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17 September 2021

The Manager
Company Announcements Office
Australian Securities Exchange

Dear Manager,

2021 CORPORATE GOVERNANCE STATEMENT

Attached is the Coles Group Limited 2021 Corporate Governance Statement.

This announcement is authorised by the Board.

Yours faithfully,

Daniella Pereira
Company Secretary

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2021 Corporate Governance Statement

Coles Group Limited
ABN 11 004 089 936

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Other Information

Photographs in our Corporate Governance Statement may have been taken when COVID-19 restrictions were not in place.

FRONT COVER: Coles Online team member Laura brings groceries to a customer's car as part of the Click & Collect (to the boot of the car) service.

www.colesgroup.com.au/corporategovernance

Corporate Governance Statement

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The Board and the management team of Coles Group Limited ('the Company') and the entities it controls (together, 'Coles' or 'the Group') are committed to the highest standards of corporate governance and believe that a robust and transparent corporate governance framework is central to the success of our business. We are committed to maintaining and building on the confidence of our shareholders, our customers, our suppliers, our team members and the broader community as we continue to strive to achieve our vision to become the most trusted retailer in Australia and to grow long-term shareholder value.

This Corporate Governance Statement sets out the corporate governance framework currently in place at the Group, including the key policies and practices. The Company complies with the fourth edition of the ASX Corporate Governance Council's Principles and Recommendations ('ASX Recommendations'). While many of the new recommendations contained in the fourth edition were already addressed in the Company's governance arrangements, this is the first financial year the Company will be reporting against the fourth edition in its Corporate Governance Statement.

This Corporate Governance Statement is current as at 17 September 2021 and has been approved by the Board.

Further information about Coles' corporate governance framework and practices can be accessed on the Company's website www.colesgroup.com.au/corporategovernance, which includes links to each of the publicly available documents referenced in this Corporate Governance Statement.









Behind the scenes images from Coles' 2020 Annual General Meeting which was conducted virtually on 5 November 2020. The event was broadcast live from Melbourne and Sydney.

FY21 corporate governance highlights

Coles' robust corporate governance framework has been integral to our ability to adapt at pace and respond to the challenges of FY21, while continuing to deliver on our strategy.



Strategy

- Focused upon creating trust with all stakeholders and delivering long-term shareholder value.
- Differentiated customer product offering supported by Exclusive to Coles ranging.
- New format store renewal and development across our 2,500 outlets, enhanced by growing online infrastructure.
- Investment in training, resourcing and safety of our more than 120,000 team members.



Board

- Oversight of strategy and performance across all business units.
- Support for management in a period of unparalleled community challenges.
- Strong focus upon values, reputation and stakeholder engagement.
- Close monitoring of risk and operational exposures, including new project initiatives.



Sustainability

- Launched Together to Zero and Better Together Sustainability Strategy.
- Announced new combined Scope 1 and Scope 2 emissions reduction target.
- Continued progress on our commitment to transition to renewable electricity.
- Maintained a strong focus on ethical sourcing and commitment to supporting our suppliers.



Risk Management

- Strengthened Group-wide risk management processes, including investment in risk technology.
- Embedded quality and behaviour overlays, including risk and compliance, in leadership performance measures.
- Obtained external reviews in critical risk areas.
- Continued to mature risk management governance for engagements with third-party goods not for resale providers.

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Corporate governance framework

Strong corporate governance is an important foundation for the performance of the Group and engenders the confidence of the investment market and the Company's stakeholders.



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Our vision, purpose, strategy and values

Our vision is to become the most trusted retailer in Australia and grow long-term shareholder value.

Achieving our vision requires us to deliver on our purpose, which is to sustainably feed all Australians to help them lead healthier, happier lives. Our strategy, 'Winning in our Second Century', represents our plan to deliver on this purpose and is underpinned by three strategic pillars: **Inspire Customers**, **Smarter Selling**, and **Win Together**.

The Company's core values embody who we are as a company and what we stand for. Our Coles values work together with our vision, purpose and our LEaD behaviours to provide a strong foundation for our culture. They guide the day-to-day decisions and actions of all team members, shaping the way we work together to get things done.



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Our values.



Customer obsession



Passion and pace



Responsibility



Health and happiness

Our behaviours.

LEaD



Look ahead



Energise everyone



Deliver with pride

Our Coles values

Our Coles values work together with our LEaD behaviours to define what makes Coles special. Our values act as a compass to guide decision making at all levels of the organisation, from the Board down. Since launching our values in FY20, all our extended leadership team (comprising approximately 300 leaders) have workshopped what our values mean to Coles and undergone formal training. They have also been enabled with resources to engage and embed our values within their teams. All team members have been provided training on our values and each team member who joins Coles learns about them during induction.

Customer obsession

is all about putting the customer at the heart of our decisions, deeply understanding their needs and ensuring our solutions address them.



Passion and pace

acknowledges that our source of competitive advantage lies in our ability to work and adapt at speed and reflects the passion our team has for the work they do and the role we play supporting the community.



Responsibility

is more than doing the right thing and taking accountability for our actions; it extends to our commitment to the broader community and the environment.



Health and happiness

recognises the importance of caring for our team members, creating an environment that ensures their ongoing health and happiness, and knowing that they in turn will care for our customers, suppliers and the community.



Our LEaD behaviours

LEaD reinforces our values by providing a framework for the behaviours expected of all team members, including Directors and members of the Executive Leadership Team. Our LEaD framework defines how we work when we are at our best and comprises three key pillars to drive the way we execute our strategy. It is also integral to delivering against our purpose and building long-term sustainable value for our shareholders.

Look ahead

is all about being future focused: knowing the landscape, being planned and less reactive, and communicating our vision well.



Energise everyone

is all about bringing people on the journey: collaborating across the business and supporting and empowering everyone, while taking the time to celebrate the wins along the way.



Deliver with pride

is all about executing: being accountable and holding each other to account, staying the course and having fun while we do it.



By upholding our Coles values and living the LEaD behaviours, we can build deeper long-term relationships with our suppliers, provide an outstanding customer experience and have engaged and passionate team members.

Our values and LEaD behaviours have been incorporated into the Company's Code of Conduct which can be found at www.colesgroup.com.au/corporategovernance or by clicking **here**

Our Board of Directors



James Graham AM
Chairman of the Board
Chairman of the Nomination Committee
and Member of the People and Culture Committee



Steven Cain
Managing Director and Chief Executive Officer



David Cheesewright
Member of the Nomination Committee
and the People and Culture Committee



Jacqueline Chow
Member of the Nomination Committee
and the Audit and Risk Committee



Abi Cleland
Member of the Nomination Committee
and the People and Culture Committee



Richard Freudenstein
Chairman of the People and Culture Committee
and Member of the Nomination Committee



Paul O'Malley
Chairman of the Audit and Risk Committee
and Member of the Nomination Committee



Wendy Stops
Member of the Nomination Committee
and the Audit and Risk Committee

Biographical details of the Board of Directors can be found on pages 51-52 of Coles' 2021 Annual Report which can be accessed **here**

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Roles and responsibilities

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Board role and responsibilities

The Board provides leadership and approves the strategic direction and objectives of the Group in the long-term interests of, and to maximise value to, shareholders.

As at the date of this statement, the Board comprises eight Directors: James Graham AM (Chairman), David Cheesewright, Jacqueline Chow, Abi Cleland, Richard Freudenstein, Paul O'Malley, Wendy Stops and Steven Cain (Managing Director and Chief Executive Officer (CEO)). Each of the Directors was appointed on 19 November 2018, except for Paul O'Malley whose appointment was effective 1 October 2020 and Steven Cain who was appointed as Managing Director on 2 November 2018.

Details of the Directors, including their qualifications and experience, can be found on pages 51-52 of Coles' 2021 Annual Report which can be accessed **here**

The Board has a charter that outlines its responsibilities, including powers that are expressly reserved to the Board, and powers that are specifically delegated to the CEO and management. In particular, the responsibilities of the Board include:

- approving and monitoring the implementation of the Group's core values, Code of Conduct, vision, strategic direction, business plans and policies, in order to uphold corporate reputation and maximise shareholder value;
- setting the risk appetite within which the Board expects management to operate;
- reviewing, approving and monitoring the Group's risk policy and risk management systems (for both financial and non-financial risks), including internal compliance and control mechanisms;
- approving and monitoring the progress of major capital expenditure, capital management, capital raising initiatives and major acquisitions and divestments;
- overseeing the Group's accounting and corporate reporting systems;
- monitoring and guiding the culture, reputation and standards of conduct of the Group to promote ethical and socially responsible behaviour, in accordance with the core values of the Group;
- approving the overall remuneration policy and the remuneration of the non-executive directors, the CEO, the direct reports to the CEO and any incentive and/or equity plans;
- overseeing that the remuneration policy is aligned with the vision, values, strategic objectives and risk appetite of Coles;
- receiving information regarding material breaches of the Code of Conduct and Anti-bribery and Corruption Policy and reports of material incidents under the Whistleblower Policy;
- overseeing the effectiveness of the Group's sustainability and governance policies and practices, including exposure to climate change and other environmental risks and exposure to social risks;
- determining the size, composition and structure of the Board, and the process for evaluating its performance;
- appointing and removing the CEO and the Company Secretary, and approving and reviewing succession plans for the non-executive directors, executive directors, CEO and the direct reports to the CEO; and
- satisfying itself that the Board reporting framework is appropriate and, where required, providing constructive feedback to challenge the CEO and the Executive Leadership Team.

The Board Charter was reviewed and updated in FY21.

Management role and responsibilities

The CEO, with the support of the direct reports to the CEO, is responsible for the day-to-day management of the Group and its businesses. Under the Board Charter, the Board delegates all powers to manage the day-to-day business of the Group to the CEO, with the exception of the powers reserved specifically to the Board.

The key responsibilities of the CEO are set out in the Board Charter and include:

- managing and administering the day-to-day operations of the Group and its businesses in accordance with the core values, strategy, business plans and policies approved by the Board;
- developing strategies for the Group, its businesses and management, and making recommendations to the Board on such strategies, having regard to the Group's core values, reputation and key stakeholders;
- supporting a culture within the Group that promotes ethical and socially responsible behaviour in accordance with the Group's core values;
- developing the Group's annual budget and conducting the Group's activities within the approved annual budget;
- developing and maintaining the Group's Risk Management Framework and systems, including internal compliance and control mechanisms; and
- reporting regularly to the Board with accurate, timely and clear information, such that the Board is fully informed to discharge its responsibilities effectively.

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While management is responsible for providing the Board with accurate, timely and clear information, the Board is responsible for satisfying itself that the framework for management reporting to the Board is sufficient. Where appropriate, the Board will provide constructive feedback to challenge the CEO and the Executive Leadership Team.

Members of the Executive Leadership Team have written employment contracts setting out the key terms of their employment and appropriate background checks are conducted before a senior executive is appointed. These executives receive a mix of annual remuneration and 'at-risk' remuneration, which comprises short-term incentives and long-term incentives. Further information about Coles' remuneration framework and the review of performance outcomes can be found in the Company's Remuneration Report.

Coles' Remuneration Report can be found on pages 57-74 of Coles' 2021 Annual Report which can be accessed **here**

Role of the Chairman

The Chairman of the Board is James Graham, who is an independent, Non-executive Director. The Board Charter sets out the role of the Chairman, which includes to:

- maintain effective communication and promote constructive and respectful relationships between the Board and management;
- lead the Board;
- ensure the efficient organisation and conduct of the Board's function;
- brief all directors in relation to issues arising at Board meetings;
- chair general meetings of the Company;
- exercise such specific and express powers as are delegated to the Chairman by the Board from time to time; and
- represent the Board in communications with shareholders and other stakeholders.

Company Secretary

The Company Secretary is Daniella Pereira. The Company Secretary reports directly to the Board through the Chairman, and all Directors have access to the Company Secretary.

The Company Secretary's role is outlined in the Board Charter and includes coordinating the timely completion and dispatch of Board and committee papers, ensuring that the business at Board and committee meetings is accurately recorded in the minutes and assisting the Board and its committees on governance matters.

Director independence

The Board Charter states that the Board shall consist of a majority of non-executive directors who are considered by the Board to be independent.

The Board annually assesses the independence of each Director, having regard to:

- any disclosures made by directors regarding their independence;
- the definition of independence set out in the ASX Recommendations;
- the relationships affecting the independent status of a director as described in the ASX Recommendations; and
- any other matters the Board considers relevant.

In addition, under the Charter, directors must immediately disclose to the Company Secretary and the Chairman any information, facts or circumstances of which they become aware, which may affect their independence.

The Board has reviewed the position and relationships relevant to each of the Directors in office as at the date of this Corporate Governance Statement and with the exception of the CEO, considers that all Non-executive Directors are independent.

Some of the Directors hold, or have previously held, positions in companies with which Coles has commercial relationships. The Board has assessed the relationships between Coles and the companies in which Directors hold or held positions and has concluded that in all cases the relationships do not interfere with the Directors' exercise of objective, unfettered or independent judgement or their ability to act in the best interests of Coles.

David Cheesewright was initially nominated as a Director by Wesfarmers Limited (Wesfarmers), which was previously a substantial shareholder in Coles and has an ongoing commercial arrangement with Coles. Mr Cheesewright retains a general retail consultancy with Wesfarmers. The consultancy spans a wide range of retail businesses and the Board is satisfied that it does not interfere with or compromise his ability to exercise objective or independent judgment or act in the best interests of the Group. The Board considers that Mr Cheesewright's contribution to the Board continues to be significant due to his expertise and knowledge of the business and the industries in which Coles operates. At the 2020 Coles Annual General Meeting, Mr Cheesewright was re-elected as an independent Non-executive Director of Coles.

Conflicts of interest

Coles has a Director Conflicts of Interest Policy, which states that directors:

- have a duty not to place themselves in a position which gives rise to a real or substantial possibility of conflict of interest or duty, in relation to any matter which is or is likely to be brought before the Board;
- have an ongoing obligation to disclose to the Board immediately any real or substantial possibility of conflict of interest or duty;
- are required to declare material personal interests or other conflicts requiring disclosure by formal standing notices; and
- follow the obligations and procedures set out in the policy in the event of a conflict or potential conflict of interest or duty.

Independent advice

The Board Charter states that the Board collectively, and each director individually, may obtain independent professional advice at the Company's expense, as considered necessary to assist in fulfilling their relevant duties and responsibilities.

Board composition and succession

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Board composition

The Constitution states that the number of directors shall be not less than three directors and not more than 10 directors. Other than the Managing Director, directors may not retain office without re-election for more than three years or past the third annual general meeting following their last election or re-election. Any newly appointed directors are required to seek election at the first annual general meeting after their appointment.

The Board will review periodically its composition and the duration of terms served by directors, upon recommendation from the Nomination Committee.

Director nomination and succession

The Nomination Committee is responsible under its charter for developing and reviewing Board succession plans, with an aim of maintaining an appropriate mix of skills, experience, expertise and diversity over time.

The Committee also oversees the process for recruiting new directors. Potential candidates for the Board as well as directors standing for re-election are assessed considering a number of factors, including but not limited to:

- skills, experience, expertise, personal qualities and attributes that will best complement the skill set and characteristics of existing directors and enhance Board effectiveness;
- diversity (in its broadest sense) of Board composition;
- the capacity to devote the necessary time and commitment to the role; and
- potential conflicts of interest and independence.

Appropriate background checks are performed before any potential candidate is appointed by the Board or recommended to shareholders as a candidate for election.

Prior to directors seeking election or re-election at an annual general meeting, the Company provides shareholders with all material information known to the Board and relevant to a decision on whether or not to elect or re-elect that director in the notice of annual general meeting. Each director is provided a letter setting out the terms of their appointment.

Induction and professional development

All newly appointed directors will participate in an induction program, which includes information relevant to their new role, introductions to key staff and attendances at key sites, noting that in light of the ongoing COVID-19 pandemic, site visits were limited during FY21. The induction includes briefings on the Group's business, strategy, financial, operational and risk management matters, and factors relevant to the sectors and environments in which Coles operates.

Where appropriate, the Company also provides training as part of the induction program on the following matters:

- the key duties and responsibilities of directors under the *Corporations Act 2001* (Cth) (Corporations Act) and the ASX Listing Rules (including the ASX's continuous disclosure and periodic reporting requirements); and
- accounting and financial matters.

The induction program is coordinated by the CEO, the Chief Financial Officer (CFO) and the Company Secretary.

Ongoing education programs are provided to Directors throughout the year. The Board (in consultation with the Nomination Committee) regularly assesses, including by reference to the Board skills matrix, whether there are areas in which Board members would benefit from further education. Based on this assessment, the Board organises updates and information to be provided to the Board from both management and external experts on various topics relevant to the Group's circumstances, including new and emerging business and governance issues relevant to Coles and material developments in laws and regulations.

Performance reviews and evaluation

The Board undertakes a performance evaluation to review its performance and that of its committees and each Director at least once every two years (including the performance of the Chairman as Chairman of the Board). The Chairman reports to the Board regarding the performance evaluation process and the findings of these reviews.

An external Board effectiveness review was conducted during FY21 to assess the performance of the Board as a whole and its committees. The process was undertaken with the assistance of an external service provider and included a detailed questionnaire across a number of areas including governance, board processes, board culture and relationship with management. A report was presented to the Chairman and discussed with members of the Nomination Committee, which included recommended areas for further consideration and discussion. The overall assessment was that the Board continued to perform well and with a focus on continued improvement in a dynamic and rapidly changing environment. The Chairman also met with each Director to discuss the review findings.

Executives are also subject to an annual performance review in which performance is measured against agreed outcomes and performance indicators and having regard to the Coles values and LEaD behaviours outlined on page 5. The CEO's performance is assessed by the Board against objectives relating to Group strategy, business plans and the financial and other performance of the business, as well as the CEO's own performance.

For FY21, the performance of the CEO was reviewed by the Chairman, in consultation with the Board. The performance of other members of the Company's Executive Leadership Team during FY21 was reviewed by the CEO, in consultation with the Board.

Board skills matrix

The Board recognises the importance of having directors who possess a broad range of skills, background, expertise, diversity and experience in order to facilitate constructive decision-making and facilitate good governance processes and procedures.

The Board, on the recommendation of the Nomination Committee, determines the composition, size and structure requirements for the Board and will regularly review its mix of skills to make sure it covers the skills needed to address existing and emerging business and governance issues relevant to the Company.

The current mix of skills and experience represented on the Board as at 17 September 2021 is set out in the below skills matrix:

Skill/experience	Number of Directors with the requisite skill
Corporate governance Experience serving on boards in diverse industries and for a range of organisations, including public listed entities or other large, complex organisations. An awareness of global practices and trends. Experience in implementing high standards of governance in a large organisation and assessing the effectiveness of senior management.	8
Executive experience Effective senior leadership in a large, complex organisation or public listed company. Successfully leading organisational transformation and delivering sustained business success, including through line management responsibilities.	8
Financial acumen Senior executive or other experience in financial accounting and reporting, internal financial and risk controls, corporate finance and/or restructuring, corporate transactions, including ability to probe the adequacies of financial and risk controls.	8
Strategic thinking Demonstrated ability to identify and critically assess strategic opportunities and threats and to develop and implement successful strategies to create sustained, resilient business outcomes. Ability to question and challenge on delivery against agreed strategic planning objectives.	8
People, culture and remuneration Experience overseeing or implementing a company's culture and people management framework, including succession planning to develop talent, culture and identity. Board or senior executive experience in applying remuneration policy and framework, including linking remuneration to strategy and performance, and the legislative and contractual framework governing remuneration.	8
Risk management Understanding of and experience in identifying and monitoring key risks to an organisation and implementing appropriate risk management frameworks and procedures and controls.	8
Retail and FMCG skills and experience Senior management experience in the retail and fast moving consumer goods (FMCG) industry, particularly in the food and liquor industry, including an in-depth knowledge of merchandising, product development, exporting, logistics and customer strategy.	6
Customer service delivery Advanced understanding of customer service delivery models, benchmarking and oversight.	8
Supply chains Senior executive experience in managing or overseeing the operation of supply chains and distribution models in large, complex entities, including retail suppliers.	7
Interstate / global business experience Senior manager or equivalent experience in national or international business, providing exposure to a range of interstate or international political, regulatory and business environments.	8
Property development and asset management Experience in property development and asset management.	5
Marketing Senior executive experience in consumer and brand marketing and in eCommerce and digital media, including in the retail industry.	6
Digital technology and innovation Expertise and experience in the adoption and implementation of new technology. Understanding of key factors relevant to digital disruption and innovation, including opportunities to leverage digital technologies and cyber security and understanding the use of data and analytics.	7
Sustainability, environment, health and safety Identification of key health and safety issues, including management of workplace safety, and mental and physical health. Experience in managing and driving environmental management and social responsibility initiatives, including in relation to sustainability and climate change.	7
Regulatory and public policy Senior management experience working in diverse political, cultural, regulatory and business environments. Experience in regulatory and competition policy and influencing public policy decisions and outcomes, particularly in relation to regulation relevant to food and liquor industries.	7

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Board committees

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The Board has established three standing committees and has delegated to each committee a number of duties to assist the Board in exercising its responsibilities and discharging its duties. Together, they play an important role in assisting the Board's oversight and governance of the Group's operations.

Each committee has a separate charter that sets out the roles and responsibilities of that committee, as well as the membership and any other requirements for the running of the committee. The committee charters were reviewed in FY21. All committees are chaired by and comprise a majority of independent Non-executive Directors. Each committee keeps the Board informed of its activities through the provision of the minutes of each meeting, and the Chair of each committee formally advises the Chairman of the Board of any matters or recommendations requiring the Board's attention.

The members, composition and responsibilities of each committee are set out below.



Directors' attendance at Board and committee meetings can be found on page 54 of Coles' 2021 Annual Report which can be accessed **here**

Audit and Risk Committee

Members

Paul O'Malley (Chairman), Jacqueline Chow, Wendy Stops

Composition

- At least three members
- Only non-executive directors, a majority of whom must be independent
- An independent non-executive director as Committee Chair, who is not Chair of the Board
- Members of the Committee between them should have the accounting and financial expertise, and sufficient understanding of the industry in which the Group operates, to be able to effectively discharge the Committee's responsibilities
- The Committee Chair should have significant and relevant accounting experience

Responsibilities include

- Meeting at least four times annually and holding additional meetings as necessary
- Overseeing the effectiveness of the systems of internal controls and the enterprise risk management framework, including monitoring risk parameters of the Group (for both financial and non-financial risks) having regard to the Group's core values
- Reviewing and assessing the Group's processes to verify the integrity of financial statements and reporting and compliance with legal and regulatory requirements (including accounting standards), including periodic corporate reports that are not audited or reviewed by the external auditor
- Review and assess any non-audit assurance related services to be provided by external auditors
- Oversee and report to the Board on the Group's management of tax risks and governance and the Group's policies and practices for managing compliance with tax laws
- Review and recommend to the Board the Group's Treasury policy and monitor the ongoing effectiveness of the Group's Treasury function
- Receiving reports from management on new and emerging sources of risks and the risk controls and mitigation measures that management has put in place to deal with those risks
- Evaluating the adequacy and effectiveness of the Group's identification and management of environmental and social sustainability risks and its disclosure of any material exposures to those risks (financial and non-financial)
- Reviewing the Group's Risk Policy and Risk Management Framework at least annually for recommendation to the Board, including satisfying itself that the Risk Management Framework continues to be sound and that the Group is operating with due regard to the risk appetite set by the Board
- Reviewing any material incident involving fraud or a break-down of the risk controls and 'lessons learned'

Nomination Committee

Members

James Graham (Chairman), David Cheesewright, Jacqueline Chow, Abi Cleland, Richard Freudenstein, Paul O'Malley, Wendy Stops

Composition

- All non-executive directors
- An Independent non-executive director as Committee Chair, who may be Chairman of the Board

Responsibilities include

- Meeting at least annually and holding additional meetings as necessary
- Reviewing and making recommendations to the Board on Board composition, competencies and diversity, including assisting the Board to develop and review the Board skills matrix
- Developing and reviewing Board succession plans, director induction and continuing development programs and making recommendations to the Board
- Ensuring there is a robust and effective process for evaluating the performance of the Board, committees and individual directors
- Overseeing and making recommendations to the Board on the annual assessment of each director's independence and overseeing the disclosures made in relation to director independence

People and Culture Committee

Members

Richard Freudenstein (Chairman), David Cheesewright, Abi Cleland, James Graham

Composition

- At least three members
- Only non-executive directors, a majority of whom must be independent
- An independent non-executive director as Committee Chair

Responsibilities include

- Meeting at least four times annually and holding additional meetings as necessary
- Reviewing and overseeing the key people and organisational culture strategies and their alignment with the Group's overall strategy and vision
- Approving the appointment of direct reports to the CEO and the general terms of their employment contracts, including termination payments
- Overseeing the succession planning process for the CEO, direct reports to the CEO and other key leadership roles, and reviewing talent management within the Group generally
- Assisting the Chairman of the Board in the annual performance review of the CEO and overseeing the annual performance review of the CEO's direct reports
- Reviewing the Company's policies in respect of diversity, reviewing the measurable objectives for achieving gender diversity set by the Board on an annual basis, and recommending any changes to the Board
- Overseeing the establishment and implementation of the remuneration framework, and making recommendations to the Board on whether the Group's remuneration policies support Coles' strategic objectives, encourage and sustain a culture aligned with Coles' values, and are aligned with the Group's Risk Management Framework and risk appetite
- Reviewing and making recommendations to the Board on non-executive director remuneration
- Reviewing and making recommendations to the Board on the CEO's remuneration arrangements and performance and, in consultation with the CEO, the CEO's direct reports
- Overseeing management's preparation of the annual Remuneration Report and making recommendations to the Board as appropriate

The Company's Board and Committee Charters can be found at www.colesgroup.com.au/corporategovernance or by clicking **here**

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Shareholders and reporting

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Market disclosure

The Company is committed to complying with its obligations relating to the disclosure of market sensitive information in a timely manner and providing shareholders and the market with up-to-date information about the Group's activities. The Board receives copies of all material market announcements promptly after they have been released. The Company's Market Disclosure Policy, which was reviewed and updated in FY21, establishes procedures aimed at ensuring that the Company complies with the legal and regulatory requirements under the Corporations Act and the ASX Listing Rules. These procedures include the establishment of a Continuous Disclosure Committee, which monitors the continuous disclosure framework and is responsible for ensuring that the Company complies with its obligations.

The Company's Market Disclosure Policy can be found at www.colesgroup.com.au/corporategovernance or by clicking **here**

Communication with shareholders

The Company aims to communicate all important information relating to Coles to its shareholders and implements processes to facilitate effective two-way communication with shareholders and other stakeholders. The Company recognises that potential investors and other interested stakeholders may wish to obtain information about Coles from time to time.

To achieve this, the Company communicates information to its shareholders and other stakeholders regularly, through a range of different forums and publications, including:

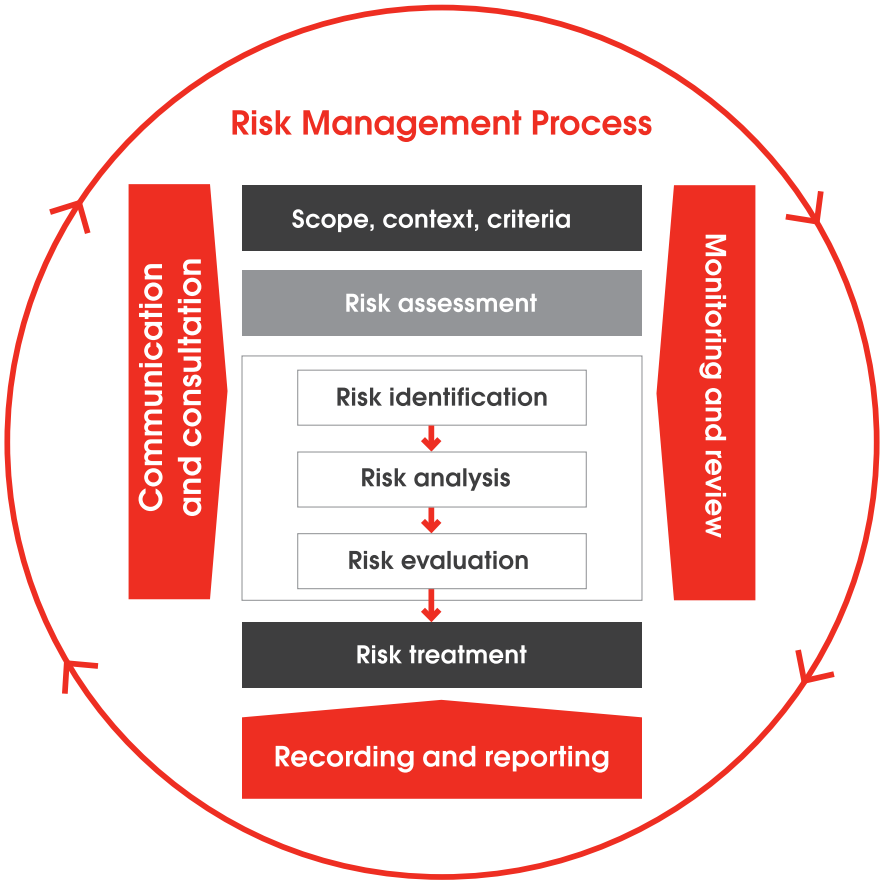
- The Company encourages its shareholders to participate in its annual general meeting, by attending, exercising their voting rights and asking questions of the Board. The Company will conduct all voting at the annual general meeting on a poll, ensuring that voting outcomes reflect the proportionate holdings of all shareholders who vote (whether in person or by proxy or other representative).
- The Company's external auditor will attend the annual general meeting and will be available to answer questions from shareholders on the conduct of the audit.
- The Board will seek approval of shareholders as required by the Company's Constitution, the Corporations Act and the ASX Listing Rules, or where otherwise considered appropriate by Directors.
- The Company has an investor relations program in place, which includes scheduled and ad hoc briefings with analysts, investors and other stakeholders, including some briefings on a one-on-one basis. All presentation materials are lodged with the ASX prior to a briefing and published on the Company's website promptly after a briefing.
- Regular releases of information are made through the ASX market announcements platform, including the release of the Annual Report and full and half-year results.
- The Company's website provides up-to-date information about Coles and its operations, the corporate governance framework, the Board and management, ASX announcements, the share price, dividend distributions and other relevant information.
- The Company gives shareholders the option to receive communications from, and to send communications to, the Company and its share registry electronically.

Risk management

Coles has in place a Risk Management Framework which articulates Coles' Risk Policy and sets out Coles' organisational arrangements and requirements for managing risk. The design of the Risk Management Framework is based on ISO 31000:2018 Risk management – Guidelines ('ISO 31000'), which provides a consistent and internationally recognised set of principles and guidelines for managing risks in organisations. The main components of the Risk Management Framework are:

- Risk Policy – articulates Coles' commitment and expectations for risk management.
- Risk Accountability – defines roles, accountabilities and activities for managing, communicating and reporting risks.
- Risk Management Process – the standard risk management process to be applied to all the Group's business, supported by common definitions and tools.
- Risk Culture – defines the required behaviours for managing risk.

Coles Risk Management Framework (as defined by ISO 31000)



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The objective of the Risk Management Framework is to embed risk management within our business operations and accountabilities so that it supports the pursuit of our strategic and operational objectives while managing risks within a pre-defined level of appetite, informs decision-making, and establishes appropriate risk management responses. It also provides the Board and Executive Leadership Team with transparent and timely information to enable appropriate oversight of Coles' risks and mitigations.

Our Risk Management Framework is supported by our 'three lines of defence' accountability model, comprising:

- First Line – Team members within brands, business units and functions who are responsible for identifying, assessing, and managing their risks.
- Second Line – The Group Risk and Compliance team and other second line functions (for example, Health, Safety & Wellbeing) who are responsible for risk and compliance frameworks, oversight and monitoring.
- Third Line – The Group Internal Audit team, who are responsible for independent assurance of governance, risk management and internal control frameworks and processes.

The CEO and Executive Leadership Team are responsible for maintaining and implementing the Risk Management Framework. This includes the identification, measurement and mitigation of risks across the Group in accordance with the risk appetite set by the Board, and leading and supporting the development of a risk-aware culture.

One of the core components of our Risk Management Framework is the risk management process, which sets out the requirements and criteria for assessing and reporting risks to which Coles has a material exposure (i.e. 'material risks') including environmental and social risks. A summary of these risks and their mitigations is set out at pages 37 to 50 of the 2021 Annual Report. Further information about our environmental and social risks, our approach to managing them, and our sustainability performance is available in our 2021 Sustainability Report.

A summary of material risks and their mitigations can be found at pages 37-50 of Coles' 2021 Annual Report which can be accessed **here**

A copy of Coles' 2021 Sustainability Report can be found at www.colesgroup.com.au/sustainability or by clicking **here**

The Audit and Risk Committee assists the Board in fulfilling its responsibilities in overseeing the effectiveness of the Risk Management Framework, including monitoring risk parameters of the Group and overseeing the Group's systems of internal control (for both financial and non- financial risks).

Material risks, along with their controls and treatment plans, are monitored for adherence to risk appetite and changes in their exposure, and are reported to each Audit and Risk Committee meeting during the course of the year, along with information on emerging risks.

Members of the Executive Leadership Team are assigned as Risk Owners to relevant material risks, and are responsible for presenting any additional risk reports to the Board and committees. These reports provide further discussions on the management of risk in areas that are key to the success of the business including adherence to risk appetite.

In FY21, we implemented initiatives which have continued to drive an uplift in our risk management maturity. This includes further embedment of our risk appetite framework, which includes the definition, measurement, monitoring and reporting of risk appetite for our material risks; and implementation of our technology platform to facilitate the management of risks, major compliance programs, and tracking of audit actions. We also implemented our Goods Not For Resale ('GNFR') third party management framework, which provides the standard processes, accountabilities and tools for managing GNFR third parties across the supplier lifecycle, including the required risk management activities.

We completed our annual review of the Risk Management Framework with the purpose of enhancing its design and identifying opportunities to further embed risk management within our operations. These opportunities inform our Risk Management Strategy and Plan for future years.

In respect of FY21, the Audit and Risk Committee has undertaken a review of the Risk Management Framework in relation to the reporting period and is satisfied that it continues to be sound and is operating with regard to the risk appetite set by the Board.

Internal audit

Coles has an outsourced Internal Audit function overseen by internal management, which is responsible for independent assurance over Coles' governance, risk management and internal control processes. Under the Coles Risk Management Framework, Internal Audit is responsible for:

- providing independent assessment and assurance to the Board and Executive Leadership Team regarding the effectiveness of the Coles Risk Management Framework and regarding the effectiveness of controls in place to manage particular risks; and
- providing feedback to enhance the Risk Management Framework and supporting processes and activities, with the aim of strengthening the control environment.

The Audit and Risk Committee is responsible under its charter for overseeing the performance and function of Internal Audit. This includes:

- reviewing with management the terms, including the scope, of the internal auditor's engagement, in order to make recommendations to the Board concerning the appointment, re-appointment, rotation and removal of internal auditors;
- reviewing, assessing and approving the appointment, replacement or termination of the Head of Internal Audit and Assurance;
- approving the Internal Audit Charter and annual Internal Audit Plan and ensuring its alignment with the risk profile of the Group;
- receiving reports from Internal Audit and reviewing the scope and adequacy of the internal audit work plan; and
- reviewing, assessing and monitoring management's responsiveness to Internal Audit findings.

External audit

Coles' external auditor is Ernst & Young (EY). The Audit and Risk Committee is responsible for reviewing and approving the terms and scope of the external auditor's engagement and making recommendations to the Board regarding the appointment, re-appointment, rotation and removal of the external auditor.

The Committee provides an annual report to the Board with respect to whether the non-audit services provided by the external auditor during the year were compatible with the general standards of independence for auditors in accordance with the Corporations Act.

Management assurances / certification

Prior to approval of the financial statements for each full year and half year relevant reporting period, the Board receives written certifications from the CEO and the CFO in relation to the Company's financial reporting processes.

In respect of the financial statements for the half year ending 3 January 2021 and the full year ended 27 June 2021, the CEO and the CFO declared that:

- in their opinion, the financial records have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the Group's financial position and performance; and
- their opinion has been formed based on a sound system of risk management and internal control which is operating effectively.

Integrity in financial reporting

The Audit and Risk Committee assists the Board in fulfilling its responsibilities in overseeing the Group's processes which ensure the integrity of financial statements and reporting, compliance with legal and regulatory requirements, review of material changes in accounting or reporting requirements and assessment of subsequent effects on the Group's policies and practices.

The Company's external auditor is responsible for auditing Coles' Financial Report and the Remuneration Report included in the annual Directors' Report. Coles' half year Financial Report is also reviewed by the external auditor.

For periodic corporate reports released to the market which are not audited or reviewed by the Company's external auditor, management has developed practices and guidance material that are intended to ensure the integrity of the information disclosed to the market. As part of the Company's processes, the reports are prepared by, or under the supervision of, subject-matter experts. Material statements in the reports are reviewed for accuracy and are subject to internal verification and sign off processes. Confirmation of the verification processes are then provided to the Audit and Risk Committee and/or relevant Board Sub-Committee.

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Diversity and inclusion

We are all different and, at Coles, we know that is a good thing. Just as we have for over a century, we are making Coles somewhere everyone feels like they belong. So that we can all live healthier and happier lives.

Diversity and Inclusion Policy and framework

The Board is responsible for the review and oversight of Coles' Diversity and Inclusion Policy. The Policy requires the Board to set measurable objectives for achieving gender equity and to assess annually both the objectives and the Group's progress in achieving them. In FY21, management established the Better Together Council, with responsibility for reporting on progress towards achieving our diversity and inclusion targets and making recommendations to the Board.

During the year, the Board and management reviewed Coles' diversity and inclusion program and endorsed five focus areas commencing for FY22 – Belonging, Accessibility, Gender equity, Pride and Indigenous engagement. These focus areas are unchanged from FY21, with the exception of Belonging, which has been introduced to replace Flexibility. As part of this review, the existing targets and commitments under the focus areas have been refined, with updated commitments endorsed in relation to Belonging. The commitment remains to achieve these targets by December 2023. The Board also endorsed a new ambition reflecting our aspirations for the Group's diversity and inclusion program. The ambition for *A team that is better together* acknowledges that our differences, backgrounds, experiences and perspectives are what set us apart and can bring us together. Our differences help spark ideas, create connections, and discover commonality, which help us to foster understanding, show empathy and build communities.

A team that is better together

Belonging

Foster an open and welcoming culture where everyone feels valued

Pride

Champion LGBTQI+ inclusion in the workplace and beyond

Gender equity

Achieve a gender balanced workforce to benefit all of us and our community



Indigenous engagement

Provide more opportunities for Aboriginal and Torres Strait Islander peoples, suppliers, customers and communities to engage with our business

Accessibility

Recognise and enable people with all kinds of abilities

The Company's Diversity and Inclusion Policy can be found at www.colesgroup.com.au/corporategovernance or by clicking **here**

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A team that is better together

During FY21, Coles continued to make progress against each of the five focus areas. Progress against our Gender equity objectives is set out below. Details of our progress against the Belonging, Accessibility, Pride and Indigenous engagement focus areas can be found in our 2021 Sustainability Report.

Gender equity

The table below sets out the Gender equity objectives as at FY21 and the updated wording which takes effect for FY22. The remainder of this section details Coles' progress against the FY21 Gender equity objectives.

Gender equity objective	FY21	For FY22
Board Composition	Board composition to be not less than 30% of each gender	No change
Employer of Choice	Be recognised as an Employer of Choice for Gender Equality	To be recognised as a WGEA Employer of Choice for Gender Equality enabling us to attract and retain the best talent at Coles
Gender Representation	Make year-on-year progress towards achieving 40% representation of women in leadership positions at an organisational level and at least 30% representation of any gender at an overall functional level	Reach 40% women in leadership roles at an organisational level. Improve male and female representation in each function to 30% of each gender
Pay Parity	Achieve pay parity by having the right policies, practices and governance in place to reach balance and offer the same opportunities to all team members to build great careers at Coles	Achieve pay parity to support the achievement of gender equality

FY21 Gender equity objectives

Coles' continued progress against its FY21 Gender equity objectives is detailed below.

1. **Board composition to be not less than 30% of each gender**

   In FY21, the percentage of female Board members was 37.5%, which is consistent with FY20.

2. **Be recognised as an Employer of Choice for Gender Equality**

   In FY21, Coles continued to work towards becoming an Employer of Choice (EOC) for Gender Equality. As part of the focus on gender balance across the organisation, Coles continued to build female representation in leadership and management roles. During FY21, Coles focused on functions with traditionally less gender balance, including Technology and Operations. To support increased gender balance in these areas, Coles:

   - reviewed recruitment, talent and promotion processes;
   - established gender balance principles across talent acquisition, internal promotion and restructuring processes;
   - undertook an independent review of our practices to develop a roadmap to achieving EOC under the Federal Government's Workplace Gender Equality Agency (WGEA) framework;
   - strengthened the Gender Equity Steering Committee to provide leadership and guidance to all functions on achieving gender targets; and
   - developed a consistent approach to building gender balance plans and forecasting progress.

   Coles also announced changes to the paid parental leave policy, which came into effect on 24 June 2021. This included an adjustment to primary carer's leave with 8 weeks paid upfront and 4 weeks on return to work and secondary carer's leave increasing from 1 to 2 weeks.

3. **Make year-on-year progress towards achieving 40% representation of women in leadership positions at an organisational level and at least 30% representation of any gender at an overall functional level**

   Coles continues to strive towards achieving these targets as set out in the table below:

Population*	Executive Leadership Team[1]	Senior Executives[2]	All leadership roles[3]
Target	40% women in leadership positions		
FY20 female representation	33.3%	39.4%	34.2%
FY21 female representation	35.7%	42.3%	36.5%

* All population categories are reported as at 27 June 2021 and on the same basis as Coles' 2020 Corporate Governance Statement

1 Includes CEO

2 Senior Executives comprises Executive Leadership Team and General Managers

3 All leadership roles comprise team members pay grade eight (being middle managers and specialist roles) and above, and Supermarket store managers

The percentage of women in all leadership roles increased from 34.2% in FY20 to 36.5% in FY21. In the Executive Leadership Team, the female proportion in this group increased from 33.3% in FY20 to 35.7% in FY21. The percentage of women Senior Executives (which comprises the Executive Leadership Team and General Managers) increased from 39.4% in FY20 to 42.3% in FY21. The increase in the overall percentage of women in all leadership roles was due to increases in women in the Technology and Operations functions and an increase in female Supermarket store managers.



Increasing the number of women in leaderships positions in FY21, we welcomed (from left to right) General Manager Property, Fiona Mackenzie, General Manager eCommerce, Claire Pallot, General Manager People and Culture Commercial and Corporate, Jasmine Doak and General Manager Financial Control and Corporate Partnering, Jo York. (Claire Lauber, State General Manager Coles supermarkets Victoria/Tasmania not pictured)

Looking more broadly at women in management – a category which includes leadership as well as other key leader roles including Coles Liquor store managers, Coles Express site managers, Coles Supermarket department managers, Coles Services area managers and team leaders[1] and people leaders in the distribution centres – the percentage increased from 43.3% in FY20 to 43.8% in FY21.

Across all roles, women represent 50.5% of team members.

4. **Achieve pay parity by having the right policies, practices and governance in place to reach balance and offer the same opportunities to all team members to build great careers at Coles**

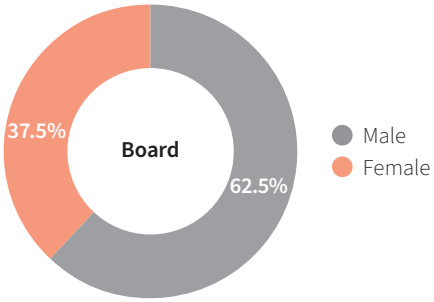
In FY21, we continued to make progress on pay parity, with a reduction in the gender pay gap from 1.5% in FY20 to 1.3% in FY21. This is a result of investment, improved education, application of pay parity principles for new appointments and annual remuneration review adjustments.

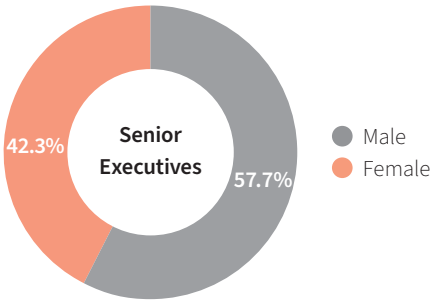
Coles is committed to achieving pay parity by December 2023 by having the right policies, practices and governance in place to achieve balance and offer the same opportunities to all team members to build great careers at Coles.

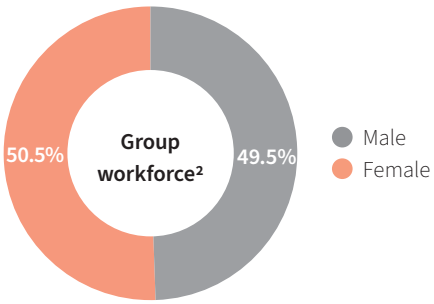
Our reframed commitment provides a stronger objective to achieve pay parity and demonstrate our resolve to reduce the gender pay gap across our organisation.

Workforce profile

For FY21, the proportion of men and women on the Board, in Senior Executive positions (being members of the Executive Leadership Team and team members who are in the position of General Manager) and across the workforce generally are set out below:







1 In FY20, Coles Services area managers and team leaders were included as part of Coles Supermarket department managers.
2 Weekly average from 29 June 2020 to 27 June 2021.

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A culture of acting lawfully, ethically and responsibly

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The Company has a number of policies that promote a culture of acting lawfully, ethically and responsibly and outline expected standards of behaviour. These policies include the following:

Code of Conduct

The Company has a Code of Conduct which sets out the standards of behaviour that are expected of its directors and team members in their interactions with customers, suppliers, the community and each other. The Code of Conduct sets out the Company's values and LEaD behaviours. Our values of Customer obsession, Passion and pace, Responsibility and Health and happiness define what's important to us, and our LEaD behaviours of Look ahead, Energise everyone and Deliver with pride guide how we work as a team and continue to build on the strong relationships with our suppliers and customers. The Code of Conduct was reviewed and updated in FY21 to include our commitment to human rights and opposition to modern slavery.

The Company's Code of Conduct can be found at www.colesgroup.com.au/corporategovernance or by clicking **here**

Whistleblower Policy

As part of the Company's commitment to the highest standards of conduct and ethical behaviour in all its business activities, the Company has a Whistleblower Policy to encourage anyone to come forward with concerns. The policy, which was reviewed and updated in FY21, requires Coles team members, directors and officers who have reasonable grounds to suspect that 'Potential Misconduct' has occurred or is occurring within or against Coles to make a report. The policy also encourages anyone else who has reasonable grounds to suspect that 'Potential Misconduct' has occurred or is occurring within or against Coles to make a report. Potential Misconduct is any suspected or actual misconduct or an improper state of affairs or circumstances in relation to Coles. It includes any unethical, illegal, corrupt, fraudulent or undesirable conduct or any breach of the Company's policies such as its Code of Conduct by a Coles director, team member, contractor, supplier, tenderer or any other person who has business dealings with Coles.

Coles team members may raise any concerns internally. Additionally, anyone (including Coles team members, suppliers and contractors) may make anonymous reports to the Stopline Hotline, an independent and confidential reporting line. The policy emphasises that Coles will not tolerate anyone being discouraged from speaking up or being adversely affected because they have reported misconduct in accordance with the policy.

The Company's Whistleblower Policy can be found at www.colesgroup.com.au/corporategovernance or by clicking **here**

Anti-bribery and Corruption Policy

The Company has an Anti-bribery and Corruption Policy, which was reviewed in FY21. The policy stipulates that Coles has zero tolerance for bribery and corruption in any form. It prohibits directors and team members from engaging in activity that constitutes bribery or corruption and sets out a number of guidelines to assist team members to determine what constitutes bribery or corruption. It covers any activity or behaviour undertaken in connection with Coles, regardless of the geographical location in which that activity or behaviour occurs.

The Company's Anti-bribery and Corruption Policy can be found at www.colesgroup.com.au/corporategovernance or by clicking **here**

Sustainability, Health, Safety and Wellbeing

Coles is committed to providing a safe and healthy environment for team members, customers, suppliers, contractors, visitors and supply chain partners. The Health, Safety and Wellbeing Policy, which was reviewed in FY21, describes the systems and processes in place to manage the risks and hazards that come with operating Coles' business and ensure that Coles' actions are appropriate to our risk profile.

The Company's Health, Safety and Wellbeing Policy can be found at www.colesgroup.com.au/corporategovernance or by clicking **here**

The Audit and Risk Committee is responsible for overseeing the effectiveness of systems of internal controls and the Risk Management Framework, including Coles' exposure to environmental risks.

Details of Coles' material exposure to environmental and social risks, as well as details of how Coles manages these risks, are referred to in the Risk Management section of our 2021 Annual Report. Additional information in relation to these risks is also available in Coles' 2021 Sustainability Report.

The Risk Management section of Coles' 2021 Annual Report can be found at page 37-50 of Coles' 2021 Annual Report which can be accessed **here**

Securities Dealing Policy

The Company has a Securities Dealing Policy to ensure compliance with insider trading laws, protect the reputation of the Group, its directors and team members, maintain confidence in the trading of the Company's securities and prohibit specific types of transactions. In general, directors, members of the Executive Leadership Team and other executives at the General Manager level and above (Restricted Persons) may not deal in the Company's securities during specified periods (known as 'blackout periods') that cover the period leading up to and immediately following the release of the quarterly retail sales results, half-yearly results and full-year results. Outside of those blackout periods, Restricted Persons must seek prior approval to deal in the Company's securities from the Company Secretary (or their delegate).

In all cases, Restricted Persons and team members more broadly (and their Connected Persons) are prohibited from dealing in securities when they are in possession of 'inside information'.

The Securities Dealing Policy, which was reviewed in FY21, also covers the Company's policy on Restricted Persons hedging (or otherwise locking in a profit over) unvested securities issued under the Company's share plans.

The Company's Securities Dealing Policy can be found at www.colesgroup.com.au/corporategovernance or by clicking **here**

Other Policies

The Company has a number of other policies which outline expected standards of behaviour of directors and team members, including:

- Appropriate Workplace Behaviour Policy
- Confidentiality Policy
- Conflicts of Interest Policy
- Delegation of Authority Policy
- Environment Policy
- Ethical Sourcing Policy
- Gifts, Events and Entertainment Policy
- Political Donations Policy
- Privacy Policy
- Sanctions Policy

These policies can be accessed by team members on the Company's intranet.

The Company continually assesses and upgrades its policies and procedures to ensure compliance with corporate governance requirements.

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