSUMPTION

Megalitres



COMMUNITY CONTRIBUTION

A\$m



2010 Priorities	Outcomes	Status	2011 Priorities
Community			
<i>Wesfarmers Resources</i> Develop an indigenous affairs strategy	Aboriginal Employment and Engagement Strategy published.	✓	Community – Complete post handover agreement work around Lake Kepwari to assist DEC with public access to the lake
<i>Curragh</i> Review of community relations policy	Draft community relations policy developed.	✓	
<i>Premier Coal</i> Handover of Lake Kepwari to WA State Government	Mine abandonment notification accepted by Department of Mines and Petroleum and management responsibility now accepted by Department of Environment and Conservation (DEC). Public liability issues still being finalised with the State.	✓	
Conduct site open day in conjunction with the mine's 60th anniversary celebrations	Community Open Day successfully held on 8 November 2009.	✓	
Environment			
<i>Curragh</i> Finalise the site-wide Environmental Approval (EA) with Department of Environment and Resource Management (DERM)	DERM issued Curragh's amended EA in November 2009.	✓	Environment – Maintain accreditation to AS/NZS ISO14001 EMS standard at Premier Coal – Implement improvements to the waste management strategy at Curragh
<i>Premier Coal</i> Maintain accreditation to AS/NZS ISO14001:2004 Environmental Management System (EMS) standard Develop and seek agreement with WA regulatory authorities on Mine Closure Completion Criteria	The EMS was assessed and certified as meeting the requirements of AS/NZS ISO14001:2004. Development continued on the Mine Closure Completion Criteria for future consultation with the WA regulatory authorities.	✓ ✓	
A strong economy			
<i>Wesfarmers Resources</i> Continue to explore and evaluate growth opportunities	Approval obtained for Curragh expansion.	✓	A strong economy – Complete agreement with WA Government for establishment of the Shotts Industrial Park area – Complete the coal handling and preparation plant expansion project at Curragh
<i>Curragh</i> Complete Blackwater Creek diversion to allow further mining operations to occur	Blackwater Creek Diversion received practical completion in December 2009.	✓	
<i>Premier Coal</i> Planning and preparation to become sole coal supplier to Verve Energy from 1 July 2010	Premier Coal was ready to commence sole supply as at mid-June 2010.	✓	

KEY

- ✓ Achieved
- ✓ Partially achieved
- ✗ Not achieved



Historically, a large proportion of timber has been burnt, resulting in a potential resource being wasted. Premier Coal is now utilising some of this timber as fauna habitats in rehabilitated areas.

Above: Inspecting rehabilitated fauna habitats – Premier Coal.

Most pleasing was our reduction from last year in greenhouse gas emissions (reduction of 5.5 per cent) and energy use (reduction of 9.3 per cent) per Bank Cubic Metre equivalent. These reductions exceeded the targets to be achieved by 2012 of five and eight per cent respectively. Water efficiency continues to be a focus with a 35.6 per cent reduction in total water use achieved compared with our baseline year of 2006.

At the heart of our sustainability strategy is the wellbeing of our employees. This year our priority was to consolidate and improve upon the safety performance we achieved last year. This was achieved with a 15 per cent reduction in our LTIFR with Curragh's safety performance being a highlight with a 38 per cent reduction in its LTIFR to 1.5 as a result of recording only four LTIs among its contractor workforce. While this year's performance is positive our aim remains to achieve zero workplace incidents within our division.

Sadly a contract worker was killed in a single light vehicle accident at our Curragh mine on 31 August 2010. This is a tragic reminder of the importance of remaining vigilant and focused on safety at our sites.

From a sustainable business perspective our focus was on completing the Blackwater Creek Diversion Project. This project was completed 12 months ahead of schedule and under budget. This year also saw the division receive Wesfarmers Board approval for the expansion of Curragh from 6.5 to 7.0 million tonnes per annum (mtpa) to 8.0 to 8.5 mtpa of export coal from late 2011. The successful achievement of both of these has positioned the division well for continued strong growth in the years ahead. In Premier Coal's operations the focus has been on becoming the sole coal supplier to Verve Energy (the state-owned electricity generator) from 1 July 2010 and it has now assumed that role.

During the year the division continued to make good progress across the spectrum of sustainability objectives. This focus of growing the business in a sustainable way resulted in industry and government recognition for our performance through the awarding of Curragh as the Minerals and Energy Exporter of the Year, Premier Coal as the winner of the Western Australian Environment Award for Business Leading by Example for its indigenous aquaculture project and the Resources division as the Queensland winner of the Regional category in the 2010 Australian Business Arts Foundation (AbaF) Awards for our partnership with Queensland Theatre Company.

Our community support through strategic partnerships with Life Education Australia, Queensland Theatre Company, Blackwater International Coal Centre, the Smith Family and the Ngalang Boodja Enterprises aquaculture project has continued throughout the year. We have also supported many community based organisations as we continue to assist the development of strong, vibrant and healthy communities in which we operate.

People

The safety of our people remains our principal focus. This year our aim was to improve upon the previous year's performance and as a division this was achieved with LTIs decreasing from nine to seven (22 per cent reduction) and the LTIFR from 2.53 to 2.14 (15 per cent reduction). The highlight was the significant improvement at Curragh where a 38 per cent reduction in its LTIFR to 1.5 was achieved during a period of substantial change and ramp-up within the operation. The essential factors in achieving this improved safety performance were the safety systems, supported by strong leadership, a positive safety culture and team work across site.

Throughout the year diversity has been the subject of increased attention with Curragh implementing an Equal Employment Opportunity Policy, a division wide survey of our diversity along with the development of an Aboriginal Employment and Engagement Strategy across the division.

Developing our leaders is critical to the future success of our business and this year further leadership workshops focussing on leading change, building teams, strategic planning and external relationships were conducted across our business units.

Environment

Premier Coal has maintained its EMS in accordance with the International Standard AS/NZS ISO14001 having been assessed and certified to the requirements during the year.

The Blackwater Creek Diversion Project provided Curragh with a major rehabilitation challenge with the project achieving 90 per cent rehabilitation coverage which is 15 per cent higher than required by DERM. The continual monitoring of grass and tree growth has ensured ongoing compliance with our environmental obligations.

As part of its Blackwater Creek Diversion Project, Curragh commissioned Ecofund (which provides services to its clients to meet regulatory environmental offset requirements) to identify and preserve a suitable area of brigalow woodland to offset the loss of the 220 hectares to be cleared for mining operations. The result being that Curragh, in conjunction with a landholder in Nebo Qld, preserved more than 643 hectares of endangered brigalow regional ecosystem for future generations.

Forest stewardship is an important issue in WA and Premier Coal is proactively investigating more environmentally beneficial ways to dispose of wood residue from areas cleared as part of its mining operations. Historically, a large proportion of timber has been burnt, resulting in a potential resource being wasted. Premier Coal is now utilising some of this timber as fauna habitats in rehabilitated areas while other timber is being mulched for incorporation into the soil profile of rehabilitated areas and use as a road surface in our mining activities with the result being reduced smoke emissions and improved soil quality and structure reducing weeds.

Carbon and energy

The management of greenhouse gas emissions and energy use remains one of the most challenging areas for our business. Improved measuring capability and the introduction of WESGERS is assisting our business units to better understand their emission profiles and energy use. This year both Curragh and Premier Coal instigated reviews of their mining processes to improve the efficiency of mining and in Premier Coal's case the recovery of coal. Curragh held 'Coal Flow' meetings between departments to ensure alignment to the Latest Estimate plan. These meetings provide a strategy describing the priority coal, which equipment is required where and helps to ensure a reliable feed to the Coal Processing Plant.

This coordinated approach is designed to contribute to efficiency improvements in energy and greenhouse gas emissions. Premier Coal established a team of production operators, supervisors and the mine geologist to analyse the total cycle of uncovering coal and subsequent mining process to find the root causes of coal loss. This initiative has a three-fold benefit of increasing reserves, reducing energy consumption and lowering costs associated with the removal of overburden.

Greenhouse emissions

Our total direct (Scope 1 and 2) greenhouse gas emissions were estimated to be 672,426 tonnes of CO₂e, down five per cent on last year. This equates to 4.13 kilograms of CO₂e per BCM, down 5.5 per cent on last year. The greenhouse gas emissions were largely due to fugitive emissions 40 per cent, electricity 27 per cent and diesel 30 per cent.

Energy use

Our main energy use during the year related primarily to the operation of our draglines, our Coal Handling and Preparation Plant (CHPP) and diesel-operated equipment. Total energy consumption was estimated to be 3.94 million gigajoules, down 8.8 per cent on last year. Our total energy consumption per BCM was estimated to be 24.18 gigajoules, down 9.3 per cent on last year. This energy use is broken down into fuel 78 per cent of total energy consumption and electricity 20 per cent with other sources such as explosives accounting for the remaining two per cent.

Energy efficiency initiatives

Energy assessments have been conducted in accordance with the key requirements of the Federal Government's Energy Efficiency Opportunities (EEO) program. Premier Coal has a Business Improvement program which has many elements in common with the EEO program's continuous improvement approach.

During the year Premier Coal investigated several energy efficiency projects including a project to reduce fuel consumption by light towers which resulted in an estimated site energy saving of over 500 gigajoules per annum.

Premier Coal continues to focus on improving truck productivity, which ultimately means an increase in fuel efficiency. During 2010 a project was undertaken to improve truck productivity by focussing on the haulage of overburden over waste dumps. It was calculated that increased truck productivity due to reduced truck hours has resulted in an energy saving in excess of 2,800 gigajoules per annum for our largest shovel and truck fleet.

Governance

There were no environmental infringement notices or fines issued to either Curragh or Premier Coal. During the year Premier Coal had two non-compliances. One of these events was due to the concentration of metals discharged in water from a mine void, and the other was a technical breach as one water quality parameter (dissolved oxygen) was not measured at a site discharge point. The DEC has advised Premier Coal that no further action will be taken on these breaches.

Curragh Mine received approval on its amended EA in November 2009 from DERM. The combined EA places stringent environmental conditions on operations for the Curragh mine site.

During the year Premier Coal renewed or was granted several environmental licences and permits. The most significant of these was the renewal of the licence that permits groundwater to be abstracted as part of the coal mining process.

Community

In October 2009 Curragh renewed its special funding agreement with Queensland Health and a consortium of four other coal-mining companies to boost medical facilities in the central Queensland region. A three year agreement was signed by the consortium for the provision of \$210,000 per year to fund a second doctor's position at Blackwater Hospital.

Premier Coal has continued to work through the complex process of handing over the former mine void known as Lake Kepwari to the Western Australian State Government. This year the Mine Abandonment Notification was accepted by Department of Mines and Petroleum and management responsibility has now been accepted by Department of Environment and Conservation.

Following the success of the Life Education Australia partnership which was launched in January 2009 we have committed a further \$100,000 over two years to this leading drug and alcohol education program in central Queensland and south-west Western Australia. This initiative combined with Curragh's and Premier Coal's ongoing support for local health services, education, the arts, indigenous employment opportunities and local tourism initiatives, such as the Collie Visitors Centre and Blackwater International Coal Centre, has seen our business make substantial contributions to our communities.

Economic investment

Curragh continues to grow its business with an expected increase in Curragh mine export coal from the current 6.5 to 7.0 mtpa to 8.0 to 8.5 mtpa from late 2011. The expansion will include the construction of a new stand-alone coal handling and preparation plant as well as mine infrastructure at a cost of \$286 million.

- Premier Coal continues its practice to source goods and services from local suppliers wherever possible. In addition, we also seek to provide employment opportunities for local residents. The success of this strategy is supported by the fact that approximately 79 per cent of the workforce reside in Collie.
- Premier Coal's capital investment for the year included over \$21million on major equipment, dewatering bore field and water treatment plant, exploration drilling and other infrastructure and communications.



Researchers at Edith Cowan University, investigating how aquaculture waste discharges ameliorate void water acidity and improve nutrient levels.

Chemicals, Energy and Fertilisers

Chemicals and Fertilisers

About our business

The Chemicals and Fertilisers division of Wesfarmers, incorporates CSBP, Australian Vinyls (AV), ModWood and Australian Gold Reagents (AGR, a 75 per cent owned joint venture we operate).

We manufacture and supply chemicals, fertilisers, polyvinyl chloride (PVC or vinyl) resins and related services to the mining, agricultural and industrial sectors.

While the majority of our products are supplied to the domestic market, some of our products are also exported to the international market.

We operate a major industrial complex at Kwinana in WA and have complementary facilities in regional WA. Our business in WA produces agricultural fertilisers, ammonia, ammonium nitrate, sodium cyanide and other industrial chemicals.

AV and ModWood are located in Vic and manufacture and supply PVC resins and wood-plastic composite products.

We have a 50 per cent interest in Queensland Nitrates (QNP), an integrated ammonia/ammonium nitrate facility in Qld. QNP is not included in this report because we do not operate this business.

In this report, CSBP WA refers to CSBP operations in WA, including AGR, and excludes our Victorian-based businesses Australian Vinyls and ModWood.

As at 30 June 2010, we employed 765 people.

Year in review

Our focus continues to be the safe operation of our facilities in a way that minimises any adverse impact on our employees, the environment or the communities in which we operate.



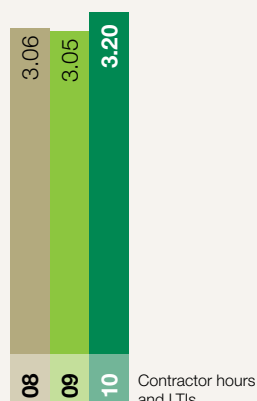
Chemicals and Fertilisers supported nine apprenticeships during the year.

Bottom right: Victorian Premier John Brumby opened Australian Vinyl's water recycling plant in February 2010.



SAFETY PERFORMANCE

Lost Time Injury Frequency Rate (LTIFR)



GREENHOUSE GAS EMISSIONS

Tonnes CO₂e



* Estimated greenhouse gas emissions reported here for 2008 and 2009 have reduced from previously reported estimates following correction of an error in the calculation methodology for nitrous oxide emissions from the CSBP nitric acid plants.

ENERGY USE

Million gigajoules



2010 Priorities	Outcomes	Status	2011 Priorities
Maximise use of recycled and reclaimed water supply sources	We increased our use of treated wastewater from the Kwinana Water Reclamation Plant (KWRP) at our Kwinana site. 85,471 kilolitres of recycled water was used in place of potable water following commissioning of the AV water recycling plant.	✓	- To improve the overall participation of our workforce in health and safety activities such as hazard identification, inspections and risk assessments - To improve compliance to regulations of all MHFs and develop our KPIs to track process safety performance - To improve training materials and delivery to support the initial induction, skill development and competence of our workforce - To continue to manage legacy waste and contamination issues - To integrate and improve documentation and the systems that facilitate their access - To contribute to and engage with the communities in which we operate
Reduce contaminant emissions to air and water	Metals in wastewater discharged to the licensed discharge point from our Kwinana site decreased from 104.9 kilograms in 2008/09 to 46.4 kilograms in 2009/10. Nitrogen load in wastewater discharged increased from 37.9 tonnes in 2008/09 to 44.7 tonnes 2009/10. Ammonium nitrate particulate emissions to air from our Kwinana site decreased from 41 tonnes in 2008/09 to 1.9 tonnes in 2009/10.	✓	
Improve workplace safety, control security and risk, and minimise injury	Lost Time Injury Frequency Rate (LTIFR) of 3.2 and a reduced Workplace Injury Frequency Rate (WPIFR) rate of 7.4. Lost Time Injuries (LTIs) remained at six. There was a decrease in losses associated with security breaches, and an increase in the reporting of minor security breaches.	✓	
Continue to develop a skilled and engaged workforce	\$2.178 million spent on training and development. Three leadership courses completed, and another commenced.	✓	
Operate our manufacturing and storage facilities to high standards of process safety	For the two MHFs in WA, one operates to a safety report approved in accordance with the Dangerous Goods Safety Regulations 2007 and for the other we are working towards amending the existing safety report by the compliance date of 1 February 2011, which has been set in agreement with the Department of Mines and Petroleum. All WA MHFs and non-MHFs have current Dangerous Goods site licences, and AV has a MHF licence issued by WorkSafe Victoria. Continuation of internal process safety auditing for WA and AV MHFs.	✓	
Continue to improve and review our products, processes and services	CSBP business improvement model developed and endorsed. Standard operating procedures completed for the sodium cyanide business. Trials of a low-phosphorus turf product conducted and field trials of low water-soluble phosphorus product continued by CSBP Fertilisers. AV's \$5.3 million water recycling plant officially opened. Introduction of a new specialty product, chlorinated polyethylene, by AV.	✓	
Continue to contribute to and engage with the communities in which we operate	Community support activities continued. Membership and participation in key Kwinana Industries Council (KIC) committees continued. CSBP representatives attended KIC's Community and Industries Forum meetings, and stakeholder forums and site tours were held at our Kwinana site. AV community engagement continued through our community group, the Environment Monitoring Team. AV is a member of the City West Water Community Liaison Committee and an observer of the Altona Complex Neighbourhood Consultative Group.	✓	
KEY ✓ Achieved ✓ Partially achieved ✗ Not achieved			

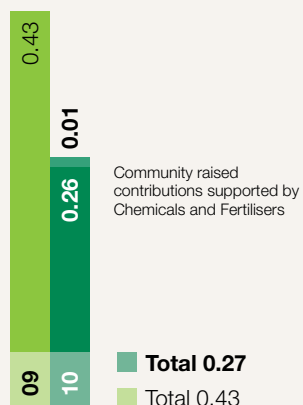
WATER CONSUMPTION

Megalitres



COMMUNITY CONTRIBUTION

A\$m



During 2009/10, 14 work place injuries were recorded, an improvement on the 23 WPIs recorded in 2008/09. This was reflected in a reduction in the WPIFR from 11.7 in 2008/09 to 7.4 in 2009/10. There was an increased focus on safety communication which saw monthly team safety meetings increase from 254 meetings held in 2008/09 to 454 meetings held in 2009/10.

AV's \$5.3 million water recycling plant at Laverton was officially opened in February 2010 by the Victorian Premier. The project was part-funded by the Victorian government which contributed \$1.8 million.

Our total water consumption at CSBP was 3,863 megalitres, up 16 per cent on last year while our net energy consumption was 11.83 million gigajoules, up 48 per cent on last year. Water and energy consumption increased as a result of increased production at our Kwinana site which returned to more normal levels following impacts from the Varanus Island gas disruption in 2008/09.

In 2009/10 we had 19 reportable environmental events, a decrease of eight on last year. Of these, 19 reportable events, six were potential non-compliances.

People

As at 30 June 2010 we employed 765 people, excluding contractors but including casual employees.

We remain committed to training and developing our employees to retain and maintain a skilled workforce. In 2009/10 we recorded an approximate spend of \$2.178 million on training and development.

The company supported nine apprenticeships during the year.

During 2009/10 there were six LTIs, the same as in 2008/09. There were 14 WPIs, down significantly from the 23 WPIs in 2008/09.

Safety statistics are distributed and discussed by management each month and reported to our Board every three months.

Performance against our safety targets showed an increase in hazard and housekeeping inspections and permit to work audits due to an increased focus on hazard identification and compliance to the work permit system.

A team was formed to review the various task and behavioural observation systems used across CSBP. The team made various recommendations including the development of a safety observation card that was implemented in April 2010.

In 2010 we celebrated a century of manufacturing operations in WA with our employees at events in WA and Vic.

We continued work to address our six priority areas for improvement that resulted from our last employee opinion survey in September 2008. We also continued to provide information about our business to our employees and encourage feedback through our intranet, internal newsletters and employee briefings.

Environment

The first six months of operation of AV's water recycling plant achieved a reduction in potable water consumption of 25 per cent compared to the same time period for the previous year.

We completed active remediation at our Bayswater site in November 2009. We are continuing to monitor water quality.

Carbon and energy

Greenhouse emissions

Our greenhouse emissions (as reported under the *National Greenhouse and Energy Reporting Act 2007*) were estimated to be 1,491,730 tonnes of CO₂e and this equates to 0.7 tonnes of CO₂e per tonne of product.

Greenhouse gas emissions were largely due to the Kwinana nitric acid plants (60 per cent), ammonia plant (29 per cent) and sodium cyanide plants (2 per cent), and AV's PVC plant (4 per cent). In addition, Scope 3 emissions associated with our electricity, natural gas and waste were estimated to be 64,973 tonnes CO₂e.

Energy use

Energy consumption was estimated to be 11.83 million gigajoules, up 48 per cent on last year. Net energy consumption per tonne of production was 5.3 gigajoules. This energy use is represented by natural gas (97.2 per cent), electricity (2.1 per cent) and other energy (0.8 per cent).

Energy use during the year related primarily to ammonia and sodium cyanide production which increased to return to more normal levels following impacts from the Varanus Island gas disruption in 2008/09.

Governance

Our people and compliance team and the AV sustainability team provided guidance and advice to the business on current and changing legislative and public policy requirements and support the business in complying with these requirements.

Our ammonium nitrate, ammonia, sodium cyanide and PVC resin facilities are classified as MHFs and all have the current approvals to operate.

We are not aware of any non-compliance during the year with licensing or approval conditions or other requirements, except as set out below.

During the year, we notified the Department of Environment and Conservation (DEC) in WA of 14 reportable events under the *Environmental Protection Act 1986* (WA) and EPA Victoria of five reportable events under the *Environment Protection Act 1970* (Vic).

Of the 19 reportable events, six were potential non-compliances, while 13 incurred no potential enforcement action. Of these, five related to a reportable threshold (between 75 and 100 per cent of the relevant licence limit) and eight related to licence targets.

The potential non-compliances were:

- The accuracy and reliability of data collected for a sodium cyanide liquid production plant NOx analyser at Kwinana for February was below licence requirement.
- Three incidents related to exceeding the licence limit for vinyl chloride monomer for a stack emission point at AV.
- Discharge to sewer above agreement limit at AV.
- A broken air line at the incinerator sample point at AV.

We supported our employees to participate in the Rebel Sport City to Surf for Activ and the Freeway Bike Hike for Asthma in WA.

Employees from our Soil and Plant Analysis Laboratory in their commemorative 100-year CSBP cycling jerseys for the HBF Freeway Bike Hike WA.



The DEC has responded to incidents covered in previous sustainability reports as follows:

- A letter advising that no further action will be taken regarding the discharge of wastewater to ground from the no.2 prill plant wastewater storage pond as reported in 2009.
- A formal letter of warning regarding the incident we reported in 2009 where the no.1 nitric acid plant NOx analyser did not read correctly during start-up.
- A letter advising of their concern regarding the incident where the maximum half-hourly NOx concentration exceeded the licence limit during a start-up as reported in 2009. It recommended preventative actions and advised that no further action would be taken.
- A formal letter of warning in relation to the incident where we failed to collect a continuous sample from the effluent stream discharged to the Sepia Depression Ocean Outlet Landline (SDOOL) as reported in 2009.

Nine potential non-compliances reported in previous sustainability reports are still awaiting resolution by either the DEC in WA or EPA Victoria.

As reported last year, we have potential industry-to-industry noise non-conformance on the northern and eastern boundaries of our Kwinana site.

WorkSafe WA issued one improvement notice to CSBP WA relating to dust within the granulation plant at Kwinana. This is being addressed by a series of plant modifications.

Community

We provided support to more than 130 organisations in 2009/10, either through direct financial support or through the donation of goods. In line with our sponsorship guidelines, this support was directed towards communities in which our businesses operate.

In addition to this, we supported our employees participation in the Rebel Sport City to Surf for Activ and the HBF Freeway Bike Hike for Asthma (both in WA) and Australia's Biggest Morning Tea for the Cancer Council.

We continued our support of Youth Focus, a not-for-profit organisation in WA which assists young people at risk of suicide or self-harm.

We continued our membership and involvement with key industry bodies including the:

- Kwinana Industries Council
- Plastics and Chemicals Industries Association Inc
- Fertilizer Industry Federation of Australia
- Vinyl Council of Australia
- Australian Industry Group

Previously we have reported on our ongoing communications with interested parties about our importation of phosphate rock from the Boucraa region of Western Sahara.

In October 2009, we announced an investment of almost \$5 million in a regenerative thermal oxidiser (RTO) to broaden phosphate rock supply options for our superphosphate manufacturing operation at Kwinana.

We had the following four complaints from an industry neighbour regarding odour from our Kwinana site:

- Ammonia odour detected, however no cause was identified.
- Two ammonia odour complaints related to a leak of ammonia gas which was identified in the ammonia compressors in liquefaction and subsequently repaired.
- Ammonia odour detected, with the source identified as venting waste gas in our sodium cyanide plant.

Economic investment

Our products and services are inputs into a variety of Australian industries including agriculture, iron ore and coal mining, nickel and gold extraction, and construction.

In 2009/10 our revenue was \$1,059.8 million.

In November 2009 we announced the approval of a front-end engineering and design (FEED) study to increase ammonium nitrate production capacity at our Kwinana industrial complex.

The study will provide a detailed assessment of the construction of an additional nitric acid plant and ammonium nitrate plant, and an upgrade of the existing prilling plant at our Kwinana site.

AGR also continued its \$15 million investment in the upgrade of its Kwinana sodium cyanide production plant at Kwinana to increase production to supply the new Boddington goldmine in WA.

Chemicals, Energy and Fertilisers

Energy

About our business

Wesfarmers Energy is composed of five business units: four units that focus on gas and one unit on electricity generation.

Our activities include:

- The manufacture and distribution of industrial, medical and speciality gases by Coregas in eastern Australia and Air Liquide WA (ALWA) (40 per cent Wesfarmers-owned) operating in WA and the NT.
- Production, import and export of liquefied petroleum gas (LPG) and production of liquefied natural gas (LNG) by Wesfarmers LPG (WLPG).
- Distribution, marketing and sales of LPG and LNG by Kleenheat Gas.
- Power generation for remote industrial and residential sites by enGen.

Our division employs 945 permanent employees. We aim to improve our sustainability outcomes through the continuation of a strong focus on compliance, safety, health, the environment and the communities in which we operate.

Year in review

During the year, Coregas introduced leading indicators for the early identification and control of hazards. This resulted in a significant number of additional hazards being eliminated from the site. Manual handling, fatigue, and driver training programs continued to be rolled out to all branches.



Pre-commissioning of the high-expansion foam system for the new LNG plant in Kwinana. This protective layer of foam is designed to suppress liquid or vapour in the event of an accidental LNG release.

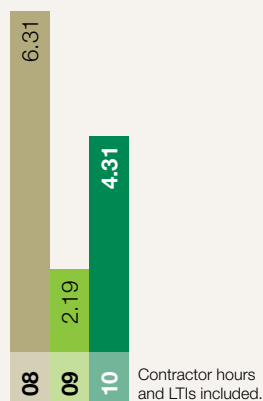
Bottom right: Wesfarmers LPG HSE Advisor conducts an onsite safety talk with a Kleenheat tanker driver.



Prior to July 1, 2010 Coregas was reported under the Energy division.

SAFETY PERFORMANCE

Lost Time Injury Frequency Rate (LTIFR)



GREENHOUSE GAS EMISSIONS

Tonnes CO₂e



ENERGY USE

Million gigajoules



2010 Priorities	Outcomes	Status	2011 Priorities
Continue to integrate lead indicators into the measurement of safety and health	Safety meeting attendance is a lead indicator for all business units.	✓	- To improve the overall participation of our workforce in health and safety activities such as hazard identification, inspections and risk assessments - To improve compliance to regulations of all MHFs and develop our KPIs to track process safety performance - To improve training materials and delivery to support the initial induction, skill development and competence of our workforce - To continue to manage legacy waste and contamination issues - To integrate and improve documentation and the systems that facilitate their access - To contribute to and engage with the communities in which we operate
Conduct our operations ensuring a high level of safety, product quality and customer service	ALWA achieved four years without a Lost Time Injury (LTI), enGen and WLPG achieved seven years without a LTI. Coregas reduced its Lost Time Injury Frequency Rate (LTIFR) from 9.7 to 2.6. Kleenheat had seven LTIs, WLPG had one LTI and there was one in the divisional support area. Kleenheat maintained ISO 9001 certification. Late last year, some forklift customers in Sydney experienced problems within the LPG delivery system which may have been caused by product quality. Kleenheat provided forklift customers with product sourced from an alternative supplier and has since paid all of the associated compensation claims. enGen had some occasional disruption to power supply.	✓	
Positively contribute to and engage with our stakeholders and the communities in which we operate	All business units have an ongoing commitment to community charities. This year we provided support to the Salvation Army, the Sydney Children's Hospital Foundation and the Shoalhaven Hospital International Midwives Day.	✓	
Continue to explore energy efficiency opportunities	WLPG started an EEO program. enGen increased capacity of generators at Meekatharra (WA) to allow the same output from less generators. enGen also modified the control system at Sunrise Dam to reduce the energy used in spinning reserve requirements.	✓	
Continue to develop the capabilities of our people	Training and professional development activities during the year included safety, leadership and skills, manual handling and driver education programs across the business.	✓	
KEY ✓ Achieved ✓ Partially achieved ✗ Not achieved			

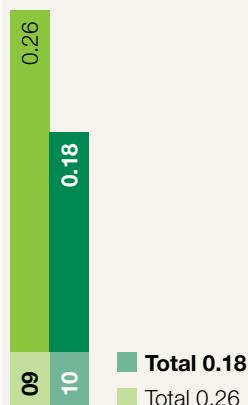
WATER CONSUMPTION

Megalitres



COMMUNITY CONTRIBUTION

A\$m



Overall, our business units performed well in regards to LTI. enGen and WLPG recorded seven years LTI-free, and ALWA recorded four years LTI-free. WLPG, however had an LTI in April 2010 where a contractor injured his hand.

Other business unit activities included:

- ALWA successfully conducting a simulated emergency exercise in June 2010.
- Kleenheat commencing upgrades of two major sites (Deer Park and Pinkenba), and continuing the Levers for Change program by actioning items from the employee survey. Kleenheat's occupational health and safety management system has also been redeveloped and is now being implemented.
- WLPG completing a safety integrity level determination study for the LPG plant. We also started an EEO program at the site.

People

Our division has successfully implemented a number of programs during the year.

Coregas achieved a high response rate to its second CorePeople employee survey. The goals are to ensure that employees understand their role in achieving corporate objectives, that issues that most influence employee commitment, motivation and performance are addressed, that the company hears and acts on the feedback, and that people understand how important they are to Coregas.

Coregas employees underwent training in areas including strategy, leadership and change, compliance training, and health, safety and environment training in JSA's, injury management and manual handling.

Kleenheat's Levers for Change program continued with follow up from a recent culture survey. ALWA continued their behavioural safety visits, aimed at highlighting safe behaviour and improving safety culture through engaging with and listening to employees.

ALWA successfully conducted a simulated emergency exercise to test the Emergency Management Plan. Team members ensured back-up personnel were trained and competent. The scenario included police, the Fire and Emergency Services Authority of WA, medical practitioners, customers and other organisations.

Kleenheat and WLPG training included both executive development and employee leadership development, supervisory skills, safety management, fire fighting, first-aid, basic life support and confined space entry.

enGen achieved accreditation to AS4801 – Safety Management Systems, via NCS International. enGen achieved seven years operation without a LTI, as did WLPG.

A divisional indigenous strategy had been drafted but was put on hold pending the merger with the Chemicals and Fertilisers division. Under the new division, the strategies will be finalised and implemented across business units.

Environment

Water

WLPG progressed its water efficiency management plan by implementing a number of projects aimed at reducing water consumption. Actions include installing signs at water usage points to encourage responsible use of water, capturing and reusing wastewater from evaporative coolers, and fitting toilets with dual-flush systems. Estimated savings are 393 kilolitres of water per year.

Waste

enGen are working with Anglo Gold to ensure safe disposal of used coolant from the Sunrise Dam generator cooling systems. This required an understanding of any environmental effects of the coolant, followed by an investigation of the various disposal options and selection of an appropriate method.

Air emissions

ALWA, Kleenheat and WLPG National Pollutant Inventory (NPI) emissions for the 2008/09 year were submitted to NPI. The data is available at www.npi.gov.au.

Contamination

Kleenheat owns sites in Kwinana (WA) and Deer Park (Vic), and leases sites at Camellia (NSW), Pinkenba (Qld), and Self's Point (Tas) which are either contaminated or potentially contaminated from previous or neighbouring land uses unrelated to Kleenheat. Management of this contamination is the responsibility of the entities that originally created the issue.

Kleenheat owns sites at Dungong (NSW), and Gepps Cross, SA which are being investigated to establish if historical land uses have caused contamination at the sites.

Kleenheat formerly occupied sites in Queens Park and Osborne Park (WA) which are subject to hydrocarbon contamination. Both sites have been reported to the DEC under the *Contaminated Sites Act 2003* however responsibility for remediation of these sites is yet to be determined. Kleenheat is participating in the Contaminated Sites Committee proceedings relating to the Osborne Park site (which will determine responsibility for remediation of that site) and has undertaken groundwater monitoring of the Queens Park and Osborne Park plumes in the past year.

The WLPG site at Kwinana is classified as 'Contaminated – Restricted Use' under the *Contaminated Sites Act, 2003*, due to previous land use. No further action is required with respect to this contamination.

Noise

WLPG successfully addressed a noise issue reported last year by erecting an acoustic shield to attenuate noise from the flare. Kleenheat installed a specialised silencer on a compressor at its Armidale (NSW) site following receipt of some community complaints. Testing showed that the installation now complies with noise legislation and satisfies local council requirements.

Recycling

Kleenheat recycles approximately 75 per cent of its solid waste which is mainly brass and steel from condemned gas cylinders.

Engineering students from the University of Western Australia on a site visit to the Wesfarmers LPG plant in Kwinana, WA.



Carbon and energy

Greenhouse emissions

Our total greenhouse gas emissions were 467,884 tonnes of CO₂e, down 17.4 per cent on last year, and this equates to 766 tonnes of CO₂e per million dollars of revenue, down 17.6 per cent on last year. The greenhouse gas emissions were largely due to natural gas and diesel used in our power stations and electricity consumption in our industrial plants.

Kleenheat has purchased two additional LNG-powered prime movers to service LNG delivery requirements.

Energy use

The division's main energy use during the year related to natural gas consumption. Total energy consumption was 6.10 million gigajoules, down 14 per cent on last year. Our total energy consumption per million dollars of revenue was 9,978 gigajoules, down 20 per cent on last year. The main reason for the reduction in energy use and greenhouse emissions is the removal of the Coregas Air Separation Unit from this data as the plant's customer is responsible for energy supply.

Energy efficiency initiatives

WLPG commenced an energy efficiency initiatives program this year. For the first time WLPG will be reported in Wesfarmers' in Energy Efficiency Opportunities report because it now exceeds the energy use trigger level.

Governance

The division's facilities operate under licences issued by state governments (or the Government of Bangladesh). We are not aware of any potential non-compliance during the year with licensing or approval conditions.

Coregas submitted its safety report to Workcover NSW in order to comply with MHF legislation.

Last year, WLPG reported on developments after receiving a noise complaint during shipping activity. WLPG followed up with a noise survey of our facility which showed limits were exceeded by approximately one to two dBA on the southern boundary. This year, an acoustic screen was installed at the flare base and a follow-up noise survey confirmed compliance with the noise regulations. The Department of Environment and Conservation (DEC) and community representatives were advised of this outcome.

WLPG submitted a safety report for approval in November 2009. The Department of Mines and Petroleum (DMP) granted an extension for an approved safety report to 30 June 2010 and more recently to 1 February 2011. While the DMP is satisfied that we can operate our facility safely, this extension will allow WLPG time to review and format our formal safety assessment section of the safety report.

Community

All business units continued to provide support for various community activities through direct financial support, the donation of products, or our people's time.

Kleenheat formed a partnership with the Salvation Army and developed the Regional Care Services program which was launched in October. The program provides support to communities in regional Australia. Kleenheat also supported other various charities and local sporting groups and continued its sponsorship of a Bangladesh school. Support was both financial as well as the provision of products.

Evol LNG, Kleenheat's LNG brand, continued its commitment as a major partner to the Asthma Foundation. Some employees took part in the 'Freeway Bike Hike' as part of this year's fundraising.

Coregas has been sponsoring the Tradeperson of the Year Award through the Welding Technology Industry Association for 24 years, as well as supporting the Constable Care program, Diabetes Australia Kids Camp, Macquarie Hospital and Sydney Heritage Fleet.

For enGen, the reliability of electricity supply at a number of towns continued to improve with 11 towns achieving the milestone of no power supply interruptions due to power station problems. This compares to other towns operated by other companies where there is one outage a month due to power station issues.

Economic investment

enGen commenced supply of a major power station for BHP Billiton (BHPB) at its Area C mine to support its mine expansions. The power station was commissioned in September 2010 and now supplies 18 megawatts to BHPB's Pilbara (WA) electricity network. enGen also entered into a contract with the Federal Attorney General's Department to expand and upgrade the Christmas Island (WA) power station. On completion, this project will double the capacity of the existing power station and enable the retirement of three aging units of the station.

Kleenheat is upgrading its sites at Deer Park (Vic) and Pinkenba (Qld). The new facilities will include semi-automated processes intended to reduce some hazards to plant personnel (eg manual handling) and allow for increased capacity.

Industrial and Safety

About our business

Wesfarmers Industrial and Safety (WIS) is Australia and New Zealand's leading supplier of industrial and safety consumables. We provide engineering products and industrial consumables, safety, packaging, materials handling and lifting products and services to industry and government. We operate a multi-channel distribution model that includes a network of branches, sales representatives, eBusiness, websites and telesales.

With more than 240 outlets, we trade in Australia as Blackwoods (incorporating Atkins Electrical and Bakers Construction and Industrial), Bullivants, Motion Industries*, Total Fasteners, and Protector Alsafe. In New Zealand we trade as Blackwoods Paykels, Packaging House, NZ Safety, Safety Source and Protector Safety. As at 30 June 2010 we employed 3,244 people.

Year in review

The pursuit of sustainable outcomes that are socially and environmentally responsible, while being economically viable, continues to be a focus for our business. In 2010 sustainable outcomes of note are the:

- Improved safety performance in 2010 with the total number of injuries decreasing by 20 per cent to 244 from 304 in 2009. The decrease in injuries was reflected in the decreases in both LTIFR, which was 1.6 compared to 2.4 in 2009, and AIFR to 43.6 from 52.7 in 2009.
- Development and launch of our Aboriginal and Torres Strait Islander Strategy.



Provision of natural lighting was central to the design of the new Blackwoods distribution centre, at Canning Vale in WA.

Bottom right: Participants in Protector Alsafe Training Services' hazardous materials response course.

Bullivants
HANDLING SAFETY

Blackwoods

Packaging House
Building partnerships, delivering solutions

Total
FASTENERS

MOTION
INDUSTRIES

protector safety

SAFETY
SOURCE

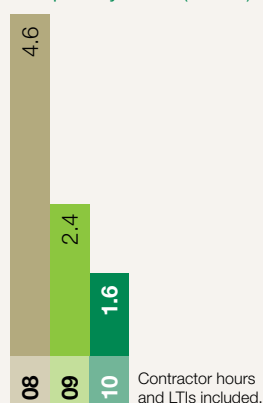
NZ Safety

Blackwoods Paykels
NEW ZEALAND'S LEADING SUPPLIER OF INDUSTRIAL SUPPLIES AND TOOLING SERVICES

Protector Alsafe

SAFETY PERFORMANCE

Lost Time Injury Frequency Rate (LTIFR)



GREENHOUSE GAS EMISSIONS

Tonnes CO₂e



ENERGY USE

Million gigajoules



* Motion Industries was sold in September 2010.

2010 Priorities	Outcomes	Status	2011 Priorities
Improve our safety performance by reducing our total number of injuries	In 2010 the total number of injuries was 244, a decrease of 20 per cent from 304 last year. Our Lost Time Injury Frequency Rate (LTIFR) of 1.6 was a substantial improvement on the 2009 result of 2.4.	✓	– Continuing to drive a safety focused culture
Continue to drive our GetSAFE management system and a safety-focused culture	In 2010 the GetSafe Management System was reviewed and simplified. The number of safety self audits, which are designed to reduce safety risks to the business, increased by 81 per cent from 361 in 2009 to 653 in 2010.	✓	– Continuing to drive our Aboriginal and Torres Strait Islander Strategy and expand our employee diversity initiatives
Continue to focus on our delivery performance for customers	Delivery in full on time (DIFOT) continues to be a key performance indicator for our Australian businesses. While the overall DIFOT was affected by increasing sales in the second half of the year, customer service levels, having products in the right place when customers request them, increased by an average of 0.6 per cent.	✓	– Conserving resources with a focus on energy efficiency and waste reduction
Continue to focus on the attraction, retention and development of our people	Employee turnover decreased by 0.7 per cent on 2009. We continued to develop our people with specialised internal development programs for high potential employees, regional and branch managers and sales staff.	✓	– Further promoting a sustainable product range to help customers meet their sustainability objectives
Continue to work with our suppliers to develop sustainability of sourced product	WIS continued to work with suppliers to improve the sustainability of sourced product by auditing all our major Asian suppliers of globally sourced products during 2010 and continuing the supplier survey for domestic suppliers.	✓	– Managing efficient, sustainable and ethical outcomes with suppliers to reduce risk and deliver value to customers
Continue to improve efficiency of energy and water use	Energy efficiency and water reduction initiatives have been implemented into the new Blackwoods distribution centre in WA and in the new Blackwoods Paykels Protector Safety distribution centre in Auckland, New Zealand. The number of dual fuel vehicles in the fleet increased by 27 per cent. We also purchased 608 Liquid Crystal Display (LCD) computer monitors to replace Cathode Ray Tube (CRT) monitors during the year.	✓	
Continue to implement waste management and recycling initiatives	Recycling practices continued across the branch network. Reuse of cartons as well as paper, cardboard, and plastic recycling was further implemented by branches and distribution centres during the year.	✓	
Continue to support the community and develop our indigenous and diversity strategies	The Aboriginal and Torres Strait Islander Strategy was launched during the year, which is supported by an internal steering committee. WIS partnered with The Fred Hollows Foundation to contribute to their Aboriginal health program, 'Surgery Champions'.	✓	

KEY

- ✓ Achieved
- ✓ Partially achieved
- ✗ Not achieved

WATER CONSUMPTION

Megalitres



* Extrapolated based on data for over 40 sites.

COMMUNITY CONTRIBUTION

A\$m



Community raised contributions supported by Industrial and Safety

Direct, in-kind and product

Total 0.21
Total 0.18



- Continued focus on the development of our people through in-house programs.
- Reduced paper use in Australia by eight per cent.

People

Health and Safety

Safety continued to be a focus for the business with the:

- Completion of a comprehensive review of the GetSAFE safety management system resulting in simplified communication of principles and policies to assist the business improve compliance to safety standards and prevent workplace injuries.
- Number of safety self audits undertaken increased by 81 per cent to 653 from 361 in 2009.
- Implementation of traffic management initiatives at a number of sites across the business where vehicle movement was identified as a high risk.

Training and employee engagement

Training and development initiatives during the year included:

- 767 staff participated in instructor led classes which included WIS Sales Academy courses, customer relationship management and presentation training to give employees skills required in the market place.
- 573 staff completed online development courses during the year and the 'ilearn' online training platform for WIS employees was launched.
- 12 high potential employees are participating in an internal development program to further develop their business skills of project management and commercial acumen, which is applied to a business related project.
- Employee participation in the internal Fit-4-Future survey was 86 per cent, up from 83 per cent last year. The survey seeks feedback from all employees on the direction of the business.
- 47 managers participated in a five day residential Regional and Branch Manager Development Program designed to improve individual and business performance.



- Enrolment of 204 employees in Certificate III and IV Warehousing and Logistics training programs.

Environment

The major environmental initiatives undertaken during the year were:

- Establishing a monthly reporting framework for environmental indicators that compares each branch and business stream on key environment impact categories.
- Reducing paper use across WIS Australia by eight per cent as a result of internal initiatives that included the implementation of wireless warehousing, switching large reports to electronic format and increasing the percentage of electronic transactions.
- Developing a framework in Packaging House, New Zealand, to verify and promote sustainable aspects of our products to help our customers become more sustainable.

Carbon and Energy

Greenhouse emissions

Our total greenhouse gas emissions were estimated to be 30,014 tonnes of CO₂e in Australia and New Zealand.

Energy

During the year WIS implemented the following energy efficiency initiatives that also reduced greenhouse gas emissions:

- Including energy saving fixtures, such as timers and maximising natural light, in the new Blackwoods distribution centre in Canning Vale, WA and in the new Blackwoods Paykels Protector Safety distribution centre in Auckland, New Zealand.
- Lighting timers were installed at the Macquarie Park, NSW office, which helped reduce the energy consumption by eight per cent in 2010 compared to 2009.
- Increasing the number of dual fuel vehicles in the fleet by 27 per cent.
- Purchase of 608 Liquid Crystal Display (LCD) computer monitors to replace Cathode Ray Tube (CRT) monitors during the year.
- Introducing energy efficiency content into the health, safety and environment management system.

Governance

We remain committed to ensuring that WIS and our suppliers (products and services) are compliant with appropriate legislation and WIS values. Focus areas for 2010 included:

- Continuing to educate relevant employees and freight companies on chain of responsibility legislative requirements in Australia and the ongoing audit of transport operators for requisite compliance and business standards.
- WIS continued to work with suppliers to improve the sustainability of sourced product by auditing major Asian suppliers of globally sourced products during 2010.

A 640,000 litre rainwater tank was incorporated into the design of the new Blackwoods distribution centre in Canning Vale, WA.

Bottom left: Aboriginal elder, Noel Nannup conducts a welcome to country at the opening of the Canning Vale distribution centre in WA.



- Sustainability was also included as a category in the WIS 'Supplier of the Year 2009' awards to recognise suppliers' efforts in the area of sustainability.

Community

During the year some of our major community contributions included:

- Protector Alsaf supported the KIDS Foundation in Australia, which promotes childhood injury prevention and injury recovery, by being a charity partner at the 'Turning Scars Into Stars' annual ball and directly contributing over \$25,000.

- The New Zealand businesses have continued their support of a breeding program for the endangered Hiihi bird with contributions of over NZ\$25,000, while also helping to raise funds for St John New Zealand, an emergency ambulance and first aid training service, and the Cancer Society.
- WIS branches work with their local communities by supporting organisations from charities to sporting clubs. One notable example is Bakers Construction & Industrial in Blacktown, NSW who have been working in partnership with Commonwealth Rehabilitation Services since 2003 to provide work opportunities to people with an injury, disability or health condition to help them enter or return to the workforce.
- The total contribution from WIS to our community partners in Australia and New Zealand was over A\$170,000.

Indigenous

Our Aboriginal and Torres Strait Islander Strategy was launched during the year. An internal steering committee met once a month to progress the strategy. Significant activities resulting from the strategy included:

- Direct financial support of over \$20,000 to The Fred Hollows Foundation's 'Surgery Champions' program, where Aboriginal people who have already undergone cataract surgery travel to remote areas of Australia to share the life-changing benefits of the surgery with potential beneficiaries and encourage participation. Additional funds were generated through the 'Blackwoods Foresight Range' of products where some of Blackwoods own brands and participating suppliers have agreed to contribute a percentage of each sale to the Foundation. Additionally, employee contributions to the Foundation were matched dollar for dollar by WIS.
- The annual employee Fit-4-Future survey incorporated dedicated questions around diversity of our employees to better understand the cultural backgrounds of our workforce.
- Engaged an indigenous elder from the local community to conduct a welcome to country at the opening of the Canning Vale distribution centre, WA.

Economic investment

Our sales revenue in Australia and New Zealand was \$1,311.3 million for 2010. Total capital expenditure in 2010 was \$25 million. WIS continued to invest in the development of our branch network and people during the year with investments in:

- The distribution centre for Blackwood Paykels Protector Alsaf in Auckland, New Zealand, that was officially opened in August 2009.
- The distribution centre for Blackwoods in Canning Vale, WA that was officially opened in March 2010.
- Our sales force by providing them with improved systems and tools (including laptops).
- Other plant and equipment including branch relocations and refurbishments.

Independent Assurance Statement



To the Board of Directors, Wesfarmers Limited:

Wesfarmers Limited (Wesfarmers) commissioned Net Balance Management Group Pty Ltd (Net Balance) to provide independent assurance of this Sustainability Report (the Report). The Report presents Wesfarmers' sustainability performance during the period 1 July 2009 to 30 June 2010. Wesfarmers Group and Wesfarmers' business divisions were responsible for the preparation of the Report and this statement represents the assurance provider's independent opinion. Net Balance's responsibility in performing its assurance activities is to the Board of Directors and management of Wesfarmers alone and in accordance with the terms of reference agreed with them. Other stakeholders should perform their own due diligence before taking any action as a result of this statement.

Assurance Standard and Objectives

The assurance process was undertaken in accordance with the AA1000 2008 Assurance Standard (AA1000AS). The standard provides a comprehensive way of ensuring an organisation is responsible for the management, performance and reporting of its sustainability issues. This is achieved through evaluation of the organisation's adherence to the AA1000 AccountAbility Principles (2008) and by reviewing the accuracy and quality of disclosed sustainability performance information.

The AA1000 AccountAbility Principles (2008) used to assess Wesfarmers' processes include:

Inclusivity: An assessment is made as to whether the organisation has included stakeholders in developing and achieving an accountable and strategic response to sustainability.

Materiality: An assessment is made as to whether the organisation has included in its report the material information and data required by its stakeholders to make informed judgements, decisions and actions.

Responsiveness: An assessment is made as to whether the organisation has responded to stakeholder concerns, policies and relevant standards and adequately communicated these in its report.

Assurance Type and Scope

Net Balance provided Type 2 assurance in accordance with the AA1000AS (2008). This involved assessing the organisation's adherence to the AA1000 AccountAbility Principles (2008) and assessing the accuracy and quality of the sustainability information contained within the Report.

The review of adherence to the principles was undertaken using the criteria outlined in the AA1000 Assurance Principles Standard (2008), while assessment of the accuracy and quality of sustainability performance information was undertaken using Wesfarmers' indicator protocols and the Global Reporting Initiative's (GRI) G3 Reporting Principles for Defining Quality.

Assurance Level and Limitations

The level of assurance provided is moderate, as defined by the scope and methodology described in this assurance statement. The assurance covered the whole of the Report and focussed on systems and activities of Wesfarmers during the reporting period, with the following exceptions:

- The scope of work did not involve verification of financial data, other than that relating to environmental, social or broader economic performance.

- Representatives of each of the wholly-owned business divisions were interviewed by members of the assurance team as part of site visits. Interviews were conducted with representatives of Bunnings, Coles, Coregas, CSBP, Curragh Coal, Industrial and Safety, Insurance, Kleenheat Gas, Kmart, Officeworks, Premier Coal, Target, and Wesfarmers LPG. In addition, interviews were also conducted with representatives of Wesfarmers Group.
- Verification of detailed community contributions data for all divisions except Home Improvement and Office Supplies was undertaken by London Benchmarking Group. Community contributions data by Home Improvement and Office Supplies was reviewed as part of Net Balance's assurance process.

Assurance Methodology

The assurance engagement was undertaken between June and October 2010, and involved:

- Preparation of a materiality register (list of key sustainability issues) using the five-part materiality test. This included a comparison of Wesfarmers against its peers, a risk review, an industry review, a review of selected Australian media reports and a policy review.
- Interviews with senior managers to better understand how Wesfarmers Limited and each of the business divisions is addressing key sustainability challenges and how sustainability is integrated within the organisation.
- Independent engagement with stakeholders of Wesfarmers Limited at a corporate level and a review of stakeholder engagement activities undertaken by each of the business divisions. This included reviewing how stakeholder engagement informs the sustainability strategy and performance of the organisation.
- A review of the key sustainability strategies, policies, objectives, management systems, measurement and reporting procedures used by Wesfarmers Group and each of the business divisions.
- Interviews with key personnel responsible for the Report to ascertain their views, understanding and response to material sustainability issues faced by the business divisions.
- Interviews with key personnel responsible for collating and writing various parts of the Report to substantiate the reliability of selected claims.
- A review of the Report for any significant anomalies, particularly in relation to claims as well as trends in data.
- Verification of more than 220 data points and statements selected from the Report and examination of the systems and processes that support the claims.
- Collecting and evaluating evidence to support the assurance work undertaken.
- A Global Reporting Initiative (GRI) G3 Application Level Assessment.

Our Independence

Net Balance was not responsible for preparing any part of the Report. Net Balance confirms that we are not aware of any issue that could impair our objectivity in relation to this assurance engagement. Net Balance has assisted in the development of data management protocols for Wesfarmers to increase consistency in reporting between the business divisions. Net Balance provided assurance over Wesfarmers' National Greenhouse and Energy Reporting (NGER) submission. Net Balance also works with Bunnings and Officeworks on on-ground implementation projects.

Both Wesfarmers and Net Balance have determined that these projects are not in conflict with Net Balance's role as the independent assurance provider.

Our Competency

The Wesfarmers assurance engagement was carried out by an experienced team of professionals led by a Lead Sustainability Assurance Practitioner (Lead CSAP), accredited by the International Register of Certified Auditors UK (IRCA UK). The project included personnel with expertise in environmental, social and economic performance measurement across a range of industry sectors. Net Balance is a global leader in the use of Accountability's AA1000AS, having undertaken more than 80 assurance engagements in Australia over the past three years.

Findings and Conclusions

Adherence to AA1000 Principles

Inclusivity: Wesfarmers has demonstrated a commitment to be accountable to its stakeholders through its Company Values and sustainability reporting process. Wesfarmers has formal processes in place both at the Group and business division levels for communicating with stakeholders on a range of issues and, for the first time this year, has also engaged specifically on sustainability issues with stakeholders of Wesfarmers Limited at a corporate level. Engagement with shareholders, government and regulators, and key community partners is carried out at the Group level, while individual business divisions are responsible for engaging with their own stakeholders including employees, industry bodies, regulators, customers and suppliers. In future, Wesfarmers should focus on using stakeholder feedback to inform its strategic planning.

Materiality: Wesfarmers has this year again reported in line with five key themes. These were developed in consultation with the business divisions and to reflect the range of impacts of Wesfarmers' businesses. Reporting under these key themes has enabled Wesfarmers to appropriately address its key environmental, social and economic material issues. In addition, the Report was found to provide balanced information about Wesfarmers' sustainability performance. Net Balance recommends that Wesfarmers' business divisions continue the shift towards reporting that focuses on their specific material issues, and that these issues are identified through a formal process based on ranking the relevance and significance of each issue both to the division and its stakeholders.

Responsiveness: Wesfarmers was found to be responsive to stakeholders' concerns and expectations. This was demonstrated through the increasing range of formal communication mechanisms established with various types of stakeholders. These systems ensure that Wesfarmers is able to provide timely and accessible responses to its stakeholders through a range of communication channels. Of particular note is Wesfarmers' presentation of its sustainability approach to analysts and investors at the Morgan Stanley Environment Day.

Reliability of Performance Information

Based on the scope of the assurance process, the following was observed with regard to performance information:

- The findings of the assurance engagement provide confidence in the systems and processes used for managing and reporting sustainability performance information.
- The level of accuracy of sustainability performance information was found to be within acceptable limits.
- Data trails selected were generally identifiable and traceable, and the personnel responsible were able to reliably demonstrate the origin(s) and interpretation of data.
- The sustainability performance disclosures presented within the Report appropriately reflect environmental, social and economic performance achieved during the period.
- The GRI application level check classified the Report as Level B+.

Overall, it is Net Balance's opinion that the information presented within the Report is fair and accurate. The Report was found to present a reliable account of Wesfarmers' sustainability performance during the reporting period.

The Way Forward

Over the past 12 months, Wesfarmers has made significant progress in developing a consistent approach to sustainability reporting by its divisions through the Group Reporting Methodology. This has enabled reporting of a near complete core set of indicators for the range of Wesfarmers' diverse business divisions, despite some of the larger businesses being newcomers to Wesfarmers Limited. Wesfarmers should continue to refine its approach to enable reporting of a complete and comparable data set of core indicators for every division next year. Net Balance recognises that reporting of this core set of indicators has been a significant milestone in presenting a consolidated view of Wesfarmers' performance as a Group within the Sustainability Report. In the future, Net Balance recommends that Wesfarmers continues to expand upon the reporting of Group level issues and performance within the Report, providing detail on the organisation's management and progress in addressing company-wide issues. Given Wesfarmers' diverse operations, the challenge is to foster a Group-wide approach to the integration and importance of sustainability in strategy development and execution. This will require the evolution of a Wesfarmers' sustainability policy that provides a consistent approach across all the company's divisions. Such a policy should be informed by a well developed understanding of the material issues the Wesfarmers' businesses face on sustainability and should be principles based, allowing each division to focus its sustainability strategy on material issues specific to its operations. The group-wide approach to key issues should then be described within the Sustainability Report.

For the first time this year, Wesfarmers has undertaken engagement specifically on sustainability issues with stakeholders of Wesfarmers Limited at a corporate level. In the future, the overall company-wide sections of the report should focus on material issues identified through this work such as health and safety, ethical sourcing and supply chain issues, and energy and greenhouse gas reporting. Wesfarmers should continue engagement on sustainability issues with stakeholders at a Group level, but should also consider involving key stakeholders in a dialogue on their view of what constitute material issues at a divisional level. Within the annual Wesfarmers Sustainability Report, each division should then focus on sustainability issues material to it. In identifying material issues, business divisions are encouraged to undertake the AA1000 five-part materiality test, the results of which will supplement the Group Reporting Methodology. Accordingly, it is recommended that a protocol be prepared as part of the Group Reporting Methodology suite for assessing materiality on an annual basis at a business division level.

Further, with an increased focus on materiality and stakeholder engagement at the business division level, it is recommended that Wesfarmers considers undertaking assurance at the business division level in addition to the Group level. Net Balance believes that this will assist business divisions to better focus on their key material and stakeholder considerations.

Finally, as part of the organisation's extensive training suite, it is recommended that specific sustainability related training programs are developed to help raise awareness amongst staff as to the importance and benefits of conducting business in a sustainable manner. This would demonstrate to stakeholders that Wesfarmers is continuing to integrate sustainability as a core Group objective and that the organisation ranks this topic as highly as other measures of performance.

Net Balance has provided additional suggestions for reporting improvement in the Assurance Report presented to Wesfarmers' management.

On behalf of the assurance team

7 October 2010
Melbourne, Australia



Terence Jeyaretnam, FIEAust
Director, Net Balance & Lead CSAP (IRCA UK)

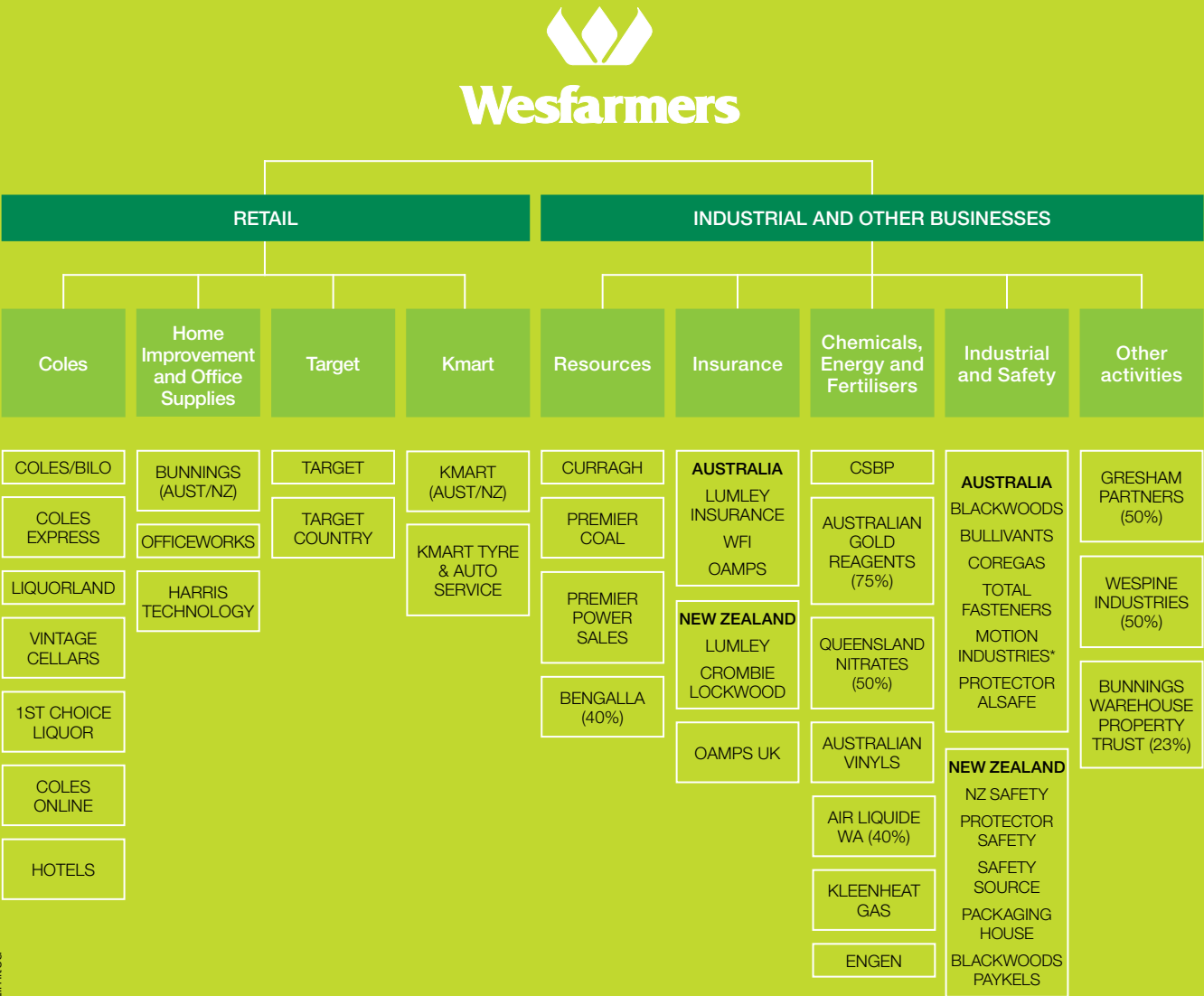


Glossary

This glossary contains an explanation of terms used several times in the text of this report – for ease of reading some terms may also be defined separately in the text as well as in this glossary. This year Wesfarmers has included many common acronyms in this glossary and welcomes feedback on the changes this makes to the readability of the report.

Australian Standards	National benchmarks for products and services.
Carbon Pollution Reduction Scheme	A Federal Government proposal now deferred until 2013 that has the intent of limiting Australia's greenhouse gas emissions and establishing a market based carbon trading scheme to place a price on carbon emissions.
CO₂e	Carbon dioxide equivalent, which is a standard method for converting the global warming potential of all greenhouse gases to a standard unit related to the global warming potential of carbon dioxide.
Energy Efficiency Opportunities Act 2006 (EEO)	This legislation, commonly known by the acronym EEO, is Australian Federal legislation designed to require large energy users (such as Wesfarmers) to develop and report on energy efficiency initiatives in their business.
Fugitive emissions	Generally deliberate but not fully controlled (or in all cases avoidable) emissions that typically result from leaks from pumps, pipes and valves, coal seam methane or vapours emitted when large hydrocarbon storage tanks are filled.
Greenhouse gases	Gases such as carbon dioxide, methane, nitrous oxide and sulphur hexafluoride which contribute to the retention of heat in the earth's lower atmosphere.
Liquefied Petroleum gas (LPG)	Comprising predominantly propane and butane extracted from natural gas or as a by-product of petroleum refining.
Liquefied Natural Gas (LNG)	Comprising predominantly methane, it is produced from natural gas that has been purified, refrigerated and condensed to liquid form.
Lost Time Injury (LTI)	An LTI is a work caused injury which causes an absence for one day (or work shift) or more.
Lost Time Injury Frequency Rate (LTIFR)	A measure commonly used to measure workplace safety performance which is calculated by dividing the number of LTIs by the total hours worked, multiplied by one million.
National Greenhouse and Energy Reporting Act 2007 (NGER)	This Act governs the public reporting of energy use and greenhouse emissions by large organisations, including Wesfarmers, in Australia.
National Packaging Covenant (NPC)	An agreement between the packaging industry, retailers and consumer brand owners which sets guidelines through annual plans and public reporting for resource conservation and waste reduction in the manufacture, supply, distribution, consumption and recovery/recycling of consumer packaging. From late 2010 it will be replaced by the Australian Packaging Covenant.
Commonly used acronyms in this report (which occur in more than one section of the report) are described here in an attempt to prevent repetition in the report itself:	
States and territories of Australia	ACT (Australian Capital Territory); NSW (New South Wales); NT (Northern Territory); Qld (Queensland); SA (South Australia); Tas (Tasmania); Vic (Victoria); WA (Western Australia).
Organisations	RSPCA (Royal Society for the Prevention of Cruelty to Animals); DEC (WA Department of Environment and Conservation); EPA (Environmental Protection Authority – a similarly named body exists in all Australian jurisdictions); DCCEE (Australian Department of Climate Change and Energy Efficiency); and DMP (WA Department of Mines and Petroleum).
Other acronyms	AIFR (All Injury Frequency Rate – calculated by summing number of LTIs and Medical Treatment Injuries for a year, dividing by the total hours worked and multiplying by a million); FSC (Forest Stewardship Council – a body that accredits or verifies timber as originating from legal sources); MHF (Major Hazard Facility – a designation used to describe certain industrial plants or storage facilities in Australia that could represent a risk to the community if not appropriately managed); and WESGERS (Wesfarmers Greenhouse and Energy Reporting system – an internal internet based reporting system used by Wesfarmers to monitor and report on all greenhouse emissions and energy production and use).

Group structure



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* Motion Industries was sold in September 2010.

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Wesfarmers key initiatives

 Community partnerships are essential for the on-going success of our businesses. The Kmart Wishing Tree Appeal is in its 23rd year and has delivered 4.9 million gifts to people in need through its community based partners. ▶



 Workplace safety is central to all our operations to protect employees, customers and visitors from harm. This report provides some pleasing progress, but we are committed to ongoing improvement. ▶



 Energy efficiency is critical to the effective operation of our businesses. Coles, for example, is installing night blinds on refrigerated displays which, when fully implemented, will save about 44,000 tonnes of CO₂e per year. ▲



◀  Safe and secure water supplies are a critical part of sustainable communities. Our chemicals business, one of our businesses which is a large water user, has long-term plans in place to diversify its water sources and reduce the use of public water supplies. In 2009/10 it used 1,490 megalitres of recycled water from treated sewage or its own waste water.