



Wesfarmers Limited

ABN 28 008 984 049

RISK MANAGEMENT POLICY

September 2008

WESFARMERS LIMITED

RISK MANAGEMENT POLICY

1. RISK OVERSIGHT AND MANAGEMENT

The company is committed to the identification, monitoring and management of material business risks associated with its business activities across the group and has embedded, in its management and reporting systems, a number of overarching risk management controls.

The risk management controls adopted by the company include:

- guidelines and limits for approval of capital expenditure and investments;
- a group compliance programme supported by approved guidelines and standards covering safety, the environment, legal liability, risk identification, quantification and reporting, and financial controls;
- a comprehensive risk financing programme including risk transfer to external insurers and reinsurers;
- policies and procedures for the management of financial risk and treasury operations, including exposures to foreign currencies and movements in interest rates;
- a formal dynamic planning process of preparing five year strategic plans each year for all businesses in the group;
- annual budgeting and monthly reporting systems for all businesses, which enable the monitoring of progress against performance targets and the evaluation of trends;
- directors' financial due diligence questionnaires to management;
- appropriate due diligence procedures for acquisitions and divestments; and
- crisis management systems for all key businesses in the group.

2. DIVISIONAL AUTONOMY AND RESPONSIBILITY TO THE BOARD

The company manages the diverse nature of its operations across the group as autonomous divisions. The management of each division is required by the Board to design and implement the risk management policies and internal control systems to best manage the material business risks of the division in accordance with the company's structured group risk management programme.

Divisional management is ultimately responsible to the Board for the division's internal control and risk management systems and is required to regularly report to it on the effectiveness of the systems in managing the division's material business risks.

In addition, some companies in the Insurance Division are subject to reporting obligations to the Australian Prudential Regulatory Authority. These reporting obligations include a requirement to lodge Risk Management Strategies and Insurance Liability Valuation Reports. The Insurance Division also manages risk through the adoption of reinsurance management strategies and business continuity management policies.

3. ROLE OF THE AUDIT COMMITTEE AND INTERNAL AUDIT FUNCTION

The Audit Committee assists the Board in relation to risk management. The Audit Committee executes this function through a compliance reporting programme developed to encompass the areas identified as most sensitive to risk.

The internal audit function is independent of the external audit function. The Group Internal Audit Manager, who reports to the Finance Director, monitors the internal control framework of the group and provides reports to the Audit Committee. The Audit Committee approves the internal audit charter and the annual internal audit plan to ensure that planned audit activities are aligned to material business risks. The Audit Committee also reviews internal audit reports issued by the Group Internal Audit Manager and monitors progress with recommendations made in those reports to ensure the adequacy of the internal control environment.

4. FINANCIAL REPORTING

CEO and CFO Declaration and Assurance

Consistent with Principle 7 of the ASX Corporate Governance Principles and Recommendations (Second Edition) which issued in August 2007 and section 295A of the Corporations Act 2001, the Managing Director (Chief Executive Officer) and Finance Director (Chief Financial Officer) provided a written statement to the Board (“Declaration”) that, in their opinion:

- the company’s financial report presents a true and fair view of the company’s financial condition and operating results and is in accordance with applicable accounting standards; and
- the company’s financial records for the financial year have been properly maintained in accordance with section 286 of the Corporations Act 2001.

With regard to the financial records and systems of risk management and internal compliance in this written statement, the Board received assurance from the Managing Director and Finance Director that the Declaration was founded on a sound system of risk management and internal control and that the system was operating effectively in all material respects in relation to the reporting of financial risks.

This statement was also signed by the General Manager, Group Accounting.

5. REVIEW

This Policy shall be reviewed at least annually or as required.