News Release

Wesfarmers

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Managing Director-designate's contract and remuneration

The Board of Wesfarmers today announced details of the intended service agreement and remuneration terms for incoming Group Managing Director Rob Scott when he succeeds Richard Goyder in November 2017.

The key components of the remuneration package agreed with Mr Scott comprise:

- fixed annual remuneration (FAR) of $2.5 million
- eligibility for an annual reward opportunity under the company's Key Executive Equity Performance Plan (KEEPP) program of 200 per cent of FAR (or $5 million) for target performance and a reward opportunity of 300 per cent of FAR (or $7.5 million) for maximum performance.

The total remuneration package opportunity at target is therefore $7.5 million annually. In keeping with the intention of the new KEEPP program to incentivise long-term alignment with shareholders' interests, the Group Managing Director's cash component will be capped at 10 per cent of the KEEPP reward at target performance and will transition to zero in future years of the plan.

Mr Goyder's remuneration currently comprises FAR of $3.5 million and a total remuneration opportunity at target of $10.5 million.

Wesfarmers Chairman Michael Chaney said the Board was comfortable the Group's remuneration outcomes, particularly for its senior executives, over recent years have been reflective of Wesfarmers' performance.

"However we recognise changes in the market that have seen downward pressure on fixed pay levels for CEOs and reductions in overall reward opportunities," Mr Chaney said. "The Board and Mr Scott have discussed and recognised the expectations of Wesfarmers' many stakeholders regarding the remuneration levels of senior executives and believe that this package and those of other senior executives in the Group are appropriate and in line with contemporary market practice of peers."

Wesfarmers confirmed Mr Goyder's remuneration arrangements on retirement will be determined in line with those entitlements disclosed in the company's last remuneration report.

Key contractual terms and details of the annual remuneration that will apply are summarised in the table below.

Summary of Group Managing Director's key contractual terms

Item	Details
Term	• Ongoing (no fixed term)
Commencement	• Effective from 16 November 2017
Fixed remuneration	• $2,500,000 (including superannuation and other benefits) • Subject to annual review by the Board

Variable (at risk) remuneration	• A maximum opportunity under the Key Executive Equity Performance Plan (KEEPP) of 300% of fixed remuneration (and 200% at target)
	• The operation of this plan, the terms of participation, the potential target and maximum amounts available and performance / vesting conditions in future years will be at the absolute discretion of the Board.
	• The size of the KEEPP reward to be granted each year will be determined after the Board tests performance against a range of financial and strategic measures. The reward will then be delivered half in performance shares and half in restricted shares, after deducting any cash component.
	  ◦ The performance shares are subject to a four year performance period which will be tested against agreed performance measures. The performance measures will be outlined in the 2017 Remuneration Report.
	  ◦ Half of the restricted shares are subject to a trading restriction for five years and the other half for six years.
	• As indicated above, as a transitional arrangement from the historic annual incentive arrangements, there will initially be a small cash component for the CEO, which this year will be capped at 10 per cent of the KEEPP reward at target performance, transitioning to zero over the next two years.
	• Incentive amounts are subject to clawback in the event of an overpayment due to a material misstatement / omission from Wesfarmers' financial statements, a misstatement of a performance condition or fraud, dishonesty or a breach of obligation.

Non-solicitation / restrictions on future activities	• Both apply for 12 months following termination • The CEO may not induce a senior employee of the Wesfarmers Group to terminate their employment with Wesfarmers or a material supplier or material customer of the Group from ceasing to do business (or reducing their business) with the Wesfarmers Group. • The CEO is restrained from participating in any business that competes with a material business of Wesfarmers or a planned material future business activity of the Group.
Notice, termination and termination payments	• 12 months' written notice must be given by either party to terminate this agreement. The CEO may be required to serve out whole or part of this period on an active or passive basis or be paid in lieu of notice at the Board's discretion. • Wesfarmers may terminate this agreement immediately for Cause. • The CEO may terminate his employment within 30 days of an event giving rise to a fundamental change. This includes the CEO ceasing to be the most senior executive of the Group, a delisting of Wesfarmers or a material reduction in his role, status or delegated authority (excluding a reduction with his consent or as a result of a proposal brought by the CEO).

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