

Wesfarmers proposes another capital return plus special dividend

Company/ASX Code	Wesfarmers Limited (ASX:WES)
AGM time and date	Thursday 30 October 2025 at 1.00 PM WST Product Show from 11.00 AM
Location	Perth Exhibition and Convention Centre, Mounts Bay Road, Perth WA
Registry	Computershare
Type of meeting	Hybrid
Monitor	Geoff Read and Ian Berry
Pre-AGM Meeting	Yes, with Chairman Michael Chaney plus others.

Monitor shareholding. The persons who prepared this report have an interest in this company.

1. How we intend to vote

No.	Resolution description	
2a	Re-election of a director M Roche	For
2b	Re-election of a director S L Warburton	For
2c	Election of a director J A Coates	For
3	Adoption of the remuneration report	For
4	Grant of KEEPP shares to the Group Managing Director	For
5	Return of capital to shareholders	For

2. Summary of Issues and Voting Intentions for AGM/EGM

- Wesfarmers is proposing a capital return of \$1.10 plus a special dividend of 40 cents subject to a shareholder vote.
- Sales of various assets have provided the funds, namely the LPG and LNG distribution businesses and Coregas.
- Bunnings and Kmart are performing strongly, the first lithium has now been produced, the health division needs to improve substantially.

3. Matters Considered

Accounts and reports

In 2025 Wesfarmers produced a profit of \$2.9 billion on turnover of \$45.7 billion, up 3.4% on the previous year. This equated to a return on equity of 31.2%.

Dividends for the year totalled \$2.06 per share being 4.0% above the prior year. Additionally, Wesfarmers will put a proposal to the AGM to pay a \$1.10 per share capital distribution combined with a 40 cents per share fully franked dividend distribution.

Bunnings experienced a year of robust demand. It increased revenue by 3.3% and earnings by 3.8%. Return on capital employed increased from 69.2 to 71.5%. The improvement is credited to innovation in tools, outdoor living, smart home and paint categories. Both consumer and commercial segments increased but sales to builders customers reduced.

Kmart continued the strong performance of the previous year. Revenue increased by 2.9% and earnings increased by 9.2%. Return on capital increased from 65.7% to 67.6%. Its ROCE is now almost rivalling at Bunnings. The integration of the Target stores and the revitalisation of the Target brand has paid off handsomely. The development of new products under the Anko brand continues and the group has opened two Anko stores in the Philippines. Wesfarmers tells us that the Anko global revenue is immaterial to the Kmart Group results.

The chemical, energy and fertiliser (CEF) division concluded the sale of the LPG and LNG distribution businesses in December 2024. The production assets were retained. The ROCE declined again from 21.6% 2 years ago to 13.4% last year to 11.2% this year. This division is absorbing major capital expenditure on the construction of the lithium hydroxide plant at Kwinana. (Covalent Lithium is 50% owned by WES). Construction is now complete. Post balance date the plant produced its first quantities of spodumene concentrate. Wesfarmers share was 145 kilo-tonnes. This had been presold in FY 25. The first Lithium hydroxide has been produced post balance date and the plant is expected to ramp up to full production over the next 18 months.

Officeworks results were substantially steady.

In the Industrial and Safety division the sale of Coregas was completed on 1 July 2025. This division now comprises the Blackwoods and Workwear Group business units. Sales and earnings in both these units declined. ROCE fell to 8.2%.

The new health division recorded a revenue increase of 5.5% to \$5.98B. Earnings rose 28% to \$64m. ROCE is low at 3.8%. Improving the returns of this division is imperative. The chairman has previously told the ASA that the corporate plan for this division aims to see it grow financial performance over a 5-year period.

During the year the operations of the loss-making Catch division were discontinued and the residual parts were incorporated into Kmart.

Financial performance

See the table below for the divisional returns and capital components. ROCE is return on capital employed.

Division	Revenue \$ Billion	EBT \$ Billion	Funds Employed \$ Billion	ROCE %	Cash CAPEX \$ Million
Bunnings	19.6	2.34	3.27	71.5	416
Kmart	11.4	1.05	1.55	67.6	136
CEF	2.96	0.4	3.56	11.2	390
Officeworks	3.56	0.21	1.18	17.9	63
Industrial and Safety	1.99	0.1	1.26	8.2	68
Health	5.93	0.06	1.7	3.8	62
Catch #	167	-0.06	-	-	2
Total Group	45.7	3.93	13.96	31.2*	1147

Catch ceased operations April 2025

*Group ROE

Five-year Financial Summary

(As at FYE)	2025	2024	2023	2022	2021
NPAT (\$m)	2926	2557	2465	2352	2380
UPAT (\$m)	2653	2557	2465	2352	2424
Share price (\$)	84.75	65.18	49.34	41.91	59.10
Dividend (cents)	206	194	191	180	178
Simple TSR (%)	33.1	36	22.3	-22.8	35.8
EPS (cents)	258	225.7	217.8	207.8	210.4
CEO total remuneration, Statutory (\$m)	7.34	7.117	8.175	7.951	6.934

*Simple TSR adjusted for 2022 to include the return of capital paid in FY 2022.

Director Changes

One director will retire at the AGM. Ms Jennifer Westacott has been on the board since 2013 and is the longest serving current director. Julie Coates will stand for election at the AGM having been appointed to the board in May 2025.

Proposed change of chairman

At the 2023 AGM Michael Chaney announced that he proposed to retire as chairman in 2026 having served as chairman for 11 years and contributed to Wesfarmers success for almost 40 years.

In August 2025 Wesfarmers announced that its board has resolved to appoint Mr Ken MacKenzie as chairman to succeed Michael Chaney from the conclusion of Wesfarmers' 2026 Annual General Meeting (AGM), expected to be held on 29 October 2026.

Mr MacKenzie will join the Board of Wesfarmers on 1 June 2026 and will stand for election as a director at the 2026 AGM.

Governance

Wesfarmers is a well governed company and we have no issues with this company. The board members have a balance of all the skills necessary, and gender balance at the board and executive level is satisfactory.

Key events

In June 2025 Wesfarmers announced that they had agreed to sell the management rights to the Bunnings Warehouse Property Trust (BWP) to BWP for a consideration of \$143m comprising cash and shares. Multiple renewed Bunnings leases and various capital improvements by BWP were included in the agreement. This agreement was endorsed by BWP shareholders and concluded in August 2025. Wesfarmers now owns 23.5% of BWP.

4. Rationale for Voting Intentions

Resolution 2a Re-election of a director M Roche FOR

Mike Roche was first elected to the board in 2019. He is an independent director. His background is in finance and as an actuary. He later worked at a high level in mergers and acquisitions. He is the chair of the remuneration committee. He is also a director of Macquarie Bank and Macquarie Group. We support his re-election.

Resolution 2b Re-election of a director S L Warburton FOR

Sharon Warburton was first elected to the board in 2019. She is an independent director. Her background is in business strategy, finance and risk management in the resources property and infrastructure sectors. She has several other directorships, South32, Mirvac, Northern Star, and Theiss Group. She has recently retired as a director of Worley.

Resolution 2c Election of a director J A Coates FOR

Julie Coates joined the board in May 2025. She is an independent director. She has been the managing director of Goodman Fielder and also managing director of CSR. She is presently a director of CSR. We support her election.

Resolution 3 Adoption of the remuneration report FOR

The remuneration report is clear and comprehensive. It is also complicated due the nature of the KEEPP executive remuneration plan. ASA has requested Wesfarmers to provide a table showing the actual take home pay of the key executives. Wesfarmers has declined our request many times stating that there is no accounting standard for this information and that the long-term nature of this remuneration scheme makes this unrepresentative. We have noted that there is an ATO standard for this information and that other complex companies manage to publish this information.

With some searching and analysis, it is possible to make a good estimate of the take home pay for the CEO. \$2.66M was paid in cash and benefits, plus he will receive \$3.61M in deferred shares subject to shareholder approval, plus he received 60,109 KEEPP performance shares from FY2021. If we assume a value of \$84.75 per share at the time of vesting this means his total take home pay to 30 June 2025 was approximately \$11.36M. Using the same method his take home pay for 2024 was estimated at \$6.97M.

We note that there are no general pay rises for directors and executives this year with the exception of the chairman who received an increase of 4.5% from 1 July 2024. The CEO's fixed base pay increased from \$2.5M to \$2.6M on 1 October 2023.

CEO's fixed base pay will increase from \$2.6M to \$2.8M on 1 October 2025.

During the year the board fees were assessed against like companies and as a result the chairman's fee will increase by approx. 15% and director's fees will increase by approx. 8% from 1 July 2025.

There is a performance scorecard which is used to assess the performance of each member of the executive key management personnel and feeds into the remuneration outcomes. This year good outcomes were achieved in all areas. Senior executives received a performance score between 69% and 93%, CEO 93%.

Overall, the KEEPP performance shares are designed to reward executives for achieving strategic outcomes which result in long term shareholder returns.

This year we will vote open proxies FOR the remuneration report.

Resolution 4 Grant of KEEPP deferred shares and KEEPP performance shares to the Group Managing Director FOR

It is proposed to allocate the CEO a share-based award valued at \$7.23M (from a potential maximum of \$7.8M) comprising \$3.61M for deferred shares and \$3.61M for performance shares. The number of shares allocated will be decided by dividing the dollar amount by the VWAP price of the shares on the ASX during the period from 5 November 2025 to 18 November 2025. The CEO does not receive a cash incentive for the annual performance results.

The deferred shares will vest over 4, 5 and 6-year periods and cannot be sold under normal conditions.

The performance shares have financial and strategic performance conditions. The number of performance shares that vest for the CEO will depend on the total shareholder returns for the four-year period ending on 30 June 2029 (80% weighting) and performance against a portfolio management and investment outcome conditions (20% weighting).

We will vote open proxies in favour of the resolution.

Resolution 5 Return of capital to shareholders FOR

If this resolution is adopted shareholders will receive a capital distribution of \$1.10 and a fully franked special dividend of 40 cents. This is expected to be paid on 4 December 2025. Wesfarmers has applied to the ATO for a ruling on the tax consequences of this distribution. We urge shareholders to consult their adviser for further information on their personal taxation situation. We will vote open proxies for this resolution.

ASA Disclaimer

This document has been prepared by the Australian Shareholders Association Limited ABN 40 000 625 669 ("ASA"). It is not a disclosure document, it does not constitute investment or legal advice and it does not take into account any person's particular investment objectives. The statements and information contained in this document are not intended to represent recommendations of a particular course of action to any particular person. Readers should obtain their own independent investment and legal advice in relation to the matters contemplated by this document. To the fullest extent permitted by law, neither ASA nor any of its officers, directors, employees, contractors, agents or related bodies corporate:

- makes any representations, warranties or guarantees (express or implied) as to the accuracy, reliability, completeness or fitness for purpose of any statements or information contained in this document; or*
- shall have any liability (whether in contract, by reason of negligence or negligent misstatement or otherwise) for any statements or information contained in, or omissions from this document; nor for any person's acts or omissions undertaken or made in reliance of any such statements, information or omissions.*

This document may contain forward looking statements. Such statements are predictions only and are subject to uncertainties. Given these uncertainties, readers are cautioned not to place reliance on any such statements. Any such statements speak only to the date of issue of this document and ASA disclaims any obligation to disseminate any updates or revisions to any such statements to reflect changed expectations or circumstances.

Appendix 1

Remuneration framework detail for the Group Managing Director

CEO rem. Framework for FY2026*	Target \$m	% of Total	Max. Opportunity \$m	% of Total
Fixed Remuneration	2.8	33.3%	2.8	25%
STI - Cash	0	0%	0	0%
Deferred Shares	2.8	33.3%	4.2	37.5%
Performance Shares	2.8	33.3%	4.2	37.5%
Total	8.4	100.0%	11.2	100%

*Applies from 1 October 2025